

**AUREUS MINING INC.**

**Management's Discussion and Analysis  
For the quarter ended March 31, 2012**

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**(stated in US dollars)**

The following discussion is management's assessment and analysis of the results and financial condition of Aureus Mining Inc. (the "Company" or "Aureus" or "Aureus Mining") prepared in accordance with International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the accompanying consolidated financial statements and related notes for the quarter to March 31, 2012. This management discussion and analysis has been prepared based on information available to the Company as at May 11, 2012. Unless otherwise indicated all amounts are in US dollars.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.aureus-mining.com](http://www.aureus-mining.com).

**1. OVERVIEW**

**(a) DESCRIPTION OF BUSINESS AND COMPANY HISTORY**

Aureus Mining is an exploration and development stage company focused on gold projects in west Africa and operates in Liberia and Cameroon. Its most advanced project is the New Liberty Gold Project in Liberia (the "New Liberty Gold Project" or "New Liberty"). The Company has a loyal and strong workforce and supports the local communities in which it operates by sourcing services and supplies, creating job opportunities and participating in social programmes. The Company is listed on the Toronto Stock Exchange ("TSX") (Ticker AUE) and the AIM Market of the London Stock Exchange ("AIM") (Ticker AUE).

Aureus Mining was incorporated on February 1, 2011 and on April 13, 2011 completed a plan of arrangement with African Aura Mining Inc. ("African Aura") (which was renamed Afferro Mining Inc. ("Afferro") on conclusion of the process) upon which all African Aura's gold and diamond interests were transferred to Aureus along with \$10.6 million in cash.

**(b) PLAN OF ARRANGEMENT**

On April 13, 2011 African Aura completed a plan of arrangement (the "Arrangement") under the British Columbia Business Corporations Act pursuant to which it transferred its gold assets, 30,792,770 shares in Stellar Diamonds plc ("Stellar Diamonds") and \$10.6 million cash (the "Transferred Assets") to Aureus Mining and African Aura was renamed Afferro Mining Inc.

The Arrangement was approved by the board of directors of African Aura and by African Aura's shareholders at a special meeting held on April 5, 2011.

Under the Arrangement, among other things, the Transferred Assets were acquired by Aureus Mining and each participating shareholder received new common shares in Afferro and Aureus Mining in exchange for the African Aura common shares held by such shareholder on the basis of one new Afferro common share and one Aureus Mining common share for each African Aura common share held by such shareholder.

**(c) STRATEGY**

Following the completion of the Arrangement, Aureus Mining's strategy to increase shareholder value will be to: (i) develop the New Liberty Gold Project into a mine; and (ii) progress exploration on promising assets in both Liberia and Cameroon.

The Company's management believes it is well placed to implement its strategy through the business strengths discussed below:

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***A Strong Portfolio of Assets***

The Company has a strong portfolio of gold assets:

- The New Liberty Gold Project in Liberia has a National Instrument 43-101 ("NI 43-101") compliant Reserve estimate of 8.7 million tonnes grading 3.1 g/t for 873,000 contained ounces of gold in the Proven and Probable category and a NI 43-101 compliant Resource estimate of 1.57 million ounces of gold grading 3.6 g/t. The Resource is comprised of 672,000 tonnes grading 4.7 g/t (for 102,000 ounces) in the Measured category, 8,666,000 tonnes grading 3.5 g/t (for 984,000 ounces) in the Indicated category, and 4,310,000 tonnes grading 3.5 g/t (for 483,000 ounces) in the Inferred category. The definitive feasibility study ("DFS") is currently underway and is scheduled to be completed during Q2 2012; and
- A promising portfolio of exploration stage gold projects in Liberia and Cameroon.

***Experienced Board***

The directors of the Company have extensive experience of mining operations in Africa and taking projects through development and into production. There is a balanced representation of directors with operational, corporate and financial backgrounds. The majority of directors are independent.

***Technically Strong***

The Company has experienced exploration teams in the countries in which it operates with the flexibility to work across the region in areas where the geological setting is well understood. The Company employs up-to-date technological tools to better focus its exploration efforts.

**(d) ON-GOING PROJECTS**

Listed below is a summary of the main projects and their status:

<b>Country</b>	<b>Project</b>	<b>Q1 2012 Progress</b>	<b>2012 Plans</b>	<b>Project Ownership</b>
Liberia	New Liberty	4,314m of exploration drilling completed. 3,045m of additional infill drilling completed  96km <sup>2</sup> of soil sampling lines completed  25km's of IP gradient survey lines were completed  Regional airborne geophysics conducted over Bea Mountain property  Processing of airborne geophysics data in progress	DFS due to be completed Q2 2012  Continue exploration to test new targets  Continue soil sampling and trenching on a regional grid  Continue IP gradient array survey  Continue with processing of the airborne geophysics data	90% <sup>1</sup>
Liberia	Ndablama	2,747m of Phase 2 exploration drilling completed  A 450m trench program started	Continue drilling programme  Geological and structural mapping due to be completed by Q2 2012	90% <sup>1</sup>
Liberia	Weaju	Camp infrastructure upgrade completed	Phase 2 drilling programme due to commence in 2012	90% <sup>1</sup>
Liberia	Leopard Rock	Phase 1 exploration drilling program underway with a total of 4,294m	Drill data and lab results collation and analysis for	100%

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Country	Project	Q1 2012 Progress	2012 Plans	Project Ownership
		completed  A 33 km <sup>2</sup> soil sampling campaign started	phase 2 drill planning  Continue with soil sampling and trenching	
Liberia	Gondoja	Review of current soil and trench data and all historical data collected  Results received from trenches	Phase 1 drilling planned for Q2 2012  Trenching to continue in Q2 2012	90% <sup>1</sup>
Cameroon	Batouri	Preliminary trenching programmes completed and results pending	Further trenching programmes for target identification	100%

1. The Government of Liberia is entitled to a 10% free carried interest.

## **2. EXPLORATION PROJECTS**

### **(a) New Liberty Gold Project, Liberia**

#### ***Introduction***

The key asset in the Aureus portfolio is the New Liberty Gold Project where the Company is currently undertaking a DFS. New Liberty is a greenfield development with the advantage of having excellent access from the capital and main port of Liberia, Monrovia. From the capital there is predominantly paved road covering the 100 kilometres to the project site, providing excellent all year round access.

The Company holds its interests in the New Liberty Gold Project through its subsidiary Bea Mountain Mining Corporation ("Bea") which was granted the Bea Mineral Development Agreement ("Bea MDA") by the government of Liberia. The Bea MDA came into effect on November 28, 2001 and has an initial term of twenty-five years expiring on November 28, 2026, which may be extended for successive twenty five year terms upon notice to the Liberian Government and submission of feasibility study prior to termination of the initial or successive term.

On July 29, 2009 Bea was granted a Class A Mining Licence ("Bea Mining Licence") within the Bea MDA by the Government of Liberia. The Bea Mining Licence permits mining within a 457 km<sup>2</sup> area which encompasses the New Liberty Gold Project.

#### ***Maiden Reserve Estimate***

On February 2, 2012, the Company announced a maiden Reserve for the New Liberty Gold Project of 873,000 ounces grading at 3.1 g/t. Mineral Resources have been updated to 1.6 million ounces grading at 3.6 g/t, which includes approximately 1.1 million ounces in the Measured and Indicated categories.

The NI 43-101 compliant technical study supporting the Reserve statement for the New Liberty Gold Project has been compiled by Australian Mining Consultants ("AMC") with contributions from DRA Mineral Projects (Pty) Ltd ("DRA") for metallurgical test work and processing and Golder Associates Ghana Ltd ("Golder Associates" or "Golders"). The Reserve technical report summarizes the geology, Resources and Reserves, mining and mine production schedule, metallurgy, process plant design, infrastructure design including tailings management facility, capital and operating cost estimates, financial modelling and the key results of the environmental baseline studies. The Reserve estimate was undertaken by AMC in accordance with the requirements of NI 43-101.

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The Reserves support an open pit operation with an average annual production rate of 1.1 million tonnes of ore over an eight year production life. Plant production over the first four years averages 123,000 ounces per annum. All of the Reserve at New Liberty is located within 220 meters of surface and is extractable by open pit mining methods.

The total Reserve estimate of 8,716,000 tonnes grading 3.1 g/t (for 873,000 ounces) is comprised of 731,000 tonnes grading 4.3 g/t (for 102,000 ounces) in the Proven category and 7,985,000 tonnes grading 3.0 g/t (for 771,000 ounces) in the Probable category, as detailed in the table below. The Proven and Probable Ore Reserves are contained within open pits of depths between 180 and 220 metres below surface. The ore body is still open at depth and to the west.

The reported Reserve estimate is shown in the following table:

<b>Reserve Classification</b>	<b>Tonnes</b>	<b>Gold (g/t)</b>	<b>Gold koz</b>
Proven	731,000	4.3	102
Probable	7,984,000	3.0	771
<b>Total Proven and Probable</b>	<b>8,716,000</b>	<b>3.1</b>	<b>873</b>

**Notes**

1. *The Ore Reserve was estimated by construction of a block model within constraining wireframes and based on Measured and Indicated Resources*
2. *The Ore Reserve is reported at a cut-off grade of 0.64 g/t Au and ore below 1 g/t cut off is stockpiled for processing at the end of the mine life*
3. *A dilution skin of 0.5m added and a minimum mining width of 2.5m was applied*
4. *The Ore Reserves were estimated based on the updated NI 43-101 Mineral Resource as stated in this same study*
5. *The cut-off grade and pit optimisations were based on a gold price of US\$ 1,250 per ounce*
6. *A 93 % metallurgical gold recovery was used*
7. *Due to rounding, some columns or rows may not add up exactly to the computed totals*

**Project Development Plan**

Post completion of the DFS, finance is required to be raised in order to fund the construction and development of the New Liberty project. The project development and construction is planned to commence in Q3 2012, with a twelve month construction period, with production commissioning in Q4 2013. The first full year of production is scheduled to be 2014.

The New Liberty project has a mining licence that is valid for twenty-five years. An environmental and social impact assessment is nearing completion and will be submitted to the Environmental Protection Agency of Liberia during Q2 2012. The environmental and social impact assessment is the final outstanding permit required before full construction can commence.

**Updated Resource at New Liberty**

An updated Mineral Resource estimate was undertaken by AMC in accordance with the requirements of NI 43-101. It incorporates all the results from drilling as at December 9, 2011, being 375 holes for 57,830 meters and was calculated on the basis of a 1.0 g/t cut-off grade.

The total Resource estimate is comprised of 672,000 tonnes grading 4.74 g/t (for 102,000 ounces) in the Measured category, 8,666,000 tonnes grading 3.53 g/t (for 984,000 ounces) in the Indicated category, and 4,310,000 tonnes grading 3.5 g/t (for 483,000 ounces) in the Inferred category, as detailed in the table below. The Measured and Indicated Resources are located predominantly within the first 200 metres below surface. The Inferred Resource remains open at depth.

The new Resource estimate, reflecting predominantly infill drilling, when compared on a global basis with the previous estimate of December 2010 has approximately 1 % less grade and 5 % more tonnes, which results in an increase of 57,000 ounces of gold.

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<b>Mineral Resource</b>	<b>Tonnes (kt)</b>	<b>Average Grade (g/t)</b>	<b>Contained Gold (koz)</b>
Measured	672	4.74	102
Indicated	8,666	3.53	984
<b>Subtotal M+I</b>	<b>9,338</b>	<b>3.62</b>	<b>1,086</b>
Inferred	4,310	3.50	483

**Notes**

1. CIM definitions were used for Mineral Resources
2. A cut-off grade of 1.0 g/t Au is applied for all zones
3. Due to rounding, some columns or rows may not add up exactly to the computed totals
4. The Mineral Resource is inclusive of the Mineral Reserve

***Progress in Q1 2012***

3,045m of additional depth extension and infill drilling was completed for the DFS in Q1 2012. The results show continuation of gold mineralization at the Kinjor Marvoe area below the current designed pit limits.

During Q1 2012, 243m of geotechnical and condemnation drilling was completed as part of the DFS work associated with the process plant and tailings storage facility. Results show that there is no gold mineralization beneath the proposed tailings storage facilities (TSF) or process plant area.

The Company has continued its programme of ground geophysical surveys and magnetic measurements over the strike extents of New Liberty and the surrounding areas. IP survey lines completed for Q1 2012 cover 24.8km. Two 1km dipole-dipole lines were also completed southwest of the New Liberty main pit.

A regional airborne geophysics survey was conducted over the Bea Mountain property. Preliminary regional aeromagnetic data has been released. Further processing of the airborne geophysics data continues.

In Q1 2012, 4,314m of exploration diamond drilling was undertaken to explore newly identified geophysical targets. No results have been received from the drilling to date. Exploration drilling will continue to test new targets. Two drill rigs have been contracted for on-going exploration drilling during Q2 2012.

Three of the holes intersect narrow mineralised zones in Western Larjor which is also confirmed by the geophysical metal factor anomalies. This area is a target for further investigation.

A total of 96.5km<sup>2</sup> of soil sampling lines were completed at New Liberty. 2,094 samples were taken and submitted to the laboratory for analysis. Results for 375 of the sample were received during the course of Q1 2012 and are being analysed. The results show an anomaly along strike west from New Liberty making this a potential target to further investigate in Q2 2012 with drilling.

AMC and the Company's mining personnel have completed a detailed review of the open pit design following AMC's completion of the updated geological resource model Q4 2011, and the completion of the pit slope geotechnical investigations and the hydrological ground water reviews associated with the mining of the open pit. As additional geological information becomes available through Q2 2012 this will be incorporated within updated designs.

DRA Engineering has been appointed to undertake detailed metallurgical test work to a DFS level, and then complete all design work and cost estimation studies for the capital build and operation of the process plant. Metallurgical test work has been completed at Mintek testing laboratories with respect to comminution and gold recovery. Process design studies have concluded that a gravity/CIL circuit is the preferred process recovery method at an average 93% gold recovery. Optimisation studies for CIL cyanidation and oxidation processes together with specialist grind mill test indices to optimise mill design are being finalised. The process plant layout and associated infrastructure layouts are complete and equipment lists and specifications along with civil work estimates are being developed for tender.

The Company has retained the services of Golders to conduct the environmental and social impact assessment ("ESIA") of the New Liberty Project. The completion of the project impact assessment on the area

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covering the New Liberty proposed mining infrastructure is being undertaken to finalise the Project ESIA during Q2 2012.

The Company has also retained the services of Golders to conduct the design studies and capital build cost estimate of the Tailings Storage Facility ("TSF") and the Marvoe Creek diversion. The locations proposed for the TSF and the Marvoe Creek diversion have been assessed and a detailed topographical survey for design has been completed. Ground geotechnical investigations for the two projects were completed in Q1 2012 and detailed civil design and materials estimates are being finalised for contract quotations.

The Company is also carrying out an investigation into alternative power supply options for the project, which includes assessing project economics. Current studies are focused on the potential use of a Heavy Fuel Oil power generation system as being the most cost effective solution. The potential use of a small scale hydroelectric power generation system utilising Marvoe Creek is being investigated as part of the DFS.

The table below presents a summary of the Company's primary consultants, and their respective responsibilities, assisting on the DFS:

<b>Consultant</b>	<b>Responsibility</b>
Australian Mining Consultants	Resources, reserves and mine design
DRA Mineral Projects	Metallurgical process design and test work
Golder Associates	ESIA and tailing storage facility

**(b) Ndablama gold project, Liberia**

The Ndablama prospect is located in the northeast corner of the Bea MDA property and is approximately 40 km's northeast of the Company's New Liberty deposit. The Ndablama prospect is defined by the presence of extensive artisanal mining activity and a 2km, gold in soil anomaly which trends in a north-south direction.

Trenching and drilling indicates that the gold mineralisation is located within a north-south trending band of sheared, folded and altered ultramafic rocks close to the contact with granite pegmatite's and intrusives. In the south-east portion of the prospect the rocks are folded and the strike changes direction from a north-south and east-west orientation. Gold mineralisation is associated with disseminated pyrite, minor chalcopyrite and quartz veinlets.

Exploration activities at Ndablama include extensive trenching and diamond drilling. Previously, the Company reported trench and diamond drill hole results which defined an area of 150 metres east – west by 900m north – south. This zone is referred to as the Central zone. Further trenching to the north and south east of the Central zone has highlighted additional mineralised zones, which are referred to as the North and East zones.

A phase 2 drilling program of 3,430m comprising 22 drill holes commenced in Q1 2012 with 2,747m being completed. The programme has four outstanding holes to be drilled in Q2 2012. A total of 433 drill core samples were submitted to the laboratory in Q1 2012 and results are awaited.

A trenching exercise is being carried out between the Ndablama and Leopard Rock area. To date a total of 70m for 2 trenches has been completed.

Plans going forward are to map the geological and structural extent at Ndablama using the trench, drilling and mapping data.

**(c) Weaju gold project, Liberia**

The Weaju deposit is situated 30 kilometres east north east of the New Liberty Gold Project at the eastern end of the Bea Mountain ridge. Mapping, supplemented by later drilling, indicates that mineralisation is located within a sheared ultramafic host unit bounded to the north and south by granite basement. To date a total of

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3,935 metres of diamond drilling has been completed in 48 diamond drill holes. This drilling confirmed the presence of four principal high-grade lenses of gold mineralisation, named the North Zone, the Main Zone, the Ridge Zone and the Creek Zone, as well a zone of modest mineralisation called Macenta. The combined strike length is approximately 450 metres. During the H2 2011 and Q1 2012, a review of the geological model and diamond drill data was completed and a revised phase 2 drilling programme of 4,000 metres is now scheduled for 2012.

**(d) Leopard Rock, Liberia**

During 2011 the company entered into an agreement with Mansion Minerals Limited to purchase all of the shares of Archaen Gold (Liberia) Inc. ("Archaen Gold"), a company holding the exploration rights to a license area covering 89 km<sup>2</sup>. The Archaen Gold exploration license is contiguous with and immediately south of the Company's Bea Mountain mining license and hosts the south eastern extension to the gold bearing rocks associated with the Ndablama prospect. The shear structure hosting the Leopard Rock target can be traced in the North West to Ndablama over a distance of 3 km.

Gold mineralisation occurs within folded, deformed and metamorphosed ultramafic and mafic rocks along a North West trending shear zone. A series of trenches totalling 838m have been excavated across the mineralised structure and cover a potential mineralised strike length of 600m.

A further 4,294m were drilled in Q1 2012 to complete the Phase 1 exploration drilling programme. Results from 26 diamond drill holes are available on the Company's website. Results for nine holes are still pending. A 33 km<sup>2</sup> soil sampling programme was started in Q1 2012 over two blocks south of Leopard Rock.

**(e) Gondoja, Liberia**

Soil sampling work was completed to cover the area from the Ndablama prospect to the Gondoja target within a structural corridor approaching 11.5 km strike length. 960 assay sample results were received in Q1 2012. Three anomalous zones have been identified as potential targets for further exploration work. Trenching has since been planned over the target areas.

In 2011, 600 metres of trenching was completed on the anomalous soil sampling zones. A further 3,055m in 21 trenches has been started in Q1 2012. A first phase drilling programme of 14 holes totalling 2,200m is currently being planned for Gondoja in Q2 2012 based.

**(f) Cameroon Gold Projects**

At its Batouri project in Cameroon, the Company is currently reviewing all historical project geological data, has recently recruited geological field staff and is preparing for an extensive exploration programme for 2012 which will focus on multiple soil anomalies along major mineralised structures.

To date 32 pits have been dug in the north of the Batouri license for a total of 156m and 142 samples. 2 trenches have been dug both in north and south of Amndobi (northwestern part of the Batouri License) for a total of 157m and 120 samples. An infill soil sampling has been undertaken south of Amndobi to check continuity of gold in soil anomaly, 360 samples were collected. All samples have been sent for analysis with results pending.

**(g) Sonfon Gold Project, Sierra Leone**

The Sonfon project is subject to a joint venture agreement dated June 16, 2010 between Golden Star (the operator) and the Company. The Company has elected not to contribute its share of expenditure on the Sonfon 2011 work programme and as such the Company's interest in the Sonfon project has reduced from 49% to 43%.



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**3. SUMMARY OF PERFORMANCE**

**(a) SUMMARY OF SELECTED QUARTERLY FINANCIAL INFORMATION**

The following is the selected financial information of the Company. As the Plan of Arrangement only completed on April 13, 2011, financial information for four quarters only is available.

US Dollars	Quarter ended March 31, 2012	Quarter ended December 31, 2011	Quarter ended September 30, 2011	Quarter ended June 30, 2011
Loss for the period	(894,992)	(729,272)	(3,779,505)	(2,990,353)
Basic & diluted loss per share	(0.008)	(0.006)	(0.032)	(0.030)
Total comprehensive income / (loss) for the quarter	1,042,984	(1,310,550)	(4,673,027)	(3,838,187)
Total assets	83,526,605	82,389,824	83,898,944	87,943,755

The Company's performance is not affected by seasonal trends.

**(b) RESULTS OF OPERATIONS**

**(i) CONSOLIDATED STATEMENT OF INCOME**

*Quarter ended March 31, 2012*

The comprehensive income for quarter ended March 31, 2012 was \$1.0 million, compared to a loss of \$1.3 million in the quarter ended December 31, 2011. The variation in quarterly loss and comprehensive loss is predominantly due to charges for share-based payment awards, fair value adjustments to the Company's investment in Stellar Diamonds and foreign exchange variances.

The comprehensive income for the quarter ended March 31, 2012 is predominantly due to a fair value gain of \$2.1 million on the Company's investment in Stellar Diamonds which is marked to market, a foreign exchange gain of \$0.6 million, offset by a share based payment charge of \$0.4 million and other corporate expenses. The gain on Stellar Diamonds, foreign exchange gain and share based payment charge are all non-cash.

The share based payment charge relates to the issue of 1,741,000 options in the quarter to March 31, 2012 based on a weighted average fair value of C\$0.55 per option calculated using the Black-Scholes option pricing model. The options vest in three equal tranches, with the final tranche vesting on January 4, 2014 and expire after five years.

**(ii) CONSOLIDATED STATEMENT OF FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES**

**Statement of financial position at March 31, 2012**

Intangible assets of \$53.0 million as at March 31, 2012 relate to resource properties (\$5.5 million) and deferred exploration costs (\$47.5 million). The New Liberty Gold Project in Liberia with a carrying value of \$40.2 million represents 76% of intangible assets and is Aureus Mining's most advanced project.

Additions to deferred exploration costs in the quarter to March 31, 2012 were \$4.1 million, of which diamond drilling costs amounted to \$1.0 million. The Company had three diamond drill rigs operating in Liberia during

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the quarter. Deferred exploration costs included \$0.7 million of capitalised wages and salaries representing those employees of the Company whose activity is directly related to project exploration and development.

Property, plant and equipment ("PPE") at \$0.9 million as at March 31, 2012 relates predominantly to the Company's fleet of vehicles in Liberia.

The Company's investment in Stellar Diamonds is carried at its fair value (derived from the prevailing market price) on the statement of financial position which was \$3.5 million at March 31, 2012. Changes in fair value are recorded in other comprehensive income.

Current liabilities of \$2.1 million as at March 31, 2012 are predominantly due to a creditor balance for exploration drilling work performed in March at New Liberty and Ndablama.

**Liquidity, Capital Resources and Financial Instruments**

The Company's primary source of funding has been the issue of equity securities. The Company is not in production and does not generate cash flows from operations. As at March 31, 2012 the Company had cash and cash equivalents of \$25.8 million included within the working capital balance of \$23.9 million.

The Company has no significant financial instruments other than its cash and cash equivalents and its investment in Stellar Diamonds which is carried at fair value. The majority, 99%, of the Company's cash and cash equivalents are invested with a leading multi-national bank with a Standard & Poor's A+ credit rating.

**Cash Flows for the three months ended March 31, 2012**

Net cash used in operations amounted to \$1.1 million for the quarter ended March 31, 2012 and is due predominantly to corporate expenses, movements in working capital and realised foreign exchange gains/losses.

Net cash used in investing activities was \$4.9 million for the quarter ended March 31, 2012 and predominantly relates to deferred exploration expenditure on the New Liberty feasibility study and exploration programmes.

Net cash proceeds from financing activities were \$0.3 million for the quarter ended March 31, 2012 relating to the exercise of stock options.

In the quarter ended March 31, 2012, the Company issued 452,499 new common shares following the exercise of share options at a weighted average exercise price of Cdn\$0.65 raising proceeds of \$0.3 million.

**(c) OTHER INFORMATION**

**(i) Outstanding share data**

	<b>Shares</b>	<b>Amount \$</b>
On incorporation	-	-
Issued pursuant to the Arrangement	86,252,592	-
Shares cancelled	(444)	-
Shares issued in public offering	31,050,000	41,485,392
Share issuance costs	-	(2,753,408)
Exercise of stock options	527,654	333,282
Balance at December 31, 2011	117,829,802	39,065,266
Exercise of stock options	452,499	297,322
Balance at March 31, 2012	<b>118,282,301</b>	<b>39,362,588</b>

As at May 11, 2012 the Company had 119,140,988 shares issued and fully paid.

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**(ii) Going concern**

The Company has prepared its 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 directors believe that the current funds will be sufficient to finance the committed capital expenditure, general working capital and corporate costs over the next twelve months.

**(iii) Related party transactions**

During the three months ended March 31, 2012, the Company incurred management and office service fees of \$89,981 (period ended March 31, 2011, \$nil) payable to Afferro Mining and environmental consulting fees of \$51,158 payable to a Company with a common Director. The payable to related parties as at March 31, 2012 was \$113,459 (March 31, 2011, \$nil).

Related party transactions are in the normal course of business and occur on terms similar to transactions with non-related parties.

**(iv) Off balance sheet arrangements**

The Company does not have any off-balance sheet arrangements and does not contemplate having any in the foreseeable future.

**(v) Operating segments**

The Company is engaged in the acquisition, exploration and development of 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. The reportable segments under IFRS 8 are as follows:

- Liberia exploration and development;
- Cameroon exploration;
- Sierra Leone exploration; and
- Corporate.

Following is an analysis of the Company's results, assets and liabilities by reportable segment for the quarter ended March 31, 2012:

	<b>Liberia exploration and development \$</b>	<b>Cameroon exploration \$</b>	<b>Sierra Leone exploration \$</b>	<b>Corporate \$</b>	<b>Total \$</b>
Loss/(gain) for the period	125,800	1,832	-	767,360	894,992
Segment assets	46,457,559	4,692,065	3,065,551	29,311,430	83,526,605
Segment liabilities	1,254,944	28,120	-	970,100	2,253,164
Depreciation of property, plant and equipment	63,050	1,832	-	-	64,882
Capital additions – property, plant and equipment	30,753	58,793	-	41,928	131,474
– intangible assets	4,284,861	56,357	(258,000)	-	4,083,218

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**(viii) Critical accounting estimates**

In the application of the Company's accounting policies, the management 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 on-going 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.

Key sources of estimation uncertainty and judgements made in applying specific accounting policies are as follows:

*Share based payments and warrants*

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.

*Carrying value of non-current assets*

The outcome of on-going exploration and development programmes, and therefore whether the carrying value of plant, property and equipment and acquisition, exploration and evaluation expenditures will ultimately be recovered, is inherently uncertain.

The ability of the Company to realise the carrying values of these assets is contingent upon discovery of economically recoverable mineral reserves, the on-going title to the resource properties, the ability of the Company to finance the development of the properties and on the future profitable production or proceeds from the property. The success of the Company's mineral exploration properties is also influenced by operational risks, legal and political risks and future gold prices.

Management make the judgements necessary to implement the Company's policy with respect to capitalisation of these assets and consider them for impairment at least annually with reference to indicators in IAS 36 and IFRS 6. If an indication exists, an assessment is made of the recoverable amount. The recoverable amount is the higher of value in use (being the net present value of expected future cash flows) and fair value less costs to sell. Value in use is estimated based on operational forecasts for advanced stage projects with key inputs that include mineral resources, gold prices, production levels including grade and tonnes processed, production costs and capital expenditure. Because of the above-mentioned uncertainties, actual future cash flows could materially differ from those estimated.

**4. QUALIFIED PERSON**

The Company's Qualified Person as defined in NI 43-101 responsible for preparing this Management Discussion and Analysis is David Reading, who holds an MSc in Economic Geology from University of Waterloo, Canada and is a Fellow of the Institute of Materials, Minerals and Mining. David Reading is the President and Chief Executive Officer of Aureus Mining and consents to the inclusion in the announcement of the matters based on their information in the form and context in which it appears and confirms that this information is accurate and not false or misleading.

Assay and sampling information are taken from the Company's database as prepared on New Liberty site by the project geologists. Drill core is split on site and sent under custody to the Alex Stewart-OMAC

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sample preparation facility in Monrovia where pulps are prepared and dispatched to the OMAC laboratory in Ireland for analysis by fire assay with an atomic absorption finish.

Quality control and quality assurance procedures include the regular and methodical implementation of field duplicates, blank samples, standards and laboratory repeats as well as regular and specific programmes of re-assaying and umpire laboratory assaying.

**5. FORWARD-LOOKING STATEMENTS**

Certain information included in this document may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. Factors that could cause actual results or events to differ materially from current expectations include but are not limited to: the grade and recovery of ore which is mined varying from estimates; estimates of future production, mine development costs, timing of commencement of operations; changes in exchange rates; access to capital; fluctuations in commodity prices; and adverse political and economic developments in the countries in which we operate. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

**6. INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for the design and effectiveness of internal controls over financial reporting (as such term is defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109")), to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. The Company maintains an effective control environment and has used the *Internal Control - Integrated Framework* (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission to design the Company's internal controls over financial reporting. The Company's CEO and CFO believe that the Company's internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

The Company's CEO and CFO are also responsible for the design and effectiveness of disclosure controls and procedures (as such term is defined in NI 52-109) to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's CEO and CFO believe that the Company's disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed under applicable securities legislation is recorded, processed, summarized and reported in a timely manner.

The Company's CEO and CFO have each evaluated the effectiveness of the Company's internal controls over financial reporting and disclosure controls and procedures as of March 31, 2012 and have concluded that these controls and procedures are effective in reasonably assuring the reliability of financial reporting and that material information relating to the Company is made known to them by others within the Company and that such controls and procedures have no material weaknesses and no limits on the scope of their design.

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**7. OUTLOOK**

The Company has had a busy first quarter of the year, making good progress on the DFS, continuing with existing exploration programmes and identifying new targets within our exciting licence portfolio.

Post completion of the DFS, the Company will be required to arrange finance in order to fund the construction and development of the New Liberty Gold Project. The financing process is progressing well and the Company has prepared a shortlist of institutions that have the ability and desire to fund the New Liberty project. The project development and construction is scheduled to commence in Q3 2012, with a twelve month construction period. Production is scheduled to commence in Q4 2013 with the first full year of production being 2014.

Management believe that there is significant further exploration potential in Liberia, especially at the targets proximal to New Liberty, including Ndablama, Weaju, Leopard Rock and the Gondoja concession. The Company also maintains a land holding in Cameroon including the prospective Batouri project which now has an experienced exploration team in place and a detailed trenching programme has commenced to enable identification of new targets.

The Company ends the quarter with cash and cash equivalents of \$25.8 million which leaves the Company fully funded for its mid-term objectives of completing the feasibility study and its planned exploration drilling programmes.