

AUREUS MINING INC.

**Management's Discussion and Analysis
For the year ended December 31, 2012**

AUREUS MINING INC.
Management's Discussion and Analysis
For the year ended December 31, 2012
(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 year ended December 31, 2012. This management discussion and analysis has been prepared based on information available to the Company as at March 20, 2013. Unless otherwise indicated all amounts are in US dollars.

Additional information relating to the Company is available on SEDAR at www.sedar.com or on the Company's website at 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 ("New Liberty" or the "Project"). 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 of African Aura's gold and diamond interests were transferred to Aureus along with US\$10.6 million in cash.

During the year ended December 31, 2012 the Company filed a National Instrument 43-101 ("NI 43-101") compliant feasibility study on its New Liberty Gold Project in Liberia, completed an US\$80 million equity fund raise and has started early works construction at New Liberty.

(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 US\$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 (the "Project") in Liberia has a NI 43-101 compliant reserve estimate of 8.7 million tonnes grading 3.3 g/t for 910,000 contained ounces of gold in the proven and probable category and a NI 43-101 compliant resource estimate comprised of 9.8 million tonnes grading 3.6 g/t for 1,143,000 ounces in the measured and indicated category and 5.7 million tonnes grading 3.2 g/t for 593,000 ounces in the inferred category. The Project Feasibility Study ("FS") has been completed and an NI 43-101 compliant technical report has been filed on SEDAR.
- 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:

Country	Project	2012 Progress	2013 Plans	Project Ownership
Liberia	New Liberty	<p>4,242m of feasibility drilling completed</p> <p>NI 43-101 compliant feasibility study filed and early earthworks development commenced</p> <p>7,864m of exploration drilling completed</p> <p>50km² of soil sampling completed</p> <p>Soil geochem results reviewed and anomalies identified for follow-up</p> <p>Detailed geological mapping and relogging of cores completed</p> <p>Multi element analysed undertaken on cores</p> <p>IP gradient survey completed and processed</p> <p>Processing of licence wide airborne geophysics data and first pass interpretation completed</p> <p>LiDAR airborne Topographic</p>	<p><u>Development</u></p> <p>Complete New Liberty project optimisation studies and secure debt financing to fully fund construction</p> <p>Complete Marvoe creek diversion and village relocation</p> <p>Complete plant earthworks and commence civil construction / pre-strip mining / tailings storage facility earthworks</p> <p>Grade control drilling using RC rig on first two years pits</p> <p><u>Exploration</u></p> <p>Commencement of trenching of anomalies identified after analysis of the near mine and regional soil gold and arsenic geochem assays</p> <p>Potential opportunities exist for adding gold to the New Liberty resource. Seven are centred on</p>	90% ¹

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Country	Project	2012 Progress	2013 Plans	Project Ownership
		survey completed	the New Liberty deposit and a further six have been identified in the surrounding area. Near mine exploration targets to the west of the Mafa River	
Liberia	Ndablama	3,317 m of phase 2 drilling (21 holes) completed Geology and mineralization model completed Generative study of all historical soils results completed Ndablama North identified for new target.	Geological and structural mapping to continue in Q1 2013 A review of the 3D geology and mineralization model to be made in Q1 2013 Phase 3 drilling planned to lift resources into inferred category for Q1 2013 Trenching and mapping to commence at Ndablama North in Q2 2013	90% ¹
Liberia	Weaju	3,350m of phase one drilling completed 580 soil samples collected Topographic ground survey and LiDAR airborne survey completed	Phase one drilling to be completed in Q1 with phase two planned to commence in Q2 Continue with regional soils and trenching	90% ¹
Liberia	Leopard Rock	Phase 1 exploration drilling program completed for a total 4,294m A 33 km ² soil sampling campaign completed in the south blocks Geological and structural mapping completed during Q2 2012 Results for all drill holes and 435 soil samples received for 33 km ² area of the southern license area 1.65km ² of IP gradient array was completed over the gap area between Leopard Rock and Ndablama with trenching and pitting started on the anomalous zones Soil sampling commenced in the far SW of Leopard Rock in Q4 on Yamase grid as part of regional target generation program	Complete pitting and trenching on the IP anomaly in gap area in Q1 2013 Geology and mineralization model (3D) to be completed in Q1 2013 Phase 2 drilling planned for Q2 Continue with regional soil sampling in Q1 and Q2 of 2013	100%
Liberia	Gondoja	Phase 1 drilling completed for	Preliminary geology and ore model to be completed in Q1 2013	90% ¹

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Country	Project	2012 Progress	2013 Plans	Project Ownership
		2,850m Trenching completed for 788m	Structural and alteration re-log to be completed in Q1 Geology and structural mapping to commence in Q2 Geology and ore model to be reviewed in Q3 2013	
Liberia	Gbalidee	Phase 1 drilling completed for 771m and 5 drill holes	Continue trenching in the Gold corridor area in Q2 2013	90% ¹
Cameroon	Batouri	Geological mapping and rock sampling over the license area Pitting completed over the license with 257 pits for 1,498m over 3 prospects; Amndobi (188 pits), Kambele (24 pits) and Adoumboun (45 pits) Soil sampling program completed at Amndobi (834) soil samples 7 trenches completed at Amndobi for 646m	Identify new geophysics targets from ground IP survey Further trenching and pitting programmes for target identification in both the North and South of the license prior to commencement of drilling Plan new drilling at Kambele Geological and structural mapping to continue	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 upon which the Company has completed a feasibility study and has commenced development. 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 a predominantly tarmac 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 km² area which encompasses the New Liberty Gold Project.

Reserve Estimate

On October 1, 2012, the Company announced the completion of the feasibility study which incorporated an update to the Company's previously announced maiden reserve for the New Liberty Gold Project of 910,000 ounces grading at 3.3 g/t.

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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 120,000 ounces per annum. All of the reserve at New Liberty is located within 220 metres of surface and is extractable by open pit mining methods.

The total reserve estimate of 8,680,000 tonnes grading 3.3 g/t (for 910,000 ounces) is comprised of 700,000 tonnes grading 4.4 g/t (for 99,500 ounces) in the proven category and 7,980,000 tonnes grading 3.2 g/t (for 810,000 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.

The reported reserve estimate is shown in the following table:

Reserve Classification	Tonnes (million)	Gold (g/t)	Gold (koz)
Proven	0.7	4.4	99
Probable	8.0	3.2	810
Total Proven and Probable	8.7	3.3	910

Notes

1. CIM definitions were used for mineral reserves
2. A cut-off of 0.8 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

Resource Estimate

A mineral resource estimate ("MRE") was undertaken by AMC in accordance with the requirements of NI 43-101. The MRE incorporates all the results from drilling as at April 4, 2012, being 438 holes for 65,276 metres and was calculated on the basis of a 1.0 g/t cut-off grade.

The total resource estimate is comprised of 651,000 tonnes grading 4.77 g/t (for 100,000 ounces) in the measured category, 9,145,000 tonnes grading 3.55 g/t (for 1,043,000 ounces) in the indicated category, and 5,730,000 tonnes grading 3.2 g/t (for 593,000 ounces) in the inferred category, as detailed in the table below. The measured and indicated resources are located generally within the first 200 metres below surface. The inferred resource remains open at depth.

Mineral Resource	Tonnes (million)	Average Grade (g/t)	Contained Gold (koz)
Measured	0.7	4.77	100
Indicated	9.1	3.55	1,043
Subtotal M+I	9.8	3.63	1,143
Inferred	5.7	3.2	593

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

Progress in 2012

Feasibility Study

A feasibility study for the development of New Liberty (the "FS") was completed during the year and announced on October 1, 2012. The main conclusions from the FS demonstrate a pre-tax IRR of 37% at an average gold price of US\$1,400 / oz, average annual production of 120,000oz per annum over the first four years at 3.7g/t head grade, with initial capital costs of US\$140million.

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In completing the FS, Aureus was assisted by AMC Consultants (UK) Limited (“AMC”), DRA Mineral Projects (Pty) Ltd (“DRA”), MDS Ltd (“MDS”), Golder Associates Ghana Ltd (“Golder”) and Digby Wells (Pty) Ltd (“Digby Wells”). The FS has been completed to within a ±10% cost accuracy based on firm tenders received from suppliers and contractors.

Highlights of the FS are:

- A technically feasible and economically robust project, with the following attractive economics based on a discount rate of 5%:

Gold Price (US\$/oz)	Pre-tax NPV (US\$M)	Post-tax NPV (US\$M)	Pre-tax IRR (%)	Post-tax IRR (%)	Capital payback (years)
1,400 average	234	187	37	33	2.2
1,750 flat	444	334	52	45	1.8

- Average annual gold production of 120,000 oz over the first four years of production at an average grade of 3.7g/t with total gold production of 846,000 oz over the eight year mine life
- Life of mine (“LOM”) operating cash cost will average US\$685 / oz, using contract mining
- Initial capital cost estimate of US\$140 million (excluding contingency)
- Total revenue is US\$1.2 billion and pre-tax cash flow of US\$338 million based on an average gold price of US\$1,400 / oz
- The Feasibility work was completed to within a 10% cost accuracy based on firm tenders received from suppliers and contractors
- Proven and Probable Reserve of 8.7 Mt at 3.3g/t for 910 koz of contained gold, which is an increase of 4% from the initial Reserve statement in February 2012
- Open pit mine and gold plant designed to treat 1.1 Mtpa of primarily unweathered ore. The plant design incorporates two stage crushing, ball milling, gravity concentration and a Carbon-in-Leach (“CIL”) circuit for a full steady state recovery rate of 93%
- Experienced senior management team being developed. GM Construction, a Metallurgical Manager and an Environmental Manager were all recruited in 2012
- 25 year, renewable, Mineral Development Agreement and mining licence in place
- Environmental permit granted in October 2012 following the completion and submission of the Environmental Impact Statement to the Environmental Protection Agency of Liberia

In November 2012 the Company closed an offering of units comprising common shares and associated share purchase warrants raising gross proceeds of approximately \$80 million to fund the Project capital expenditure. There is strong interest in financing the balance of the Project from various banks and financial institutions. Indicative financing terms have been received from a number of financial institutions and detailed due diligence is in progress giving the Company significant optionality on debt financing. The project development commenced in the last quarter of 2012 and full production is scheduled to commence in Q1 2015.

Exploration

The Company has completed its programme of ground geophysical surveys and magnetic measurements over the strike extents of New Liberty and the surrounding areas.

A regional airborne geophysics survey was conducted over the Bea Mountain property and the Archaen property and processing of the airborne geophysics data has been completed. A total of six targets were identified. 7,864m of exploration diamond drilling was undertaken in 2012 to explore newly identified

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geophysical targets.

Results for gold in soils show two anomalies, one significant anomaly west of NL strike extension and another one to the north east of the pit.

During the year targets were generated aimed at closing the gaps in previous soil work on geophysics IP and magnetic targets to east of the New Liberty Pit area.

A complete review of the geology of the New Liberty deposit and detailed geological mapping was completed across New Liberty – structural interpretation is being finalised.

The pitting programme focused on the geophysics and soil geochemical anomalies will continue into Q1 2013.

(b) Ndablama gold project, Liberia

The Ndablama prospect is located in the northeast corner of the Bea MDA property and is approximately 40km 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.

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.

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

A second round of drilling totalling 3,317m was completed in the second quarter at Ndablama. Plans going forward are to update the geology and resource model (3D) and commence a third phase of drilling in the first quarter of 2013.

Review and assessment of all soil data was carried out in the final quarter of 2012 by a geochemical consultant to normalize data sets collected over the years and then compare. Several new targets were identified. One of them called Ndablama North will be trenched in the second quarter of 2013.

Geology and structural mapping is planned for the first quarter of 2013 to update and extend the geology and structure to the new target area in the north of Ndablama.

(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.

On July 26, 2012, the Company announced settlement of Weaju legacy mining claims from the Weajue Hill Mining Corporation ("WHMC"). As part of the settlement, WHMC agreed to release all claims pertaining to the legacy mining rights covering 1.7km² of the total 457km² Class A Bea Mountain Mining Licence in Liberia and received an initial payment of US\$1.3m and the share equivalent of US\$1.2m in common shares of the Company. Upon the completion of a feasibility study for the Weaju project, WHMC will receive payments equivalent to US\$5 per ounce of measured, indicated and inferred resources, as disclosed in the feasibility study, within the claims area and the surrounding 200 metre perimeter ("Payable Area"). If commercial production is achieved within the Payable Area, WHMC will receive a one-time payment equivalent to 2.5% of

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the net present value (8% discount rate) of a project within the Payable Area, and also receive a 7.5% net profit interest ("NPI") on life-of-mine production within the Payable Area.

During 2012, 3,350m of drilling was undertaken to assess the historic drilling and look for continuation of the mineralisation along strike and at depth, this drilling is continuing throughout the beginning of 2013. Four lenses of gold mineralisation, named the North Zone, the Main Zone, the Ridge Zone and the Creek Zone have been identified. The combined strike length is approximately 450 metres. Soils work has also been undertaken to look at the continuation of the mineralisation.

(d) Leopard Rock, Liberia

During 2011 the company entered into an agreement with Mansion Minerals Limited to purchase all of the shares of Archaean Gold (Liberia) Inc. ("Archaean Gold"), a company holding the exploration rights to a license area covering 89 km². The Archaean 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.

During 2012 4,294m of diamond drilling was completed in the Phase 1 exploration drilling programme. Results from 27 diamond drill holes are available on the Company's website.

Gold mineralisation occurs within folded, deformed and metamorphosed ultramafic and mafic rocks along a North West trending shear zone. A geology and mineralization model was completed in 2012 using the recent drill and trench data. This was done to help aid further in exploration planning and understand the geology and structural setting of the area. Infill drilling program for phase 2 is planned for late 2013.

Gold results were also received for soil samples collected over a 33 km² area south of the project (967 samples). A review and assessment of the results was done and new soil programs planned at the far west and southeast of Leopard Rock to generate more targets for exploration in 2013.

Ground geophysical survey was completed in the gap between Leopard Rock and Ndablama covering an area of 1.65km². Anomalous zones were identified and pitting and trenching commenced on them in late 2012. The purpose of this was to explore the continuity of the Leopard Rock – Ndablama mineralized shear structure. Five pits and five trenches were excavated with 712 samples sent for analysis.

Geology and structural mapping commenced with the purpose of linking up Leopard Rock and Ndablama geology with a single updated geology map.

(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. Three anomalous zones have been identified as potential targets for further exploration work. Trenching has since been planned over the target areas.

A first phase drilling programme of 13 holes totalling 2,850m was completed in the first half of 2012. A preliminary geology and ore model was completed in 2012. Structural and alteration re-log started in 2012 to review the models and identify the characteristics of the Au mineralisation so that a phase 2 drilling plan can be developed.

Gbalidee is one of the anomalous zones in the Gold corridor that was also trenched and drilled in 2012 as part of the gold corridor. 5 drill holes were completed in Gbalidee for a total of 771 metres.

Future work will consist of mapping the entire Gbalidee area down to Ndablama north to properly identify the favourable lithology and structural trends to aid the planning of more drilling.

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(f) Cameroon

The Batouri license is located 436km east of Yaoundé, the administrative capital of Cameroon. The licence is a window of the Pan-African north equatorial fold belt composed of Paleo-Proterozoic and Neoproterozoic series and known as result of collision between West African craton and Congo craton. The region is affected by the Central African Shear Zone system generally following NE-SW trend, and along which syn to post-tectonic granitoid plutons are common. The auriferous zones within the granite are considered to be controlled by the shear zone.

The Batouri project is defined by three prospects; Kambele (3.5km long), Dimako-Mongonam (3.5km long) and Amndobi (5km long) due to the presence of artisanal workings and gold in soil anomaly trending in a north-south direction.

Field work re-started in early 2012 with soil sampling, trenching, pitting and geological mapping programmes undertaken over the strike extents of Amndobi, Kambele and Dimako prospect areas.

Infill Soil sampling programs at 100m by 50m grid spacing at south of Amndobi and south west of Batouri concession were completed with collection of 834 soil samples. Results from soils analyses shows there is a likely structured (NS to NNE) gold in soil anomaly which might be concordant with NS to NNE structures.

A trenching program was completed at Amndobi with 7 trenches dug for 646m. A pitting program was completed with 257 pits dug for 1,498m and 888 samples over 3 prospects: Amndobi (188 pits), Kambele (24 pits) and Adoumboun (45 pits).

All trench and pit samples were submitted to the laboratory for analysis and returned anomalous gold in saprolite with a defined NS to NNE continuous anomaly. Geological mapping and sampling was undertaken with 16 rock samples collected over the license.

The exploration program was targeting shear hosted quartz vein breccia zones with associated altered wall rock and porphyry system.

(g) Sonfon Gold Project, Sierra Leone

The Company has decided to withdraw from the Sonfon joint venture agreement in Sierra Leone for commercial reasons. The Sonfon project is subject to a joint venture agreement with Golden Star Resources Ltd. ("GSR"). As a result the Sonfon project has been written off.

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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 was only completed on April 13, 2011, financial information for seven quarters only is available.

US Dollars	Quarter ended December 31, 2012	Quarter ended September 30, 2012	Quarter ended June 30, 2012	Quarter ended March 31, 2012
Income / (loss) for the quarter	458,128	(522,778)	(4,914,825)	(894,992)
Basic & diluted loss per share	0.003	(0.004)	(0.041)	(0.008)
Total comprehensive income / (loss) for the quarter	214,343	(678,620)	(6,798,773)	1,042,984
Total assets	153,122,155	78,590,268	78,967,577	83,526,605
	Quarter ended December 31, 2011	Quarter ended September 30, 2011	Quarter ended June 30, 2011	
Loss for the period	(729,272)	(3,779,505)	(2,990,353)	
Basic & diluted loss per share	(0.006)	(0.032)	(0.030)	
Total comprehensive income / (loss) for the quarter	(1,310,550)	(4,673,027)	(3,838,187)	
Total assets	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 December 31, 2012

The comprehensive income for the quarter ended December 31, 2012 was US\$0.2 million, compared to a loss of US\$1.3 million in the quarter ended December 31, 2011. The variation in quarterly income/loss and comprehensive income/loss is predominantly due to a fair value gain on the Company's outstanding warrant derivative liability, share-based payment charges and foreign exchange variances.

The comprehensive income for the quarter ended December 31, 2012 is predominantly due to on-going corporate expenses, a share based payment charge of US\$0.1 million (2011 - nil) and a fair value loss on the Company's investment in Stellar Diamonds of US\$0.2 million (2011 - US\$0.6 million), offset by a foreign

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exchange gain of US\$0.4 million (2011 – loss of US\$0.3 million) and a fair value gain on the warrant derivative liability of US\$1.4 million (2011 - US\$0.02 million).

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The comprehensive loss for the year ended December 31, 2012 was US\$6.2 million (2011 - US\$9.8 million) and is predominantly due to an impairment on the Sonfon project of US\$3.0 million (2011 – nil), wages and salaries of US\$1.7 million (2011 - US\$1.1 million), a share based payment charge of US\$0.9 million (2011 - US\$2.0 million) and a fair value loss of US\$0.1 million (2011 - US\$2.4 million) on the Company's investment in Stellar Diamonds which is marked to market, offset by a foreign exchange gain of US\$1.2 million (2011 – loss of US\$2.1 million) and a fair value gain on the outstanding share purchase warrants of US\$1.4 million (2011 - US\$0.3 million). Legal and professional and other expenses totalled US\$2.5 million (2011 - US\$2.4 million).

The share based payment charge relates to the issue of 2,291,000 options in the year ended December 31, 2012 based on a weighted average fair value of C\$0.51 per option calculated using the Black-Scholes option pricing model.

Legal and professional costs of US\$1.0 million (2011- US\$1.1 million) contain US\$0.4 million of legal costs, audit and non-audit fees of US\$0.1 million and consulting fees of US\$0.5 million.

Other expenses of US\$1.5 million (2011 - US\$1.3 million) include office rental and management costs of US\$0.3 million, travel expenses of US\$0.4 million.

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

Statement of financial position at December 31, 2012

Intangible assets of US\$16.3 million as at December 31, 2012 relate to deferred exploration and evaluation costs incurred on the Company's projects. Additions to intangible assets in the year to December 31, 2012 were US\$19.2 million (2011 - US\$15.5 million) and included costs incurred on the Company's flagship New Liberty Project prior to the costs being re-classed to property plant and equipment upon completion of the feasibility study. Additions also included costs attributable to the Weaju settlement, as discussed in Section 2c above, representing a cash payment of US\$1.3 million and the issue of 1,550,930 shares with a fair value of US\$1.2 million.

During the year, upon demonstrating the technical feasibility and commercial viability of extraction of reserves at the New Liberty Project, US\$48.6 million of deferred exploration and evaluation costs were transferred to property, plant and equipment.

Property, plant and equipment ("PPE") at US\$52.8 million as at December 31, 2012 relates predominantly to mining and development costs on the New Liberty Project. An additional US\$3.0 million was capitalised to New Liberty mining and development cost post feasibility study.

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 US\$1.3 million at December 31, 2012. Changes in fair value are recorded in other comprehensive income.

Trade and other receivables of US\$3.4 million as at December 31, 2012 includes an advance payment of US\$2.9 million to the Company's earthworks and civils contractor which is recoverable over the first five months of 2013. The Company has performance bond covering the prepaid amount.

Current liabilities of US\$5.0 million as at December 31, 2012 includes US\$2.6 million of trade payables arising predominantly from exploration and development activities and US\$1.9 million related to a warrant derivative liability.

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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 December 31, 2012 the Company had cash and cash equivalents of US\$79.4 million included within the working capital balance of US\$79.7.1 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, 99.9%, 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 year ended December 31, 2012

Net cash used in operations amounted to US\$3.0 million for the year ended December 31, 2012 (2011 - US\$ 4.1 million) and is due predominantly to corporate expenses, movements in working capital and realised foreign exchange gains/losses.

Net cash used in investing activities was US\$24.8 million for the year ended December 31, 2012 (2011 - US\$13.6 million) and predominantly relates to deferred exploration drilling, development expenditure on the New Liberty Project and the US\$1.3 million Weaju cash settlement payment.

Net cash proceeds from financing activities were US\$76.0 million for the year ended December 31, 2012 (2011 - US\$50.1 million) relating to the issue of units and the exercise of stock options.

On November 16, 2012, the Company concluded a parallel prospectus offering and private placing issuing 15,000,000 and 84,700,000 units at C\$0.80 and £0.50 each respectively raising gross proceeds of C\$12.0 million and £42.4 million respectively. Each unit comprised of one new common share and one quarter of one share purchase warrant. US\$3.3 million of the unit proceeds was allocated to the warrant derivative liability upon initial recognition. The direct costs to issue the common shares that have been charged to share capital amounted to US\$4.4 million.

In the year ended December 31, 2012, the Company issued 2,154,311 new common shares following the exercise of share options at a weighted average exercise price of C\$0.61 raising proceeds of US\$1.3 million.

(c) OTHER INFORMATION

(i) Outstanding share data

	Shares	Amount \$
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
Shares issued on Weaju settlement	1,550,930	1,202,322
Shares issued on prospectus offering and private placement	99,700,000	75,788,471
Share issue costs	-	(4,391,558)
Exercise of stock options	2,154,311	1,312,263
Balance at December 31, 2012	221,235,043	112,976,764

As at March 20, 2013 the Company had 221,431,293 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 year ended December 31, 2012 the Company incurred management and office service fees of US\$318,000 (2011- US\$224,910) payable to Afferro Mining, a company with two common directors and environmental consulting fees of US\$223,785 (2011 – US\$23,589) payable to a company with a common director. US\$484,926 was payable to related parties as at December 31, 2012. Related party transactions are in the normal course of business and occur on terms similar to transactions with non-related parties on an arm's length basis.

(iv) Off balance sheet arrangements

Other than the NPI interests disclosed in Section 2(c), 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 Group's results, assets and liabilities by reportable segment for the year ended December 31, 2012:

	Liberia exploration and development	Cameroon exploration	Sierra Leone exploration	Corporate	Total
	\$	\$	\$	\$	\$
Loss for the year	279,462	19,983	3,010,865	2,564,157	5,874,467
Segment assets	66,756,169	5,334,374		81,031,612	153,122,155
Segment liabilities	1,677,383	27,879	-	3,289,765	4,995,027
Depreciation of property, plant and equipment	266,705	26,904	-	27,160	320,769
Capital additions					
– property, plant and equipment	3,390,404	162,637	-	178,440	3,731,481
– intangible assets	18,611,680	598,556	-	-	19,210,236

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(viii) Critical accounting estimates

In the application of the Company's accounting policies, as disclosed in note 3.14 of the Company's financial statements, 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 and development 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.

(iv) Subsequent Event

On January 15, 2013 the Company granted stock options over a total of 3,338,680 common shares, representing approximately 1.51% of the issued share capital of the Company at an exercise price of C\$0.72 per share. 350,000 of the stock options were exercisable immediately and the remainder vest over the next two years upon completion of certain service and performance vesting conditions. The stock options issued are capable of being exercised up to 14 January 2018.

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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 sample preparation facility in Monrovia where pulps are prepared and dispatched to the OMAC laboratory in Ireland, or to the SGS assay facility in Monrovia, 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 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.

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7. OUTLOOK

The Company has now completed its feasibility study, recruited a strong and well established mine construction team and has received the environmental permit for development of the New Liberty Gold Project. These milestones, along with the recent fund raise of approximately US\$80 million, enabled the Company to begin early earthworks on the development of the New Liberty gold mine in the last quarter of 2012.

Now that the equity funding for New Liberty has been secured, the Company's focus is to secure the remaining financing required for the Project and is in advanced due diligence stages with a number of financial institutions.

Management believes 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. Exploration drilling continues in Liberia which programmes planned for Weaju, Ndablama, New Liberty and Cameroon in the first half of 2013 as well as wider generative exploration programmes.