

Aureus Mining Inc.

Consolidated Financial Statements

Period ended December 31, 2011

Registered office:

Suite 2300
Toronto-Dominion Centre TD Waterhouse Tower
79 Wellington Street West
Toronto
Ontario M5K 1H1
Canada

Company registration number:

776831-1

Company incorporated on:

1 February 2011

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF AUREUS MINING INC.

Report on financial statements

We have audited the financial statements of Aureus Mining Inc. for the eleven months ended 31 December 2011, which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity, and a summary of significant accounting policies and other explanatory information.

Director's Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Aureus Mining Inc as at 31 December 2011 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

BDO LLP [signed]

Chartered Accountants
London
United Kingdom

7 March 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Aureus Mining Inc.
Consolidated Statement of Financial Position
As at December 31, 2011
(stated in US dollars)

	Note	December 31, 2011 \$
Assets		
Current assets		
Cash and cash equivalents		31,044,943
Trade and other receivables	5	<u>227,582</u>
		<u>31,272,525</u>
Non-current assets		
Intangible assets		
- Resource properties	6	5,519,965
- Deferred exploration costs	6	43,358,324
Property, plant and equipment	7	811,478
Available-for-sale investments	8	<u>1,427,532</u>
		<u>51,117,299</u>
Total assets		<u>82,389,824</u>
Liabilities		
Current liabilities		
Trade and other payables	9	2,859,746
Due to related parties	14	<u>28,554</u>
		<u>2,888,300</u>
Total liabilities		<u>2,888,300</u>
Equity		
Share capital	10	39,065,266
Capital contribution	4	48,234,972
Share-based payment reserve	10	2,023,050
Available-for-sale investment reserve	8	(2,396,810)
Cumulative translation reserve		74,176
Cumulative deficit		<u>(7,499,130)</u>
Total equity		<u>79,501,524</u>
Total liabilities and equity		<u>82,389,824</u>

Plan of arrangement (Note 2 and 4)
Commitments (Note 18)
Subsequent events (Note 19)

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

Approved by the board of directors

"David Reading"
Director

"Luis da Silva"
Director

Aureus Mining Inc.

Consolidated Statement of Comprehensive Income

For the period ended December 31, 2011

(stated in US dollars)

	Note	Period ended December 31, 2011 \$
Expenses		
Legal and professional		(1,065,086)
Depreciation	7	(213,730)
Wages and salaries		(1,090,882)
Share-based payments	10	(2,023,050)
Foreign exchange loss		(2,100,891)
Other expenses		(1,288,197)
Loss from operations		(7,781,836)
Derivative gain	12	264,284
Finance income		18,422
Loss for the period		(7,499,130)
Other comprehensive income/(loss)		
Loss on available-for-sale financial instruments	8	(2,396,810)
Currency translation differences		74,176
Total comprehensive loss for the period		(9,821,764)
Weighted average number of shares outstanding, basic and diluted	11	112,915,879
Loss per share, basic and diluted	11	(0.07)

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

Aureus Mining Inc.
Consolidated Statement of Cash Flows
For the period ended December 31, 2011
(stated in US dollars)

	Note	Period ended December 31, 2011 \$
Operating activities		
Loss for the period		(7,499,130)
Items not affecting cash:		
Share-based payments		2,023,050
Depreciation, depletion, and amortization		213,730
Unrealized foreign exchange loss		1,423,991
Derivative gain		(264,284)
Changes in non-cash working capital		
Trade and other receivables		(196,148)
Trade and other payables		138,612
Due to related party		28,554
Cash flows from operating activities		(4,131,625)
Investing activities		
Payments for resource properties	6	(60,350)
Payments for deferred exploration		(13,163,223)
Payments to acquire property, plant and equipment	7	(356,546)
Cash flows used in investing activities		(13,580,119)
Financing activities		
Transferred from Afferro	4	10,776,952
Proceeds from issue of share capital (net of costs)		38,996,268
Exercise of stock options		333,282
Cash flows from financing activities		50,106,502
Impact of foreign exchange on cash balance		(1,349,815)
Net increase in cash and cash equivalents		31,044,943
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		31,044,943

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

Aureus Mining Inc.

Consolidated Statement of Changes in Equity

As at December 31, 2011

(stated in US dollars)

	Share capital	Capital contribution	Share-based payment reserve	Available-for sale investment reserve	Currency translation reserve	Cumulative deficit	Total equity
	\$	\$	\$	\$	\$	\$	\$
On incorporation	-	-	-	-	-	-	-
Transferred from Afferro (Note 4)	-	48,234,972	-	-	-	-	48,234,972
Loss for the period	-	-	-	-	-	(7,499,130)	(7,499,130)
Comprehensive loss for period	-	-	-	(2,396,810)	74,176	-	(2,322,634)
Shares issued	41,485,392	-	-	-	-	-	41,485,392
Share issue costs	(2,753,408)	-	-	-	-	-	(2,753,408)
Share-based payments	-	-	2,023,050	-	-	-	2,023,050
Exercise of stock options	333,282	-	-	-	-	-	333,282
Balance at December 31, 2011	39,065,266	48,234,972	2,023,050	(2,396,810)	74,176	(7,499,130)	79,501,524

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

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

1 Nature of operations

Aureus Mining Inc. ("Aureus Mining" or the "Company") is a new company incorporated under the Canada Business Corporations Act on February 1, 2011 in order to facilitate the Plan of Arrangement (the "Arrangement" – see Note 2). Following completion of the Arrangement, Aureus Mining holds gold assets and an investment in Stellar Diamonds plc. ("Stellar Diamonds") previously owned by Afferro Mining Inc. ("Afferro Mining", formerly African Aura Mining Inc. ("African Aura")). The focus of Aureus Mining's business is the exploration and development of such gold assets, particularly the New Liberty Gold Project.

2 Plan of Arrangement

On April 13, 2011 African Aura completed the Arrangement under the British Columbia Business Corporation Act pursuant to which it transferred its gold assets, 30,792,770 shares in Stellar Diamonds and \$10.6 million cash (in addition to \$0.17 million contained in the transferred gold assets) (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.

3 Summary of significant accounting policies

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

3.1 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on an historical cost basis, as adjusted for certain financial instruments carried at fair value.

3.2 Standards in issue but not yet effective

The following standards and interpretations which have been recently issued or revised have not been adopted early.

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (1 July 2012)
- IAS 19 (revised June 2011) Employee Benefits (1 January 2013)
- IFRS 13 Fair Value Measurement (1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (1 January 2013)
- IFRS 11 Joint Arrangements (1 January 2013)
- IFRS 10 Consolidated Financial Statements (1 January 2013)
- IAS 28 Investments in Associates and Joint Ventures (1 January 2013)
- IAS 27 Separate Financial Statements (1 January 2013)
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (1 January 2012)
- IFRS 9 Financial Instruments (1 January 2013)

Aureus Mining Inc.
Notes to the Consolidated Financial Statements
For the period ended December 31, 2011
(in US dollars unless otherwise stated)

3 Summary of significant accounting policies (continued)

Management anticipate that the adoption of these standards and interpretations in future years will have no material impact on the financial statements.

3.3 Basis of consolidation

3.3.1 Subsidiaries

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

These financial statements include the accounts of Aureus Mining and its wholly owned subsidiaries. The significant group companies at December 31, 2011 are set out below:

<u>Company</u>	<u>Place of incorporation</u>
Aureus Mining Inc. Services Limited	United Kingdom
Bea Mountain Mining Corporation	Liberia
African Aura Resources Cameroon SARL	Cameroon
Archaean (Gold) Liberia Inc.	Liberia

3.3.2 Transactions eliminated on consolidation

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

3.4 Foreign currency translation

3.4.1 Functional and presentation currency

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

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

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

3 Summary of significant accounting policies (continued)

3.4.2 Foreign currency transactions

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

3.5 Equity

The following describes the nature and purpose of each reserve within equity

<i>Reserve</i>	<i>Description and purpose</i>
Share capital	Amount subscribed for share capital at nominal value
Capital contribution	The net assets transferred to Aureus Mining on April 13, 2011 pursuant to the Plan of Arrangement (see Note 2 and 4)
Share-based payment reserve	Fair value of share-based payments vested
Available-for-sale investment reserve	Gains and losses arising on available-for-sale investments
Cumulative translation reserve	Exchange differences arising on translation of non- US dollar functional currency subsidiaries
Cumulative deficit	Amount of cumulative net gains and losses recognised on the consolidated statement of income

3.6 Property, plant and equipment

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

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

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

3.7 Intangible assets

The Company's intangible assets relate to capitalised costs relating to the acquisition, exploration and evaluation of the Company's mineral properties.

Resource properties

Direct acquisition costs are capitalized by property to resource properties.

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

3 Summary of significant accounting policies (continued)

Deferred exploration costs

Exploration and evaluation costs are capitalized by property to deferred exploration costs.

Acquisition, exploration and evaluation costs are capitalised as an intangible asset until technical feasibility and commercial viability of extraction of reserves are demonstrable, when the capitalised costs are re-classed to property, plant and equipment. Prior to reclassification to property, plant and equipment, acquisition, exploration and evaluation assets are assessed for impairment and any impairment loss is recognised immediately in the statement of comprehensive income.

These assets are not amortized but are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, at least at each balance sheet date.

3.8 Impairment

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the statement of comprehensive income.

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

External

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

Internal

- Evidence of obsolescence or physical damage of an asset;
- Evidence from internal reporting that indicates the economic performance of an asset is or will be worse than expected; and
- Significant changes with an adverse effect on the entity have taken place during the period or are expected to take place in the near future to the extent and manner in which an asset is used.

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

3 Summary of significant accounting policies (continued)

- The facts and circumstances indicating impairment include the following:
 - The entity's right to explore in an area has expired, or will expire in the near future, without renewal;
 - No further exploration or evaluation is planned or budgeted for;
 - A decision has been made to discontinue exploration and evaluation in an area because of the absence of commercial reserves; and
 - Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

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

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

3.9 Financial instruments

Financial assets

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

Available for sale financial assets

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

Loans and receivables

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

Aureus Mining Inc.
Notes to the Consolidated Financial Statements
For the period ended December 31, 2011
(in US dollars unless otherwise stated)

3 Summary of significant accounting policies (continued)

Impairment of financial assets at amortised cost

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

Cash and cash equivalents

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

Derecognition of financial assets

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

Financial liabilities and equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Broker warrants issued alongside the raising of finance are recorded as a reduction of capital stock based on the fair value of the warrants.

Other financial liabilities

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

Derecognition of financial liabilities

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

Aureus Mining Inc.
Notes to the Consolidated Financial Statements
For the period ended December 31, 2011
(in US dollars unless otherwise stated)

3 Summary of significant accounting policies (continued)

Derivative financial instruments:

The Company has issued warrants that are treated as derivative liabilities. Gains and losses on re-measurement are recorded in the statement of comprehensive income.

3.10 Joint ventures

The Company accounts for its share of jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

3.11 Income tax

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

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

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

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

3.12 Share-based payments

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

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

3.13 Segments

Information presented to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the geographical location.

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

3 Summary of significant accounting policies (continued)

3.14 Critical accounting judgements and sources of estimation uncertainty

In the application of the Company's accounting policies, 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 ongoing 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.

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

4 Capital contribution

As described in Note 2, on April 13 2011, upon completion of the Arrangement Aureus Mining received the Transferred Assets from Afferro Mining. As there was no substantive change in ultimate ownership of the Transferred Assets as a result of the transaction, the transaction has been accounted for as a capital contribution and the Transferred Assets have been brought into Aureus Mining at the carrying values recorded by Afferro Mining at the date of transfer as follows:

	April 13, 2011 \$
Assets	
Current assets	
Cash and cash equivalents	10,776,952
Trade and other receivables	31,434
	10,808,386
Non-current assets	
Intangible assets	
- Resource properties	5,459,615
- Deferred exploration costs	27,924,114
Property, plant and equipment	668,662
Available-for-sale investments	3,824,342
	37,876,733
Total assets	48,685,119
Liabilities	
Current liabilities	
Trade and other payables	450,147
Total liabilities	450,147
Equity	
Capital contribution	48,234,972
Total equity	48,234,972
Total liabilities and equity	48,685,119

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

5 Trade and other receivables

	December 31, 2011 \$
Accounts receivable	149,835
Prepaid expenses	77,747
	227,582

6 Intangible assets

	On incorporation	Transferred from Afferro April 13, 2011 \$	Additions \$	December 31, 2011 \$
Resource properties:				
Liberia				
Bea	-	210,000	-	210,000
Ndablama extension	-	141,349	-	141,349
Archaean Gold	-	-	60,350	60,350
	-	351,349	60,350	411,699
Sierra Leone				
Sonfon	-	1,017,000	-	1,017,000
Cameroon				
Batouri	-	4,091,266	-	4,091,266
	-	5,459,615	60,350	5,519,965
Deferred exploration costs:				
Liberia				
New Liberty	-	23,767,650	13,416,499	37,184,149
Weaju	-	1,201,561	401,656	1,603,217
Gondoja	-	34,348	1,600	35,948
Silver Hills	-	48,107	-	48,107
Ndablama	-	452,435	710,045	1,162,480
Leopard Rock	-	-	617,603	617,603
	-	25,504,101	15,147,403	40,651,504
Sierra Leone				
Sonfon	-	1,993,865	258,686	2,252,551
Cameroon				
Batouri	-	426,148	28,121	454,269
	-	27,924,114	15,434,210	43,358,324

(a) Liberia

The Company holds a mineral development agreement ("MDA") in Liberia for gold development. This MDA is in Western Liberia and is held by Bea Mountain Mining Corporation, Aureus Mining's local subsidiary. The MDA is valid for 25 years with an option to renew for a further 25 years and is dated

Aureus Mining Inc.
Notes to the Consolidated Financial Statements
For the period ended December 31, 2011

(in US dollars unless otherwise stated)

6 Intangible assets (continued)

November 28, 2001 and approved on March 14, 2002. The MDA allows the Company to conduct pre-feasibility and bankable feasibility studies. On July 29, 2009 the Company was granted by the Government of Liberia a Class A Mining License within the Bea MDA. The license allows the Company to explore and mine in a 457 km² area which encompasses the New Liberty Gold Project, Weaju, Gondoja, Silver Hills and Ndablama.

During the period ended December 31, 2011 the company entered into an agreement 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 currently contains the Leopard Rock property. The transaction was accounted for as an asset acquisition and in addition to the purchase price of \$60,350 a 2.5% net profit interest ("NPI") in relation to any future production was granted.

(b) *Sierra Leone*

The Sonfon gold project is subject to a joint venture agreement dated June 16, 2010, as amended, with Golden Star Resources Ltd. ("GSR") pursuant to which GSR and the Company respectively hold a 51% and 49% interest. The Company records its share of the deferred exploration costs in this project.

(c) *Cameroon*

The Batouri licence covers an area of 1,000 km² and targets gold in eastern Cameroon.

	Period ended December 31, 2011 \$
Deferred exploration costs	
Assays including shipment	976,907
Communications	63,930
Community relations	114,206
Consultants and professional fees	910,180
Drilling	7,631,087
Geophysical	768,124
Infrastructure including roads and bridges	846,372
Licenses and permit fees	503,290
Project/field office costs	1,099,809
Salaries and wages	1,864,237
Subsistence	46,434
Transportation	351,634
Joint venture participation	258,000
Net expenditure during the period	15,434,210
Balance, beginning of the period	-
Transferred from Afferro – Note 4	27,924,114
Balance, end of the period	43,358,324

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

7 Property, plant and equipment

	Machinery and equipment	Vehicles	Total
	\$	\$	\$
Cost			
On incorporation	-	-	-
Transferred from Afferro	288,208	528,250	816,458
Additions	89,863	266,683	356,546
At December 31, 2011	378,071	794,933	1,173,004
Accumulated depreciation			
On incorporation	-	-	-
Transferred from Afferro	48,238	99,558	147,796
Charge for the period	68,305	145,425	213,730
At December 31, 2011	116,543	244,983	361,526
Net book value			
On incorporation	-	-	-
Transferred from Afferro	239,970	428,692	668,662
At December 31, 2011	261,528	549,950	811,478

8 Available-for-sale investments

	December 31, 2011 \$
On incorporation	-
Transferred from Afferro	3,824,342
Losses transferred to equity	(2,396,810)
At December 31, 2011	1,427,532

The Company holds 30,792,770 shares in Stellar Diamonds plc., a diamond mining and exploration company listed on the AIM market operated by the London Stock Exchange. The Company's available-for-sale investments are classified as Level 1 where the fair value is determined by reference to quoted prices (unadjusted) in active markets.

9 Trade and other payables

	December 31, 2011 \$
Trade payables	2,650,025
Accruals	209,721
	2,859,746

Aureus Mining Inc.
Notes to the Consolidated Financial Statements
For the period ended December 31, 2011
(in US dollars unless otherwise stated)

10 Equity

(a) **Authorised**
Unlimited number of common shares without par value.

(b) **Issued and fully paid**

	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

On May 19, 2011, the Company concluded a public offering issuing 27,000,000 new common shares of Cdn\$1.30 each raising gross proceeds of Cdn\$35.1 million. The direct costs to issue that have been charged to share capital amounted to Cdn\$2.4 million (including compensation warrants valued at Cdn\$0.2 million (see Note 12)).

On June 3, 2011, the over-allotment option attached to the public offering was exercised upon which the Company issued 4,050,000 new common shares of Cdn\$1.30 each raising gross proceeds of Cdn\$5.3 million. The direct costs to issue that have been charged to share capital amounted to Cdn\$0.3 million (including compensation warrants valued at Cdn\$ 26,882 (see Note 12)).

In the period ended December 31, 2011, the Company issued 527,654 new common shares in exchange for the exercise of 527,654 stock options at a weighted average exercise price of Cdn\$0.61.

(c) **Stock options**

In connection with the Arrangement, each African Aura option outstanding immediately prior to the completion was exchanged for one Afferro option and one Aureus Mining option and the African Aura option so exchanged was immediately thereupon cancelled.

The Aureus Mining options were granted pursuant to the Aureus Mining Stock Option Plan. The issuance of Afferro options and Aureus Mining options is intended to put the holders of the options in the same position (or as close as possible thereto) as each shareholder of African Aura who participated in the Arrangement as if such holders of African Aura options had exercised such options prior to the effective time of the Arrangement. Therefore it is not necessary to value the African Aura options prior to the effective time of the Arrangement and Afferro and Aureus options after the effective time using an option pricing model as these options are not a new grant or a re-pricing.

The exercise price of each Afferro option and each Aureus Mining option was determined in accordance with the following formulae, in each case rounded up to the nearest whole cent:

- the exercise price of each Afferro option represents the product of (a) the original exercise price of the African Aura option multiplied by (b) the difference between one (1) and the Exercise Price Proportion, an amount determined in accordance with the fraction A/B where: (A) is the one day volume weighted average trading price of one Aureus common share following the completion of the Arrangement; and (B) is the aggregate of the one day volume

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

10 Equity (continued)

weighted average trading price of one Aureus common share and one Afferro common share following the completion of the Arrangement; and

- the exercise price of each Aureus Mining option represents the product of (a) the original exercise price of the African Aura option multiplied by (b) the Exercise Price Proportion.

The Exercise Price Proportion was calculated as 0.3978

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

	December 31, 2011	
	Number of options	Weighted average exercise price per share Cdn\$
On incorporation	-	-
Options granted per Arrangement	7,465,994	0.70
Options granted	2,950,000	1.52
Options exercised	(527,654)	0.61
Options cancelled	(21,906)	0.90
End of the period	9,866,434	0.95

	December 31, 2011	
Expiry date	Exercise price per share Cdn\$	Number of stock options outstanding and vested
March 16, 2012	0.73	75,000
May 20, 2012	0.73	37,500
January 17, 2013	0.64	787,500
March 1, 2013	1.42	15,000
January 19, 2014	0.32	554,375
January 8, 2015	0.49	1,157,750
May 13, 2015	0.50	1,250,000
June 6, 2015	0.16	107,937
November 1, 2015	0.90	240,000
December 1, 2015	0.33	137,374
December 1, 2015	0.50	98,124
December 1, 2015	0.66	29,437
January 10, 2016	1.09	2,255,000
May 23, 2016	1.55	2,435,000
August 18, 2016	1.27	200,000
September 1, 2016	1.42	300,000
January 1, 2017	0.57	19,625
June 28, 2017	0.91	166,812
	0.95	9,866,434

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

10 Equity (continued)

The fair value of the stock options granted in the period ended December 31, 2011 was estimated at Cdn\$0.67 per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	Period ended December 31, 2011
Dividend yield	0%
Risk free interest rate	1.85 – 2.25%
Expected life	0.5 – 5 years
Expected volatility	44 – 78%

11 Loss per share

	Period ended December 31, 2011 \$
Loss for the period	7,499,130
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	112,915,879
Basic and diluted loss per share	0.07

Basic and diluted loss per share are the same as the effect of the outstanding share options is anti-dilutive and therefore excluded. Outstanding share options are detailed in note 10.

12 Compensation warrants

During the Period ended December 31, 2011 the Company issued 931,500 compensation warrants in relation to its public offering. Each compensation warrant was exercisable at a price per common share of Cdn\$1.30 and expired unexercised on November 19, 2011 and December 3, 2011. These warrants were treated as a derivative liability and were fair valued at each reporting date using the Black-Scholes option pricing model with changes in fair value being taken directly to the statement of comprehensive income.

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

13 Income tax

	Period ended December 31, 2011
	\$
Current taxation	-
Deferred taxation	-
	-

The analysis of the Company's taxation charge for the year based on the company's statutory tax rate of 26.5% is as follows:

	Period ended December 31, 2011
	\$
Loss for the period	7,499,130
Tax recovery at the Canadian corporation tax rate of 26.5%	1,987,269
Effect of different tax rates of subsidiaries operating in other jurisdictions	6,166
Non-deductible share-based payments	(536,108)
Tax losses not utilised and carried forward	(1,589,250)
Other	131,923
	-

A deferred taxation asset is not recognised in respect of carried forward losses due to uncertainty over the utilisation of the losses. The unrecognised deferred taxation asset is \$1,536,401 based on carried forward tax losses of \$5,797,738 which expire in 2031.

14 Related party transactions

(a) Purchases of goods and services

	Period ended December 31, 2011
	\$
Purchase of goods/service	248,499

During the period ended December 31, 2011 the Company incurred management and office service fees of \$224,910 payable to Afferro Mining, a Company with two common directors and environmental consulting fees of \$23,589 payable to a Company with a common director. \$28,554 was payable to related parties as at December 31, 2011. 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.

Aureus Mining Inc.
Notes to the Consolidated Financial Statements
For the period ended December 31, 2011
(in US dollars unless otherwise stated)

14 Related party transactions (continued)

(b) Key management compensation

The directors and officers are considered the Company's key management personnel. The compensation paid or payable to key management for employee services is shown below.

	Period ended December 31, 2011 \$
Salaries and other short-term employee benefits	1,013,143
Share-based payments	1,704,876

The remuneration earned by each director in the period ended December 31, 2011 is as follows:

	Salaries and other short-term benefits \$	Share-based payments \$	Total \$
David Beatty	42,108	127,184	169,292
Jean-Guy Martin	31,917	163,523	195,440
David Netherway	60,154	190,777	250,931
David Reading	462,472	635,922	1,098,394
Adrian Reynolds	42,108	127,184	169,292
Luis da Silva	42,108	127,184	169,292
	680,867	1,371,774	2,052,641

15 Segment information

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.

Aureus Mining Inc.
Notes to the Consolidated Financial Statements
For the period ended December 31, 2011
(in US dollars unless otherwise stated)

15 Segment information (continued)

Following is an analysis of the Company's results, assets and liabilities by reportable segment for the period ended December 31, 2011:

	Liberia exploration and development	Cameroon exploration	Sierra Leone exploration	Corporate	Total
	\$	\$	\$	\$	\$
Loss for the period	273,530	-	268	7,225,332	7,499,130
Segment assets	42,316,444	4,547,664	3,273,999	32,251,717	82,389,824
Segment liabilities	2,010,352	-	258,000	619,948	2,888,300
Depreciation of property, plant and equipment	213,730	-	-	-	213,730
Capital additions					
– property, plant and equipment	337,301	-	-	19,245	356,546
– intangible assets	15,147,404	28,120	258,686	-	15,434,210

16 Financial instruments by category

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, available for sale investments, accounts payable and accrued liabilities and due to related party. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

The Company has made the following classifications for its financial instruments:

	Available for sale	Loans and receivables	Total
	\$	\$	\$
December 31, 2011			
Assets as per statement of financial position			
Cash and cash equivalents	-	31,044,943	31,044,943
Accounts receivable	-	149,835	149,835
Investments	1,427,532	-	1,427,532
Total	1,427,532	31,194,778	32,622,310

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

16 Financial instruments by category (continued)

	Other financial liabilities at amortised cost \$	Total \$
December 31, 2011		
Liabilities as per statement of financial position		
Trade and other payables	2,859,746	2,859,746
Due to related party	28,554	28,554
Total	2,888,300	2,888,300

17 Financial and capital risk management

(a) Financial risk management

The Company's activities expose it to a variety of financial risks, which include interest rate and liquidity risk, foreign exchange risk and credit risk.

Interest rate and liquidity Risk

Fluctuations in interest rates impact on the value of short term cash investments giving rise to interest rate risk. The Company has in the past been able to actively source financing through public offerings. 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 typically holds cash and cash equivalents with a maturity of less than 30 days.

Due to the short maturity of the financial assets and the current low level of interest rates, 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:

The Company's liabilities fall due as indicated in the following table:

	Within 30 days \$	30 days to 6 months \$	Over 6 months \$
At December 31,2011			
Cash and cash equivalents	31,044,943	-	-
Trade and other payables	2,859,746	-	-
Due to related party	28,554	-	-

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

17 Financial and capital risk management (continued)

Foreign exchange risk

Foreign exchange risk arises from transactions denominated in currencies other than US dollars. In the normal course of business the Company enters into transactions denominated in foreign currencies, primarily Pounds Sterling, Canadian Dollars, Euros, Australian Dollars and South African Rand. As a result, the Company is subject to exposure from fluctuations in foreign currency exchange rates. The Company does not enter into derivatives to manage these risks.

	December 31, 2011
	\$
Carrying value of foreign currency balances	
Cash and cash equivalents, include balances denominated in:	
Canadian Dollar (CAD)	24,736,775
Euros (EUR)	44,960
Pound Sterling (GBP)	195,014
Others	1,971
Investments, include balances denominated in:	
Pounds Sterling (GBP)	1,427,531
Accounts receivable, include balances denominated in:	
Canadian Dollar (CAD)	75,633
Pounds Sterling (GBP)	47,089
Trade and other payables, include balances denominated in:	
Australian Dollar (AUD)	132,422
Canadian Dollar (CAD)	11,324
Euro (EUR)	210,068
Pound Sterling (GBP)	480,717
South African Rand (ZAR)	27,949

The sensitivities below are based on financial assets and liabilities held at December 31, 2011 where balances were not denominated in the functional currency of the Company. The sensitivities do not take into account the Company's income and expenses and the results of the sensitivities could change due to other factors such as changes in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors.

	Effect on net assets of USD strengthening 10%
	\$
At December 31, 2011	
Australian Dollar (AUD)	13,242
Canadian Dollar (CAD)	(2,480,108)
Euro (EUR)	16,511
Pound Sterling (GBP)	23,861
South African Rand (ZAR)	2,795

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

17 Financial and capital risk management (continued)

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company has an investment policy requiring that cash and cash equivalents only be deposited in permitted investments with certain minimum credit ratings.

	December 31, 2011
Financial institutions with Standards & Poors A+ rating	30,675,174
Financial institutions un-rated or unknown rating	369,769

(b) 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 defines capital as 'equity' as shown in the consolidated statement of financial position.

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 December 31, 2011.

Aureus Mining Inc.

Notes to the Consolidated Financial Statements

For the period ended December 31, 2011

(in US dollars unless otherwise stated)

18 Commitments

Capital expenditure contracted for at December 31, 2011 but not yet incurred is as follows:

	December 31, 2011
Intangible assets	<u>\$</u> <u>5,156,370</u>

Commitments to purchase intangible assets represent costs to be capitalised as deferred exploration costs on the Company's projects.

19 Subsequent events

On January 5, 2012, the Company granted incentive stock options to certain directors and employees of the Company. The share options were granted over a total of 1,741,000 common shares, representing approximately 1.48% of the issued share capital of the Company at an exercise price of C\$1.05 per share, exercisable as follows: one third immediately; one third after one year; and one third after two years. The share options issued expire on January 5, 2017.