

Condensed Interim Consolidated Financial Statements (Unaudited)

Aureus Mining Inc.

For the Three and Six Months Ended June 30, 2014 and 2013
(stated in thousands of US dollars)

Registered office: 200 Bay Street
Suite 3800
Royal Bank Plaza
South Tower
Toronto
Ontario M5J 2Z4

Company registration number: 776831-1

Company incorporated on: 1 February 2011

Aureus Mining Inc.

Interim Consolidated Statements of Financial Position

(stated in thousands of US dollars)

Unaudited

	June 30, 2014 \$'000	December 31, 2013 \$'000
Assets		
Current assets		
Cash and cash equivalents	48,566	39,372
Trade and other receivables	8,571	5,387
	<u>57,137</u>	<u>44,759</u>
Non-current assets		
Property, plant and equipment (Note 2)	146,541	96,394
Intangible assets (Note 3)	28,926	24,415
Available-for-sale investments (Note 4)	630	508
	<u>176,097</u>	<u>121,317</u>
Total assets	<u>233,234</u>	<u>166,076</u>
Liabilities		
Current liabilities		
Trade and other payables	11,447	6,908
Warrant derivative liability (Note 8a)	1,503	28
	<u>12,950</u>	<u>6,936</u>
Non-current liabilities		
Borrowings (Note 5)	48,896	-
	<u>48,896</u>	<u>-</u>
Total liabilities	<u>61,846</u>	<u>6,936</u>
Equity		
Share capital (Note 6b)	140,522	128,158
Capital contribution	48,235	48,235
Share based payment reserve (Note 6c)	4,136	3,721
Warrant reserve (Note 8b)	1,552	-
Available-for-sale investment reserve	121	-
Cumulative translation reserve	(65)	(180)
Deficit	(23,113)	(20,794)
Total equity	<u>171,388</u>	<u>159,140</u>
Total liabilities and equity	<u>233,234</u>	<u>166,076</u>

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

Aureus Mining Inc.**Interim Consolidated Statements of Income and Comprehensive Income**

(stated in thousands of US dollars)

Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Expenses				
Legal and professional	(213)	(252)	(472)	(614)
Depreciation (Note 2)	(77)	(94)	(152)	(186)
Wages and salaries	(594)	(406)	(1,173)	(814)
Share based payments (Note 6c)	(163)	(152)	(415)	(409)
Foreign exchange gain/(loss)	(97)	85	(41)	(733)
Other expenses	(277)	(462)	(565)	(782)
Loss from operations	(1,421)	(1,281)	(2,818)	(3,538)
Warrant derivative liability gain (Note 8)	453	590	481	1,926
Finance income	7	82	18	96
Loss for the period	(961)	(609)	(2,319)	(1,516)
Other comprehensive (loss)/income				
Items that may be reclassified subsequently to profit or loss				
Available-for-sale financial instruments	(164)	(502)	121	(814)
Currency translation differences	153	(33)	115	342
Total comprehensive loss for the period	(972)	(1,144)	(2,083)	(1,988)
Weighted average number of shares outstanding, basic and diluted	278,061,987	221,408,850	265,380,516	221,407,108
Loss per share, basic and diluted	(0.003)	(0.003)	(0.009)	(0.007)

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

Aureus Mining Inc.
Interim Consolidated Statements of Cash Flows
(stated in thousands of US dollars)
Unaudited

	Six months ended June 30,	
	2014	2013
	\$'000	\$'000
Operating activities		
Loss for the period	(2,319)	(1,516)
Items not affecting cash:		
Share-based payments	415	409
Depreciation	152	186
Unrealized foreign exchange loss	82	617
Warrant derivative liability gain	(481)	(1,926)
Changes in non-cash working capital		
Trade and other receivables	353	(192)
Trade and other payables	(61)	(226)
Due to related parties	1	(326)
Cash flows from operating activities	(1,858)	(2,974)
Investing activities		
Payments to acquire intangible assets	(4,449)	(4,657)
Payments to acquire property, plant and equipment	(47,415)	(17,785)
Cash flows used in investing activities	(51,864)	(22,442)
Financing activities		
Proceeds from issue of common shares (net of costs)	12,231	-
Proceeds from issue of share purchase warrants	1,957	-
Exercise of stock options	133	121
Borrowings (net of costs)	48,566	-
Cash flows from financing activities	62,887	121
Impact of foreign exchange on cash balance	29	(264)
Net increase / (decrease) in cash and cash equivalents	9,194	(25,559)
Cash and cash equivalents at beginning of period	39,372	79,411
Cash and cash equivalents at end of period	48,566	53,852

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

Aureus Mining Inc.**Interim Consolidated Statements of Changes in Equity**

(stated in thousands of US dollars)

Unaudited

	Share capital	Capital contribution	Share-based payment reserve	Warrant reserve	Available-for sale investment reserve	Cumulative translation reserve	Cumulative deficit	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2013	112,977	48,235	2,957	-	(2,519)	(150)	(13,373)	148,127
Loss for the period	-	-	-	-	-	-	(1,516)	(1,516)
Comprehensive income/(loss) for period	-	-	-	-	(814)	342	-	(472)
Share-based payments	-	-	409	-	-	-	-	409
Exercise of stock options	121	-	-	-	-	-	-	121
Balance at June 30, 2013	113,098	48,235	3,366	-	(3,333)	192	(14,889)	146,669
Balance at January 1, 2014	128,158	48,235	3,721	-	-	(180)	(20,794)	159,140
Loss for the period	-	-	-	-	-	-	(2,319)	(2,319)
Comprehensive income/(loss) for period	-	-	-	-	121	115	-	236
Share-based payments	-	-	415	-	-	-	-	415
Issue of common shares (net of costs)	12,231	-	-	-	-	-	-	12,231
Issue of warrants	-	-	-	1,552	-	-	-	1,552
Exercise of stock options	133	-	-	-	-	-	-	133
Balance at June 30, 2014	140,522	48,235	4,136	1,552	121	(65)	(23,113)	171,388

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

Aureus Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(in thousands of US dollars unless otherwise stated)

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1 Nature of operations and basis of preparation

Aureus Mining Inc. ("Aureus Mining" or the "Company") was incorporated under the Canada Business Corporations Act on February 1, 2011. The focus of Aureus Mining's business is the exploration and development of gold assets in West Africa, particularly the construction of the New Liberty Gold Mine in Liberia.

These condensed interim consolidated financial statements ("interim financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", they do not include all disclosures that would otherwise be required in a complete set of financial statements. They follow accounting policies and methods of their application consistent with the audited consolidated financial statements for the year ended December 31, 2013. Accordingly, they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013. New accounting standards or interpretations that became effective in the period ended June 30, 2014 had no material impact on the financial statements.

These interim financial statements were authorised by the Board of Directors on August 6, 2014.

Aureus Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(in thousands of US dollars unless otherwise stated)

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2 Property, plant and equipment

	Mining and development property \$'000	Machinery and equipment \$'000	Vehicles \$'000	Leasehold improvement \$'000	Total \$'000
Cost					
At December 31, 2012	51,564	858	931	102	53,455
Additions	43,843	146	2	1	43,992
Foreign Exchange	-	(9)	3	2	(4)
At December 31, 2013	95,407	995	936	105	97,443
Additions	50,165	130	-	-	50,295
FX	-	2	-	4	6
At June 30, 2014	145,572	1,127	936	109	147,744
Accumulated depreciation					
At December 31, 2012	-	245	433	6	684
Charge for the period	-	198	149	28	375
Foreign exchange	-	(13)	-	3	(10)
At December 31, 2013	-	430	582	37	1,049
Charge for the period	-	88	53	11	152
FX	-	2	-	-	2
At June 30, 2014	-	520	635	48	1,203
Net book value					
At December 31, 2013	95,407	565	354	68	96,394
At June 30, 2014	145,572	607	301	61	146,541

Aureus Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements For the three and six months ended June 30, 2014 and 2013

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3 Intangible assets

	December 31, 2012 \$'000	Additions \$'000	December 31, 2013 \$'000	Additions \$'000	June 30, 2014 \$'000
Deferred exploration and evaluation costs:					
Liberia (a)					
New Liberty	-	540	540	144	684
Weaju	5,425	3,884	9,309	127	9,436
Gondoja	883	394	1,277	10	1,287
Silver Hills	50	408	458	35	493
Ndablama	2,650	2,195	4,845	3,644	8,489
Leopard Rock	2,117	58	2,175	82	2,257
Yambesei	-	43	43	106	149
Archean West	-	11	11	41	52
Mabong	-	7	7	40	47
Mafa West	-	6	6	105	111
	11,125	7,546	18,671	4,334	23,005
Cameroon (b)					
Batouri	5,144	600	5,744	177	5,921
	16,269	8,146	24,415	4,511	28,926

(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 November 28, 2001, approved on March 14, 2002 and restated, amended and ratified on September 19, 2013 with a 13 year term remaining. 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.

The Archaen Gold exploration license covers 89 km² is contiguous with and immediately south of the Company's Bea Mountain mining license and currently contains the Leopard Rock property.

In November 2013 the Company increased its contiguous ground holdings around its New Liberty Project through the acquisition of four new exploration licenses. The Company's ground holding portfolio has now increased from 547 km² to 1,470 km². The four new exploration licenses are referred to as Yambesei (759 km²), Archean West (112.6 km²), Mabong (36.6 km²) and Mafa West (15.6 km²).

(b) Cameroon

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

Aureus Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements For the three and six months ended June 30, 2014 and 2013

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4 Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, available for sale investments, accounts payable and accrued liabilities, warrant derivative liabilities and borrowings. The carrying values of the Company's financial instruments approximate their fair values.

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.

5 Borrowings

	June 30, 2014	December 31, 2013
Non-Current	\$'000	\$'000
Bank loan – Senior Facility	48,896	-
Bank loan – Subordinated Facility	-	-
	48,896	-

On December 17, 2013 the Company entered into an agreement for an US\$ 88 million project finance loan facility with Nedbank Limited ("Nedbank") and Rand Merchant Bank ("RMB") supported by Export Credit Insurance Corporation of South Africa Limited ("ECIC"), (the "Senior Facility"), and also entered into a subordinated loan facility agreement for US\$ 12 million with RMB Resources (the "Subordinated Facility"). These loan facilities will assist in financing the development of the Company's New Liberty Gold Project.

The Senior Facility's first repayment is January 31, 2016 and is repayable in 9 semi-annual payments. The Senior Facility bears interest at the United States LIBOR rate plus a 1.8% margin plus a 2.5% ECIC premium for a six year term. The Subordinated Facility bears interest at the United States LIBOR rate plus 7.5% for a six and a half year term and is repayable in full six months after the final Senior Facility repayment.

During the quarter, all conditions precedent were met on the Senior Facility and Subordinated Facility and the first drawdown on the Senior Facility occurred. Upon satisfaction of all conditions precedent 11,124,528 million warrants with an exercise price of £0.42788 and a term of five years were issued to RMB Resources (Note 8b).

The Senior Facility is secured by charges over the assets of the Company's Liberian subsidiary ("Bea Mountain Mining Corporation" or "Bea") and charges over the shares in Bea and its holding companies and guaranteed by the Company.

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Notes to Condensed Interim Consolidated Financial Statements For the three and six months ended June 30, 2014 and 2013

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6 Equity

(a) Authorised

Unlimited number of common shares without par value.

(b) Issued

	Shares	Amount \$'000
Balance at December 31, 2012	221,235,043	112,977
Exercise of stock options	205,625	121
Shares issued on private placement	30,900,000	15,823
Share issue costs	-	(763)
Balance at December 31, 2013	252,340,668	128,158
Shares issued on private placement	33,375,000	15,136
Share issue costs	-	(2,905)
Exercise of stock options	415,000	133
Balance at June 30, 2014	286,130,668	140,522

On 22 April, 2014, the Company completed a transaction to sell 33,375,000 Units at a price of £0.27 per Unit. Each Unit is comprised of one common share of the Company (each, a "Common Share") and one-half of one common share purchase warrant of the Company (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at a price of £0.378 (or the prevailing C\$ equivalent thereof) up to and including 22 October 2017. The direct costs to issue the Units that have been charged to share capital amounted to US\$2.9 million including US\$2.0 million allocated to the Warrants.

(c) Stock options

Information relating to stock options outstanding at June 30, 2014 is as follows:

	June 30, 2014		December 31, 2013	
	Number of options	Weighted average exercise price per share Cdn\$	Number of options	Weighted average exercise price per share Cdn\$
Beginning of the period	11,747,553	0.95	9,144,748	1.04
Options granted	4,905,916	0.51	3,588,680	0.71
Options exercised	(415,000)	0.35	(205,625)	0.58
Options expired	(781,000)	1.05	(634,000)	0.99
Options cancelled	(505,652)	0.72	(146,250)	0.77
End of the period	14,951,817	0.83	11,747,553	0.95

Aureus Mining Inc.Notes to Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2014 and 2013

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Unaudited

6 Equity (continued)

Expiry date	Exercise price per share Cdn\$	Number of stock options outstanding and vested	
		June 30, 2014	December 31, 2013
January 17, 2014	1.05	-	75,000
January 19, 2014	0.32	-	345,000
January 13, 2015	0.49	712,000	767,000
May 13, 2015	0.50	575,000	660,000
June 1, 2015	0.16	68,687	68,687
November 1, 2015	0.90	200,000	200,000
December 1, 2015	0.33	68,687	68,687
December 1, 2015	0.66	68,687	68,687
January 10, 2016	1.09	1,100,000	1,600,000
May 23, 2016	1.55	2,070,000	2,170,000
August 18, 2016	1.27	200,000	200,000
September 1, 2016	0.57	300,000	300,000
January 4, 2017	1.05	1,317,000	918,000
April 13, 2017	1.05	250,000	166,667
June 28, 2017	0.91	49,062	49,062
August 15, 2017	0.74	250,000	250,000
January 14, 2018	0.72	956,818	350,000
September 12, 2018	0.63	83,333	-
January 19, 2019	0.51	520,000	-
May 13, 2019	0.48	100,000	-
	1.00	8,889,274	8,256,790

The weighted average fair value of the 200,000 stock options granted in the three months ended June 30, 2014 was estimated at C\$ 0.18 per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	Three months ended June 30, 2014	Year ended December 31, 2013
Dividend yield	0%	0%
Risk free interest rate	1.91%	1.05 – 1.55%
Expected life	5 years	5 years
Expected volatility	46%	42 – 43%

Aureus Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements For the three and six months ended June 30, 2014 and 2013

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7 Related party transactions

During the three months ended June 30, 2014, the Company incurred environmental consulting fees of \$147,483 (quarter ended June 30, 2013, \$179,798). The payable to related parties as at June 30, 2014 was \$55,729 (December 31, 2013, \$54,589).

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

8 Warrants

	Number of warrants	Weighted average exercise price per warrant per share £
Balance at January 1, 2014	24,925,000	0.625
Warrants expired	(24,925,000)	0.625
Warrants issued	27,812,027	0.398
Balance at June 30, 2014	27,812,027	0.398

Pursuant to the prospectus offering in November 2012, the Company issued 15,000,000 units comprising 15,000,000 common shares and 3,750,000 warrants. Pursuant to the private placement in November 2012, the Company issued 84,700,000 units comprising 84,700,000 common shares and 21,175,000 warrants. These warrants expired unexercised on 16 May 2014.

- a) On 22 April, 2014 the Company issued 16,687,499 warrants with an exercise price of £0.378 (or the prevailing C\$ equivalent thereof) and a term of three and a half years in relation to the Unit offering (see note 6b).

The Company's warrant derivative liability is classified as Level 3 where the fair value is based on inputs that are not observable and significant to the overall fair value measurement. These warrants are treated as a derivative liability and are 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 using the following assumptions:

	June, 30, 2014	December 31, 2013
Dividend yield	0%	0%
Risk free interest rate	1.99%	0.3%
Expected life	3.3 years	0.38 years
Expected volatility	46%	50%
Fair value (US\$'000)	1,503	28

Aureus Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements For the three and six months ended June 30, 2014 and 2013

(in thousands of US dollars unless otherwise stated)

Unaudited

8 Warrants (continued)

- b) On April 25 2014 the Company issued 11,124,528 million warrants with an exercise price of £0.42788 and a term of five years to RMB Resources in relation to the Subordinated Loan facility (See note 5). The warrants were fair valued under IFRS2 using the Black-Scholes option pricing model using the following assumptions and are held in prepayments until the Subordinated Facility is drawn:

Dividend yield	0%
Risk free interest rate	1.87%
Expected life	5 years
Expected volatility	46%
Fair value (US\$'000)	1,552

9 Segment information

The Company is engaged in the acquisition, exploration and development of gold properties in the West African countries of Liberia and Cameroon. 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 development (New Liberty);
- Liberia exploration;
- Cameroon exploration; and
- Corporate.

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the three month period ended June 30, 2014:

	Liberia development (New Liberty) \$'000	Liberia exploration \$'000	Cameroon exploration \$'000	Corporate \$'000	Total \$'000
Loss/(gain) for the period	-	85	12	864	961
Segment assets	153,556	53,239	6,078	20,361	233,234
Segment liabilities	58,449	1,008	-	2,389	61,846
Depreciation of property, plant and equipment	-	60	7	10	77
Capital additions					
– property, plant and equipment	28,372	108	-	-	28,480
– intangible assets	-	2,877	86	-	2,963

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Notes to Condensed Interim Consolidated Financial Statements

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(in thousands of US dollars unless otherwise stated)

Unaudited

9 Segment information (continued)

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the six month period ended June 30, 2014:

	Liberia development (New Liberty) \$'000	Liberia exploration \$'000	Cameroon exploration \$'000	Corporate \$'000	Total \$'000
Loss/(gain) for the period	-	148	19	2,152	2,319
Depreciation of property, plant and equipment	-	117	16	19	152
Capital additions – property, plant and equipment	50,165	130	-	-	50,295
– intangible assets	-	4,334	177	-	4,511

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the three month period ended June 30, 2013:

	Liberia development (New Liberty) \$'000	Liberia exploration \$'000	Cameroon exploration \$'000	Corporate \$'000	Total \$'000
Loss/(gain) for the period	-	34	-	575	609
Segment assets	74,846	17,183	5,623	54,641	152,293
Segment liabilities	3,665	1,136	11	812	5,624
Depreciation of property, plant and equipment	-	70	10	14	94
Capital additions – property, plant and equipment	9,040	32	4	4	9,080
– intangible assets	-	1,855	173	-	2,028

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9 Segment information (continued)

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the six month period ended June 30, 2013:

	Liberia development (New Liberty) \$'000	Liberia exploration \$'000	Cameroon exploration \$'000	Corporate \$'000	Total \$'000
Loss/(gain) for the period	-	86	28	1,402	1,516
Depreciation of property, plant and equipment	-	138	20	28	186
Capital additions					
– property, plant and equipment	17,170	45	4	6	17,225
– intangible assets	-	4,824	319	-	5,143

10 Subsequent event

On 29 July 2014 the Company closed a subscription by International Finance Corporation (“IFC”), the private sector arm of the World Bank Group, for 24,520,296 Units at an issue price of £0.27 to raise gross proceeds of approximately £6.6 million (approximately US\$ 11.1 million).

Each Unit comprises of one common share of the Company (“Share”) and one half of one common share purchase warrant of the Company (each whole common share purchase warrant, a “Warrant”). Each Warrant will entitle the holder thereof to purchase one Share at a price of £0.378 (which is at a 40% premium to the Issue Price) for a period of 42 months.