

AUREUS MINING INC.

**Management's Discussion and Analysis
For the quarter ended June 30, 2014**

AUREUS MINING INC.
Management's Discussion and Analysis
For the quarter ended June 30, 2014
(stated in US dollars unless otherwise stated)

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 condensed interim consolidated financial statements and related notes for the three months and six months ended June 30, 2014 and 2013. This management discussion and analysis has been prepared based on information available to the Company as at August 6, 2014. 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

Aureus Mining is an exploration and development 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") which is well progressed in the course of construction. 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).

(B) STRATEGY

Aureus Mining's strategy to increase shareholder value will be to: (i) develop the New Liberty Gold Project into a producing gold 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:

A Strong Portfolio of Assets

The Company has a strong portfolio of gold assets:

- The fully financed New Liberty Gold Project (the "Project") in Liberia has a NI 43-101 compliant reserve estimate of 8.5 million tonnes grading 3.4 g/t for 924,000 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 Definitive Feasibility Study ("DFS") 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, including the Ndablama Project with a NI 43-101 compliant resource estimate comprised of 6.8 million tonnes grading 2.1 g/t for 451,000 ounces in the inferred category and the Weaju Project with a NI 43-101 compliant resource estimate comprised of 2.7 million tonnes grading 2.1 g/t for 178,000 ounces in the inferred category.

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.

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Fully financed through to production at New Liberty

In April 2014 the Company achieved financial close on the \$88 million project finance loan facility agreement with Nedbank Limited and Rand Merchant Bank (the "Senior Facility") and on the subordinated loan facility agreement for \$12 million with RMB Resources (the "Subordinated Facility"). These loan facilities will assist with the financing of the development of the Company's New Liberty Gold Project, located within the Southern Block of the Company's 100% owned Bea Mountain Mining licence in Liberia.

First drawdown on the Senior Facility occurred in early Q2 2014 upon satisfaction of all conditions precedent and the balance of New Liberty capital expenditures will be funded from these loan facilities.

An additional \$15 million of equity was raised during the current quarter with a further \$11 million raised through International Finance Corporation ("IFC") in July 2014 to further strengthen the Company's balance sheet.

2. 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 DFS, financed and is well progressed with 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 km 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"). During 2013 the Government of Liberia ("GoL") ratified a Restated and Amended Mineral Development Agreement ("Restated and Amended MDA") for its Bea Mountain mining licence, which covers 457 km² and includes the New Liberty Gold Project (the "New Liberty Gold Project" or the "Project") in the Southern Block, along with the Ndablama, Gondoja and Weaju exploration targets in the Northern Block.

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

In May 2013, the Company announced the completion of the DFS which resulted in the reserve for the New Liberty Gold Project increasing to 924,000 ounces grading at 3.4 g/t and identified areas of capital and operating cost savings.

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 six years averages 119,000 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 8.5 million tonnes grading 3.4 g/t (for 923,716 ounces) is comprised of 0.7 million tonnes grading 4.4 g/t (for 99,470 ounces) in the proven category and 7.8 million tonnes grading 3.3 g/t (for 824,246 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.

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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	7.8	3.3	825
Total Proven and Probable	8.5	3.4	924

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

New Liberty Resource Estimate

A mineral resource estimate ("MRE") was undertaken by AMC Consultants UK Limited ("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

Development update for Q2 2014

A key focus for the second quarter of 2014 was to complete the construction of the foundations and concrete structures of the plant so that the erection of the steelwork could commence as per the schedule. The construction of the Tailings Storage Facility ("TSF") dam wall has progressed well and the building of the two Marvoe Creek dam walls and the construction of the spillway on the Marvoe Creek Diversion Channel ("MCDC") was largely completed. The Marvoe Creek was successfully diverted and the water is now flowing down the Diversion Channel.

The ball mill and other key mechanical equipment were successfully transported to site in June.

Construction of the mine accommodation camp progressed well with the camp now operational. The bulk of personnel are now housed in this new camp, with only a few Aureus staff remaining in the original camp.

The entire population of the old Kinjor and Larjor villages have been successfully moved to the new RAP village.

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Exploration

The main focus has been to evaluate the near-mine anomalies, particularly the gold-in-soil anomalies about 6 km west of New Liberty in the West Mafa area. Along with interpreting the structures, the field teams collected in-fill soil samples, dug and sampled trenches. They completed more detailed geological mapping to identify and better understand the controls to the gold mineralisation. A total of 1,345m of trenches were dug over areas of anomalous gold in soil. A number of quartz veins were mapped, in amphibolites, gneisses and iron rich formations.

(B) NDABLAMA GOLD PROJECT, LIBERIA

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

Exploration activities at Ndablama include extensive trenching and diamond drilling. Phase one, two and three drilling programmes were completed in 2011, 2012 and 2013 respectively with a total of 54 diamond holes for 8,339 metres and 63 trenches for 3,967 metres.

In November 2013 an Inferred Mineral Resource of 451,000 ounces at 2.1 g/t Au was estimated using a 0.5 g/t cut-off grade. The Ndablama resource estimate was prepared by AMC Consultants (UK) Limited in accordance with the requirements of National Instrument 43-101 “Standards of Disclosure for Mineral Project”, of the Canadian Securities Administrators (“NI-43-101”).

Mineral Resource	Tonnes (million)	Grade (g/t)	Contained Gold (koz)
Inferred	6.8	2.1	451

- (1) Mineral Resources for the Ndablama deposit are reported at a cut-off grade of 0.5 g/t Au
- (2) The effective date of the Ndablama gold deposit mineral resource estimates is 11 November 2013
- (3) Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues
- (4) The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as indicated and measured mineral resources

Phase 4 drilling commenced in the middle of Q4 2013 with 50 holes planned for 10,000 meters. Drilling concentrated in the Central Zone with some of the holes planned to connect the North and the South Zones and test down dip continuity of mineralisation. By the end of Q2 2014, a total of 46 diamond (DD) holes were completed with 10,555 meters drilled alongside 33 RC holes totalling 5,163 meters for the phase 4 drilling campaign.

Drilling and trench results to date have outlined multiple gold intercepts associated with three mineralised zones referred to as the North Zone, Central Zone and South East Zone. In each zone the mineralised system strikes in a northerly direction and dips westwards at shallow angles ranging between 30 and 45 degrees. The North Zone is outlined over 300 metres and hosts multiple zones of three to ten metres down to depths of 100 metres. The Central Zone has been defined for over 500 metres and down dip for 450 metres and is open in all directions. Multiple mineralised intervals have been intersected with widths of 3 to over 40 metres. The South East Zone can be followed for 200 metres and hosts thin zones of 3 to 10 metres which can be traced down dip for up to 220 metres and are still open down dip to the west. In addition, Q1 2014 results present the potential to connect all three mineralized zones. Phase 4 drilling continued in Q2 2014 along-side in-fill RC program with the aim to increase and raise the resource to an indicated category. Q2 results connected the North and Central zones. Further drilling in the south in Q3 2014 will test the potential of connecting the South-East and the Central zones.

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The Ndablama target is similar in geology and style of gold mineralisation to Leopard Rock which locates 500 metres south-east of the South East Zone.

In Q2 2014 phase 4 drilling campaign at Ndablama was extended to Ndablama North with 2 diamond holes to test gold mineralisation observed in soil and trenches.

1,407 metres of trenching and 8 pits have identified northward continuation of mineralisation from the Ndablama target that is open to the north.

(C) WEAJU GOLD PROJECT, LIBERIA

The Weaju deposit is situated 30 km east-north-east of the New Liberty Gold Project at the eastern end of the Bea Mountain ridge. Previously 48 diamond drill holes were drilled at Weaju by Mano River during the period 2000 to 2005. Weaju has been subjected to intense artisanal mining activity.

In November 2012 the Company commenced exploration activities at Weaju involving an airborne LiDAR survey, geological surface mapping, soil geochemistry for gold and a diamond drilling programme. At the end of March 2013 the Company completed a phase one drilling programme of 62 holes for approximately 8,726 metres. Results from the first 47 holes from this programme were reported in March 2013 with the remaining 15 reported in June 2013.

In November 2013 an Inferred Mineral Resource of 178,000 ounces at 2.1 g/t Au was estimated using a 1.0 g/t cut-off grade. The Weaju resource estimate was prepared by AMC Consultants (UK) Limited in accordance with the requirements of National Instrument 43-101 "Standards of Disclosure for Mineral Project", of the Canadian Securities Administrators ("NI-43-101"). This was then published in an NI43-101 report in December 2013.

Mineral Resource	Tonnes (million)	Grade (g/t)	Contained Gold (koz)
Inferred	2.7	2.1	178

- (1) Mineral Resources for the Weaju deposit are reported at a cut-off grade of 1.0 g/t Au
- (2) The effective date of the Ndablama and Weaju gold deposit mineral resource estimates is 11 November 2013
- (3) Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues
- (4) The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as indicated and measured mineral resources
- (5) Totals and average grades are subject to rounding to the appropriate precision

(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 licence area covering 89 km². The Archaean Gold exploration licence is contiguous with and immediately south of the Company's Bea Mountain mining licence 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 4,294 metres of diamond drilling was completed in the Phase one 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 mineralisation model was completed in 2012 using the recent drill and trench data. This was done to help further in exploration planning and understand the geology and structural setting of the area. Infill drilling programme for phase two is planned for the future.

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In 2012 a ground geophysical survey was completed in the gap area between Leopard Rock and Ndablama covering an area of 1.65 km². The geology and structural map was updated for the gap area between Leopard Rock and Ndbalama from mapping done this quarter.

Leopard Rock South is a continuation of the Leopard Rock projection, as is identified by a series of gold anomalies to the south and west of Leopard Rock. Detailed geological mapping has been able to extend lithological interpretations in this quarter.

(E) GONDOJA, LIBERIA

The Gondoja gold target is located 8 km north-east of Ndablama and 45 km east-north-east of New Liberty. The area was previously explored by Mano River in 1999 to 2000 and results from 7 trenches and 4 drill holes were reported in 2000. The trench results showed grades of between 1 and 2 g/t over wide widths of 20 metres to 64 metres. Five diamond drill holes were drilled in various orientations with a best intercept of 30 metres grading 3.9 g/t.

The Company's exploration teams undertook geological mapping, trenching and diamond drilling programmes in 2012. A total of 9 trenches were excavated for 789 metres and a diamond drilling programme was completed involving 13 holes (2,672 metres).

Gold mineralisation at Gondoja locates at the sheared contacts between ultramafic and metabasalt rocks and is associated with disseminated arsenopyrite and pyrrhotite and silicia-sericite-carbonate alteration. All results from the previous and current trenching and drilling programmes have been reported on the Company website.

A broad zone of shearing has been mapped for 600 metres in an east-north-east to west-north-west orientation. The borehole and trench results outline multiple intercepts over 500 metres and appear to close off the mineralisation to the east-north-east. The mineralised system is still open to the west-south-west and at depth. A preliminary geology and ore model was completed in 2012.

Gold in soil anomalies have been defined for over 4 km in a north-east direction in this area. It is related to the Yambesei shear corridor and represents the north-east continuation of the Koinja-Gbalidee soil anomalies.

A structural and alteration re-log was carried out in late 2012. The logs will aid in the review of the models to identify the characteristics of the gold mineralisation so that a phase two drilling programme can be developed.

Mapping continued of Gondoja target and extended to Welinkua which is a target that has been identified 1 km north-east of the Gondoja drilled area.

At Welinkua, positive grades returned from altered and weathered mafic rocks exposed in an artisanal pit. New pitting also returned positive grades in altered amphibolites. Based on these results the target now extends over a 300 metres strike length. Pitting work and lithosampling will continue over this target and at Gondoja with the aim of defining possible continuity between both targets.

(F) KOINJA AND GBALIDEE, LIBERIA

Koinja and Gbalidee are located on the Yambesei shear corridor and are part of an 8 km continuous zone of gold in soil anomalies that extends up to Gondoja and Welinkua.

At the Gbalidee target, located 2 km south east of Gondoja, 4 trenches for 237 metres and 5 diamond drill holes totalling 780 metres were completed in 2012. A total of 884 drill sample results were received in 2012. The geology of Gbalidee is very similar to that of Gondoja. To date less than 15% of the gold corridor has been drill tested.

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Detailed geological mapping and trenching are required to further define the full potential of this corridor.

(G) SILVER HILLS, LIBERIA

The Silver Hills targets are situated approximately 13 km north-east of the New Liberty Gold Project. There has been artisanal activity in the past. Lithology consists mainly of granite biotite gneisses, BIFs, ultramafics and amphibolite talc sericite schists. Quartz veins occur at the contact of the granitic gneisses and the ultramafics. The rocks are mainly folded and sheared.

Soil results were integrated with the field data. Anomalism is associated with the greenstone belts (altered amphibolites and ultramafics) and trends seem to be structurally controlled. The western soil anomalies have a main east-west trend with duplication. There is a north-west trend inflexion observed which is related to the regional dolerite event. North-east trending anomalies are also observed suggesting influence of the sinistral north-east shear that is seen in the North Central Zone. Eastern Zone soil anomalies have a regular north-east trend and additional targets have been generated for future work.

To date, the work completed at Silver Hills underlines the presence of regional scale gold mineralisation trends. The Silver Hills project may correspond to an intermediate mineralisation province between the Ndablama Gold corridor to the north-east and the New Liberty gold mine project to the south-west.

Lithosamples and channel samples returned good grades in artisanal mining areas such as at Belgium, Kpokolo and Wesse. Gold mineralisation is related to silica-sericite alteration within amphibolites.

Follow-up (pitting and trenching) is planned to identify future drill targets.

(H) YAMBESEI, ARCHEAN WEST, MABONG, MAFA WEST, LIBERIA

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

The licence portfolio hosts multiple greenstone belts and associated shear structures, which to date have been the principal hosts to the Archean gold mineralisation systems discovered in Liberia.

Over 80 km of north-east to south-west trending structural zones referred to as the Yambesei and Lofa shear corridors, now locate within the license portfolios and host multiple gold targets including New Liberty, Weaju and Ndablama. These major structures can be traced for over 250 km within Liberia.

In Q1 2014 regional mapping on the Yambesei license confirmed additional potential mineralisation along greenstone belts including the Mafa and Yambesei shears as well as the NE extension from Gondoja. New regional targets were defined based on the presence of artisanal workings and anomalous lithosample results.

During the quarter soil sampling (800x100m) was completed on the Yambesei licence to extend the gold corridor grid 15 km to the north-east. The grid covers several newly identified targets including the Diabobo prospect.

Regional mapping continued with emphasis on the Yambesei shear corridor. Two prospective zones have been identified based on artisanal workings and geology. BLEG sampling was also completed with 279 samples collected in the Yambesei license.

Mapping and lithosampling was undertaken in the Archean West license at Lofa Congo and South Tahn targets which host alluvial mining for gold and diamonds. Lofa Congo is dominated by east-west trending folds whilst north-east shear trends are observed at South Tahn.

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At Mabong, mapping and lithosampling continued showing the geology dominated by amphibolite-granite intercalations with late dolerite dykes. There seems to be an interpreted north-east shear trend with BIF found at East Zokuhe.

(I) CAMEROON

The Batouri licence (168 km²) is located 436 km east of Yaoundé, the administrative capital of Cameroon. A renewal of the license was granted in November 2013 for a two year period. The licence is a window of the Pan-African north equatorial fold belt composed of Paleo-Proterozoic and Neoproterozoic series and known as a result of collision between the West African craton and Congo craton. The region is affected by the Central African Shear Zone system generally following a north-east to south-west 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; i) Kambele (3.5 km long), ii) Dimako-Mongonam (3.5 km long) and iii) Amndobi (5 km long).

In Q2 2014 exploration work was focused on the completion of detailed re-logging of Kambele and Dimako cores. The work was recommended in order to produce a new interpretation of the mineralisation model and determine the potential of Kambele and Dimako to host economic deposits. Data analyses and interpretations are underway.

A ground IP or ground magnetic survey is planned to be conducted at the Amndobi prospect followed by a first pass RC drill programme.

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3. SUMMARY OF PERFORMANCE

(A) SUMMARY OF SELECTED QUARTERLY FINANCIAL INFORMATION

\$'000 except loss per share	Quarter ended June 30, 2014	Quarter ended March 31, 2014	Quarter ended December 31, 2013	Quarter ended September 30, 2013
Loss for the quarter	(1,421)	(1,358)	(5,075)	(830)
Basic & diluted loss per share	(0.003)	(0.005)	(0.02)	(0.004)
Total comprehensive loss for the quarter	(972)	(1,110)	(1,726)	(1,218)
Total assets	233,234	170,975	166,076	150,155
	Quarter ended June 30, 2013	Quarter ended March 31, 2013	Quarter ended December 31, 2012	Quarter ended September 30, 2012
Income / (loss) for the quarter	(609)	(907)	458	(523)
Basic & diluted income / (loss) per share	(0.003)	(0.004)	0.003	(0.004)
Total comprehensive income / (loss) for the quarter	(1,143)	(845)	214	(679)
Total assets	152,293	153,843	153,122	78,590

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

(B) RESULTS OF OPERATIONS

(i) CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

Quarter ended June 30, 2014

The comprehensive loss for the quarter ended June 30, 2014 was \$1.0 million, compared to a loss of \$1.1 million in the quarter ended June 30, 2013. The decrease in loss is predominantly due to a decreased loss on the Company's available for sale financial instruments.

The comprehensive loss for the quarter ended June 30, 2014 is predominantly due to on-going corporate expenses, a share based payment charge of \$0.2 million (Q2 2013 – \$0.2 million), wages and salaries of \$0.6 million (Q2 2013 – \$0.4 million) a foreign exchange loss of \$0.1 million (Q2 2013 – gain of \$0.1 million) and a fair value loss of \$0.2 million (Q2 2013 – \$0.5 million) on the Company's investment in Stellar Diamonds, offset by a fair value gain of \$0.5 million (Q1 2013 – gain of \$0.6 million) on the Company's warrant derivative liability.

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Legal and professional expenses are in line with the comparative quarter and totalled \$0.2 million (Q2 2013 – \$0.3 million). Legal and arrangement fees directly attributable to the project finance loan facility have been offset against the long term borrowings liability and will be amortised over the tenor of the loan.

Other expenses of \$0.3 million (Q2 2013 - \$0.5 million) include stock market costs of \$25,000, office rental and management costs of \$38,000, travel and subsistence expenses of \$69,000, conferences, marketing and public relations costs of \$60,000 and general and administrative costs of \$79,000.

The foreign exchange loss for the quarter ended June 30, 2014 was \$0.1 million (Q2 2013 – gain of \$0.1 million). The loss predominantly represents the loss realised on the settlement of South African Rand denominated creditors offset by a gain on the Company's pound sterling cash balances.

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

Statement of financial position at June 30, 2014

Property, plant and equipment ("PPE") of \$146.5 million as at June 30, 2014 (December 31, 2013 \$96.4 million) relates predominantly to mining and development costs on the New Liberty Project. An additional \$28.5 million was capitalised to New Liberty mining and development costs during the quarter which includes costs incurred on earthworks and civils (\$5.5 million), mechanical supply (\$8.0 million), electrical and instrumentation (\$1.6 million), structural supply and installation (\$3.6 million), consultants including EPCM contractor (\$2.7 million), infrastructure (\$2.0 million) and capitalised wages and salaries (\$1.0 million).

Intangible assets of \$28.9 million as at June 30, 2014 (December 31, 2013 \$24.4 million) relate to deferred exploration and evaluation costs incurred on the Company's projects. Additions to intangible assets in the quarter to June 30, 2014 were \$3.0 million (Q2 2013 - \$2.0 million) and predominantly related to the diamond and RC drilling programmes at the Ndablama project.

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 \$0.6 million at June 30, 2014 (December 31, 2013 \$0.5 million).

Trade and other receivables of \$8.6 million as at June 30, 2014 (December 31, 2013 \$5.4 million) includes an advance payment of \$5.9 million to the Company's earthworks and civils contractor. The Company has a performance bond covering the prepaid amount. Also included in trade and other receivables is \$0.7 million of prepaid arrangement and legal fees attributable to the undrawn Subordinated Facility and \$1.5 million attributable to the fair value of the warrants issued with the Subordinated Facility. These amounts will be offset against the loan facility on first drawdown and will be amortised over the tenor of the loan using the effective interest rate method.

Current liabilities of \$13.0 million as at June 30, 2014 (December 31, 2013 \$6.9 million) includes \$11.4 million of trade payables and accruals arising predominantly from New Liberty development activities.

Non-current liabilities of \$48.9 million (December 31, 2013 – nil) relate to the Senior Facility. 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 repayable from January 31, 2016.

The Company also has a Subordinated Facility for \$12 million with RMB Resources. The Subordinated Facility bears interest at the United States LIBOR rate plus 7.5% for a six and a half year term and was undrawn at June 30, 2014.

Liquidity, capital resources and financial instruments

The Company's primary source of funding to date has been the issue of equity securities and the Senior and Subordinated Facilities detailed above. The Company is not in production and does not generate cash flows

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from operations. As at June 30, 2014 the Company had cash and cash equivalents of \$48.6 million included within the working capital balance of \$45.7 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 (99.7%) 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 six months ended June 30, 2014

Net cash used in operations amounted to \$1.9 million for the quarter ended June 30, 2014 (six months ended June 30, 2013 - \$3.0 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 \$51.9 million for the six months ended June 30, 2014 (six months ended June 30, 2013 - \$22.4 million) and predominantly relates to development expenditures on the New Liberty Project and exploration drilling at Ndablama.

Net cash proceeds from financing activities were \$62.9 million for the six months ended June 30, 2014 (six months ended June 30, 2013 - \$0.1 million) relating to the issue of Units (as defined below), the drawdown on the Senior Facility and the exercise of stock options.

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 Cdn\$ 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 \$2.9 million including a non-cash fair value of \$2.0 million allocated to the Warrants which are recorded in the warrant reserve of equity.

During the six months ended June 30, 2014 the Company drew down \$54.0 million of loan proceeds from the Senior Facility. Direct issue costs of \$5.5 million have been offset against the loan proceeds and will be amortised over the tenor of the loan using the effective interest rate method.

The Company issued 415,000 new common shares following the exercise of share options at a weighted average exercise price of Cdn\$0.35 raising proceeds of \$0.1 million.

(C) OTHER INFORMATION

(i) Outstanding share data

	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

As at August 6, 2014 the Company had 310,650,964 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 expenditures, general working capital and corporate costs over the next twelve months.

(iii) Subsequent events

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 \$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.

(iv) 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.

(v) Off balance sheet arrangements

Other than the NPI interests disclosed in Section 2(C) above, the Company does not have any off-balance sheet arrangements and does not contemplate having any in the foreseeable future.

(vi) Operating segments

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.

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

	Liberia development (New Liberty)	Liberia exploration	Cameroon exploration	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'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

(vii) Critical accounting estimates

In the application of the Company's accounting policies, as disclosed in note 2.14 of the Company's 2013 annual financial statements, management is 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

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operational risks, legal and political risks and future gold prices.

Management makes 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 expenditures. Because of the above-mentioned uncertainties, actual future cash flows could materially differ from those estimated.

4. QUALIFIED PERSON

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

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

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information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers.

There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

7. OUTLOOK

The Company continues to progress well with the construction of New Liberty and began drawing down on the Senior Facility during the quarter which will fund the balance of New Liberty capital expenditure. The Company's balance sheet was further strengthened in April 2014 with the raising of \$15 million of equity complimented with a further \$11 million of equity from International Finance Corporation in July 2014.

The Company's focus for the remainder of 2014 will be to continue to progress the development of New Liberty on budget and on time for first gold pour by the end of Q1 2015.

The exploration field season will finish in Q3 2014 with the completion of drilling at Ndablama and Weaju. The remainder of the year will be focused on analysing all exploration data gathered with the aim of publishing an updated mineral resource and preliminary economic assessment on Ndablama by the end of the year.