

AFRICAN AURA MINING INC.

**Management's Discussion and Analysis
For the six months ended June 30, 2010**

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

Contents

1. OVERVIEW

- (a) Description of Business
- (b) Company History
- (c) Strategy
- (d) Ongoing projects

2. EXPLORATION PROJECTS

- (a) Iron Ore
- (b) Gold

3. SUMMARY OF PERFORMANCE

- (a) Summary of Selected Annual Financial Information
- (b) Summary of Selected Quarterly Financial Information
- (c) Results of Operations
 - (i) Consolidated Statement of Income/(loss)
 - (ii) Balance sheet, Liquidity and Capital Resources
- (d) Other information
 - (i) Outstanding share data
 - (ii) Convertible debentures
 - (iii) Off balance sheet arrangements
 - (iv) Related party transactions
 - (v) Investment in Stellar Diamonds plc
 - (vi) Property, plant and equipment
 - (vii) Resource properties and deferred exploration costs
 - (viii) Impairment
 - (ix) Going concern
 - (x) IFRS
 - (xi) Investment in associates
 - (xii) Private placing
 - (xiii) Subsequent events

4. FORWARD LOOKING STATEMENTS

5. TRENDS IN THE MINING SECTOR

6. RISKS AND UNCERTAINTIES

- (a) Current global financial conditions
- (b) Exploration and production may not prove successful
- (c) Development of the Company's prospective projects will require granting of additional licences
- (d) Licences are subject to renewal
- (e) Title to mineral properties
- (f) Competition for access to land, resources and personnel
- (g) Insurance coverage does not cover all of the potential losses, liabilities and damage
- (h) Mineral resource estimates
- (i) Mining activities are subject to environmental risks and regulations
- (j) Operations are subject to other forms of government regulation and permitting
- (k) Market price of common shares
- (l) Operations in foreign jurisdictions
- (m) Exchange rate fluctuation
- (n) Ability to raise external finance
- (o) Mining is inherently dangerous
- (p) Non-controlled assets
- (q) Commodity prices

7. MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING AND CONTROLS

8. OUTLOOK

AFRICAN AURA MINING INC.

Management's Discussion and Analysis

For the six months ended June 30, 2010

The following discussion is management's assessment and analysis of the results and financial condition of African Aura Mining Inc. (the "Company" or "Aura" or "African Aura") based upon Canadian Generally Accepted Accounting Principles ("GAAP") and should be read in conjunction with the accompanying consolidated financial statements and related notes for the six months to June 30, 2010. This management discussion and analysis has been prepared based on information available to the Company as at August 27, 2010. 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.african-aura.com.

1. OVERVIEW

(a) DESCRIPTION OF BUSINESS

African Aura is an exploration and development company focused on gold and iron ore projects in west Africa. The Company's 38.5% interest in the Putu iron ore project is held through Severstal Liberia Iron Ore ("SLIO"). African Aura has subsidiaries in Liberia, Cameroon and Sierra Leone, which hold interests in mineral properties. African Aura's diamond interests are now held through a 30.4% equity interest in Stellar Diamonds plc ("Stellar"). 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 TSX Venture Exchange (TSX-V Ticker AUR) and the AIM Market ("AIM") of the London Stock Exchange (Ticker AAAM).

(b) COMPANY HISTORY

The Company was formed in 1998 by a reverse takeover involving the sale of the interests of Mano River Resources Ltd. into Zicor Mining Inc. with a subsequent change of name to Mano River Resources Inc.

Mano Gold Investments Ltd. (formerly Mano River Resources Ltd.), a BVI registered company, was founded in July 1996 by Guy Pas. At the time of the reverse takeover, the Company and its subsidiaries had spent over \$2.4 million in establishing an in-country presence, acquiring, evaluating and exploring prospective properties.

Mano Gold Investments Ltd. acquired upon its establishment the pre-existing assets of Golden Limbo Rock Resources Ltd., Guinea, of Golden Leo Resources Ltd., Sierra Leone, and exploration permits and extensive research in Liberia, for a total value of \$5 million paid in shares.

Golden Limbo Rock Resources Ltd. had been actively exploring in Guinea since late 1994, and Golden Leo Resources Ltd. researched Sierra Leone's potential during the course of 1995, subsequently applying for licences immediately following the election of 1996.

Licences were also obtained in Liberia since 1994 where, in 1996, a Liberian geologist started assessing the geology.

From its Guinea base, the Company actively expanded on the ground into Sierra Leone in 1996 and Liberia in 1997, always with gold prospecting as its main target. As a pioneer in the region the Company had to deal with the serious aftershocks of the civil conflicts in Sierra Leone (1997-2002) and in Liberia (2002-2003). At the same time the Company faced a prolonged period of historically depressed gold prices resulting from unusual producer hedging and central bank activity (1996-2003). Given all of this, the Company's initial 8 years were characterised by survival strategies including diversification into diamonds in 2000.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

(c) STRATEGY

The Company's strategy is to develop its assets into producing mines and to generate positive cash flow as early as possible. The Company expects to continue to focus on West Africa where it has experience, strength and depth. From a commodity perspective, the Company's primary focus is on gold and iron ore. The Board believes the Company is fundamentally undervalued and as a result it is looking at all its options to redress this situation. The recent capital raise and subsequent marketing meetings for the Company have brought ample suggestions from shareholders and potential investors alike about having pure gold and iron ore plays. The rationale being that investors will prefer single commodity companies and the individual entities will eventually be valued fairly and ultimately higher than the current group. A benchmarking of peers in both gold and iron ore companies supports such a move. The Board has considered various ways of achieving what it feels will attain 'fair market value' and this may or may not lead to an eventual split of the Company, subject to Canadian laws and regulatory approval. A fuller announcement on the completion of the review shall be made in due course.

Business Strengths

The Company's management believes African Aura is well placed to implement its strategy through the business strengths listed below:

A Strong Portfolio of Assets

The Company has a strong portfolio of assets which include:

- The Company's 38.5% owned Putu iron ore project in Liberia, which is being explored and operated by the Company's joint venture partner, Severstal Resources ("Severstal"). Putu is moving towards the pre-feasibility stage ("PFS"). Putu has a NI 43-101 compliant inferred resource of 1.08 billion tonnes of iron ore at 37.6% iron from less than one quarter of the strike length of the 500-600 metre high ridge drilled to date;
- The 100% owned New Liberty Gold Mine project in Liberia has a measured and indicated resource of 1.384 million contained ounces of gold (13.533 million tonnes of measured and indicated resources grading at 3.18 g/t gold – NI 43-101 compliant). A definitive feasibility study for an open pit mine is now planned to commence in quarter four 2010;
- A promising portfolio of early stage gold projects in Liberia and Cameroon;
- The promising Nkout iron ore prospect in Cameroon, which is currently being drilled; and
- The Company's 30.4% equity interest in AIM listed Stellar Diamonds.

Experienced Board

The Directors have extensive experience of operating in Africa and taking projects through to development and production. On the Board there is a balanced representation of directors with operational, corporate and financial backgrounds.

Strong Partnerships

The Company has strong technical and financial partners, in Severstal to help develop the Putu iron ore project and in Golden Star Resources Ltd. (GSR) which is the operator of the Sonfon gold project in Sierra Leone.

Managed Risk

The Company seeks to manage and mitigate its political and economic risk by operating across three primary countries and in two principal minerals, namely gold and iron ore.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

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, and has its own drilling equipment and trained drilling team.

(d) ON-GOING PROJECTS

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

Country	Project	Commodity	Status at June 30, 2010	2010 Plans	African Aura Ownership	Financial Statements
Liberia	Putu	Iron ore	MDA ⁽¹⁾ ; camp development	MDA ⁽¹⁾ ; drilling and metallurgical test work	38.5%	Associate
Cameroon	Nkout	Iron ore	Planning next phase of exploration	Airborne survey completed; Drilling ongoing	100%	Subsidiary
Liberia	New Liberty	Gold	Drilling in 2010	Definitive Feasibility Study to commence in quarter four; resource update; scoping study	100%	Subsidiary
Sierra Leone	Sonfon	Gold	Planning next drilling campaign ⁽²⁾	GSR plan an IP survey and a drilling programme	49%	Subsidiary
Liberia	Weaju	Gold	On hold	On hold	100%	Subsidiary

⁽¹⁾ Mineral Development Agreement, advancing towards conclusion and signature. See section 2(a) for further details.

⁽²⁾ GSR has met the financial commitments to earn 51% of the project.

2. EXPLORATION PROJECTS

(a) IRON ORE

(i) Putu Iron Ore, Liberia

On August 3, 2009 the Company announced an inferred mineral resource of 1.08 billion tonnes of iron ore mineralisation at a 37.6% grade of total iron at its 38.5%, owned Putu Iron Ore Project in south-eastern Liberia, which was reported on by SRK Consulting (UK) Ltd. The resource estimate has been prepared under the guidelines of NI 43-101 and covers less than one quarter of the 13 km strike of the Putu project. These results are very encouraging and show the potential for the resource to grow as exploration continues. The primary objective of planned exploration activities is to generate a resource of at least 2 billion tonnes, which should be sufficient in scale to support a project and associated infrastructure capable of producing 20 million tonnes per year of magnetite concentrate.

Putu is located in the centre of a 425 square kilometre exploration licence in Grand Gedeh County of eastern Liberia. The project consists of two prominent ridges, namely Mt. Jideh (with the Mt. Montrouh extension) and Mt. Ghi. Mt Jideh is the priority target and has a strike length of approximately 12-13 km based on mapping, surface sampling and airborne magnetic data. In October 2008 the Government of Liberia granted the

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

Company a two year extension to the Putu exploration licence, extending it to September 30, 2010. The Company is awaiting the issuance of a full 25 year MDA, which will set out the fiscal regime for the life of the licence.

The Company signed certain financing and development agreements with Severstal on May 22, 2008 and subsequently completed the transaction on December 10, 2008. On completion Severstal agreed to pay the Company a total consideration of \$12.5 million for a 25% share in African Iron Ore Group (renamed Severstal Liberia Iron Ore Ltd. – "SLIO") effectively valuing the project at \$50 million. Severstal paid the Company \$8.3 million in December 2008, with the balance of \$4.2 million deferred until no later than December 2010. In quarter four, 2009 the Company recognised the deferred balance as a current receivable and in doing so its holding in the project reduced to 38.5% (previously 44.33%). The Company made this decision after Severstal confirmed that payment would be made, as a result of the excellent progress made on the project to-date. Severstal has invested \$15 million in the project through a subscription of shares in December 2008 and has started to invest a further \$15 million through a loan facility agreement, in order to advance the project towards a pre-feasibility study. This loan facility is to be repaid from project cash flows.

The activities at the Putu project during 2009 centred around gearing up the project for intensive exploration, as the project moves into the PFS phase. Substantial progress was made in the following areas:

- i) Consolidation and enhancement of our technical understanding of the project;
- ii) Establishment of the physical infrastructure and project team required to support the project;
- iii) Securing long-term mineral tenure for the project via the negotiation with the Government of Liberia on the MDA; and
- iv) Continued focus on social projects to maintain and enhance our social contract with local communities.

During the first half of 2010 there has been progress in the following areas:

- Metallurgical testing is nearing completion at Amdel laboratories in Western Australia and a final report is expected in Q3 2010 at which time it will be sent for interpretation. A summary report will identify how the metallurgical test results might change processing parameters;
- Drilling contractors GTR (Russia) and OSD (Australia) have mobilised equipment to site for the 62,000 metre drilling programme. GTR commenced drilling on May 21 and OSD on July 7. Up to the end of July approximately 7,700 metres had been drilled;
- Consultants have been engaged to complete the biodiversity, surface and groundwater baseline studies. Discussions are underway with other international consultants to cover the social and community aspects of the project;
- Construction of the Petrokon exploration camp should be completed in the next six weeks. The key outstanding items are the fit-out of the core cutting and sample preparation labs, landscaping and drainage works around the site, construction of an extension to the mess hall and laundry facilities, and installation of a WAN network; and
- The Government of Liberia's (GoL) lawyers delivered a draft MDA on June 15. Feedback on the draft has been given to the GoL and the Company awaits their feedback. The MDA will provide 25 year mineral tenure and, therefore, a sound legal and commercial basis for more intensive investment in the Putu project.

The Company's 38.5% interest in SLIO is recorded in the financial statements as an investment in an associate.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

(ii) Nkout, Ngoa and Akon Hills, Cameroon

African Aura has three principal early stage iron ore projects in Cameroon, namely Nkout, the adjacent Ngoa and the more distant Akon Hills. The Company completed a 14,000 line km high resolution airborne geophysical survey across these licences in April 2010. The results defined a major geophysical anomaly covering at least 8km of strike length over the Nkout project. The data suggests the presence of an east-west striking antiform with two limbs approximately 100m thick and magnetic susceptibilities of around 2.0, which is considered consistent for a prospective banded iron formation. A further 12km of targets were generated around Nkout which are considered to be moderately magnetic. Phase one of the drilling programme at Nkout for 10 holes and covering 4,200m started at the end of July and is designed to provide a maiden inferred resource. After completion of phase one it is the intention to continue with a further 4,000m. Results from Phase one will be available during the course of quarter four.

The region of southern Cameroon, Gabon and the Republic of Congo hosts a number of substantial iron deposits, which are currently under exploration and development including the 2.5 bt Mbalam iron ore deposit, located approximately 150km southeast of Nkout, which is under development by ASX-quoted Sundance Resources Limited. In the event that Mbalam is put into production, and should Nkout prove to be the iron ore target the Company currently expects, there is almost certain to be a strong strategic and commercial rationale for African Aura and Sundance Resources Limited to co-operate or form an infrastructure alliance. The general consensus for the region is that iron ore projects in the Republic of Congo and Gabon will have their route to port through Cameroon.

(b) GOLD

(i) New Liberty Gold Mine, Liberia

The key asset in the Gold division is the 100% owned New Liberty, a project situated some 90km north west of the capital city Monrovia, where the Company has a NI 43-101 compliant gold resource estimate of 1.38M contained ounces (13.533M tonnes of measured and indicated resources grading 3.18 g/t gold).

AMC Consultants (UK) Limited ("AMC") was mandated in July 2009 to incorporate the positive drilling results received in 2008 from below 200m into a new geological model. This model has been used in developing the drill targets for the 2010 drilling programme. The 2008 drilling (holes K115-K130) produced some of the best intersections achieved to date at New Liberty with two of the six holes drilled to the minus 200m level, K-115 and K-116 returning 23 metres grading 4.95 g/t gold (including 12 metres at 9.12 g/t) and 31 metres grading 3.59 g/t gold (including 17 metres at 7.03 g/t) respectively. Metallurgical testwork undertaken by the Company on drill core from New Liberty has indicated a non-refractory ore with excellent expected recoveries of up to 93%.

On August 10, 2009 the Company announced that it had been granted by the Government of Liberia a Class 'A' Mining Licence within the Bea Mountain MDA. This represented another positive step towards commercial production.

The 10,000m drilling campaign which started in October 2009 was completed in April 2010. The excellent high grade results coupled with the potential of further near surface ounces in a newly defined Latiff zone between the Larjor and Kinjor bodies, adds greater near-term, potential mining value. In June approximately 1,500m of additional drilling commenced to delineate the Latiff zone to a depth of 220m.

AMC is progressing with a new resource statement and scoping study and results should be delivered in October 2010.

Tenders have been received on the Environmental Impact Assessment and a decision on who to award this to will be made in September.

Corporate and Social Responsibility initiatives underway in quarter two include a major reconstruction of the

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

Marvoe Bridge, an essential link to New Liberty, construction and maintenance of water pumps in two villages near New Liberty and the regular employment of local villagers in preference to hired machinery.

(ii) Weaju gold project, Liberia

African Aura's other main gold asset in Liberia is Weaju which is situated 30km to the east north east of New Liberty and is part of the Bea Mountain MDA. Mineralisation is concentrated in shear zones, along a contact zone between granite and schist-belt lithologies, into which quartz-tourmaline veins and pegmatites have been intruded. A soil geochemical grid and geological mapping demonstrated a strike length of 1.5 km in an east north-east trend for the mineralisation, open to the east and west. Artisanal workings have confirmed the continuity of mineralisation and previous drilling intersections have included 19.63 g/t gold over 6m from a depth of 18m and 27.72 g/t gold over 6m from a depth of 47m. The planned 4,000 metre diamond drilling programme to define a resource estimate has been placed on hold in order to focus resources on the recently discovered Latiff zone within New Liberty.

(iii) Other Gold Projects, Liberia

Silver Hills has already produced encouraging results in the past, and samples from a recent trenching programme suggest further trenching is warranted. Bridge rehabilitation in the area was completed enabling workers to access the site and construction of a camp is currently underway. At Gondoja, exploration is still at an early stage despite encouraging results from an earlier drilling programme. Further exploration of this project is not anticipated this year with Silver Hills and Ndablama both considered more prospective. Artisanal miners are prevalent at Ndablama to the southwest of Gondoja, where local miners are extracting gold from the top soil. Limited soil and channel sampling at Ndablama has yielded positive results with channel samples assaying grades of 1.47 and 2.91 g/t over 3m respectively. Recent grid samples have been dispatched to the lab for analysis and four existing trenches will be extended to 100m and three further trenches have been sited as part of the next phase of work. The resource properties and deferred exploration costs relating to North Bea amounting to \$2.5 million have been impaired following the directors' review of assets acquired from the acquisition of African Aura Resources Limited.

(iv) Sonfon Gold Project, Sierra Leone

The Sonfon project is under joint venture with Golden Star Resources ("GSR"). GSR has met its expenditure commitments under the agreement and as a result its beneficial interest in the project has increased to 51%. Following this milestone, the Company and GSR renewed its terms under an updated joint venture agreement signed in June. Under this agreement, African Aura must elect no later than January 31, 2011 whether it will contribute its 49% of this expenditure and retain its 49% interest. If it elects not to contribute it will dilute its interest in the project. The GSR 2010 budget as operator for the project is \$1.4 million. This has seen an IP survey concluded and 3,000m core drilling programme completed and assays are now awaited.

(v) Cameroon Gold Projects

In the acquisition of AAR, a number of gold projects were acquired in the Cameroon including Batouri and Ntem. Batouri is the most advanced and has had \$4.1 million spent on it to-date and Ntem \$0.6 million. In addition there are a number of other early stage gold projects. The Company will assess the merits of these projects and if necessary prepare a low-level exploration programme to assess their long term viability and priority within the portfolio. Part of this assessment will take into account the results of the airborne survey which was completed in April 2010.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

3. SUMMARY OF PERFORMANCE

(a) SUMMARY OF SELECTED ANNUAL FINANCIAL INFORMATION

The following table provides a summary of the annual audited consolidated financial information for the three most recently completed financial years as derived from the audited consolidated financial statements and is prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

US Dollars	Year ended December 31 2009	Year ended December 31 2008	11 months ended December 31 2007 RESTATED
Net sales	1,179,004	-	-
Gross loss	(1,534,671)	-	-
Interest income	2,676	74,484	148,041
Administrative and office expenses	1,349,718	1,044,292	63,236
Project impairment	7,756,846	11,250,591	-
Professional fees	1,431,128	1,938,650	958,629
Dilution gain	-	7,157,964	6,207,005
Stock based compensation	722,489	1,455,625	2,053,887
Gain on disposal of SLIO	3,076,366	7,762,899	-
(Loss)/income attributable to the owners of the parent for the year	(7,739,218)	1,841,014	2,740,695
Basic and diluted (loss)/income per share attributable to the owners of the parent	(0.182)	0.048	0.074
Working capital	1,516,852	6,939,955	2,868,877
Total assets	59,467,811	54,749,687	45,501,911
Exploration expenditure in the year	5,305,617	10,402,580	6,526,656
Deferred exploration costs	22,378,268	27,316,442	29,918,050
Non-current convertible debentures	396,078	2,048,638	2,260,738

The basic and diluted (loss)/income per share has been retroactively restated for the 1 for 8 share consolidation that took place on October 13, 2009.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

(b) SUMMARY OF SELECTED QUARTERLY FINANCIAL INFORMATION

The following is the selected financial information of the Company for the last eight quarters (unaudited):

US Dollars	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Net sales	-	320,367	615,299	359,161
Gross profit/(loss)	-	(440,639)	370,368	(1,010,834)
Interest income	5,486	7,494	-	19
Dilution gain/(loss)	-	-	77,054	(24,385)
Project impairment	2,504,604	-	321,321	6,913,238
Gain on disposal of assets	-	2,913,773	3,076,366	-
Income/(loss) attributable to the owners of the parent company	(5,844,898)	811,413	582,892	(4,787,763)
Basic and diluted income/(loss) per share	(0.098)	0.015	0.028	(0.121)
Total assets	66,104,223	55,396,326	59,467,811	44,307,648
US Dollars	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
Net sales/Gross profit	204,544	-	-	-
Gross profit/(loss)	(894,205)			
Interest income	1,143	-	2,168	21,415
Dilution gain	(52,669)	1,514	5,327,344	-
Project impairment	500,371	-	6,089,258	5,161,333
Gain on disposal of SLIO	-	21,916	7,762,899	-
Income/(loss) attributable to the owners of the parent company	(2,923,267)	(611,080)	8,944,998	(5,362,222)
Basic and diluted income/(loss) per share	(0.097)	(0.015)	0.224	(0.136)
Total assets	52,765,793	53,661,289	54,749,687	47,082,223

The Company's performance is not affected by seasonal trends. Although the Company started to produce sales from diamonds in quarter two, 2009 it is still predominantly an exploration and development company and is unlikely to generate a positive operating cash flow for the foreseeable future. As an explorer the Company has historically incurred losses, however, in the quarter ended December 31, 2008 the Company recorded a net income of \$8,944,998. This income arose as a result of several one-off transactions including dilution gains on Stellar and SLIO and a gain on the sale of shares in SLIO. The basic and diluted (loss)/income per share has been retroactively restated for the 1 for 8 share consolidation that took place on October 13, 2009.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

(c) RESULTS OF OPERATIONS

(i) CONSOLIDATED STATEMENT OF (LOSS)/INCOME – ATTRIBUTABLE TO THE OWNERS OF THE PARENT

(a) Review of three months ended June 30, 2010 (unaudited) compared to the three month period ended June 30, 2009 (unaudited).

The loss in quarter two, 2010 amounted to \$5,844,898 which compares with a loss of \$2,923,267 in the corresponding quarter last year. Expenses in the quarter at \$4,986,724 are \$2,431,394 higher than last year. The higher level of expenses was a major factor in the adverse variance to last year. The main expenses to contribute to this variance were unfavourable exchange rate movement (up \$0.8 million), higher stock-based compensation (up \$0.5 million), and higher project impairment (up \$2 million). There were a number of favourable movements which partly off-set the adverse variance including a lower unrealised exchange rate losses on the sterling denominated convertibles (down \$0.4 million) and the favourable variance on administrative and office expenses (down \$0.4 million).

(b) Review of six months ended June 30, 2010 (unaudited) compared to the six month period ended June 30, 2009 (unaudited).

The loss for the first half of 2010 amounted to \$5,033,485 which was \$1,499,138 higher than last year. Expenses for the period at \$6,934,219 are \$3,534,719 higher than the first half last year. Expenses were higher in a number of areas including project impairment (up \$2 million), stock based compensation (up \$1.3 million) and higher foreign exchange losses (up \$0.6 million) mainly arising due to the weakening of the pound in the period. Administrative and office expenses at \$419,558 were \$339,040 lower principally due to the disposal of Stellar in quarter one. The higher level of expenses was off-set by a lower trading loss (down \$0.5) following the disposal of Stellar; a gain on disposal of Stellar (\$2.9 million); an unrealised exchange rate gain on the sterling denominated convertibles of \$0.2 million in the current period versus an unrealised exchange rate loss last year on the convertibles of \$0.3 million. Finally, the share in results of associates increased the loss by \$1,065,951 for the period mainly due to losses arising from Stellar's operating activities.

(ii) BALANCE SHEET, LIQUIDITY AND CAPITAL RESOURCES

Balance Sheet at June 30, 2010 versus December 31, 2009

Total assets at \$66 million are \$6.6 million above last year. Current assets at \$18.0 million are up \$9.7 million mainly due to the higher cash and cash equivalents following the successful fund raising in April. Non-current assets at \$48.1 million are \$3.0 million down on last year. Investment in associates increased by \$8.4 million principally due to the disposal of Stellar, which is now treated as an associate company, offset by share in losses in Stellar. The reduction in property, plant and equipment ("PPE") of \$10.6 million is due to the disposal of Stellar in quarter one. Resource properties at \$7.6 million reduced by \$2.5 million following the impairment of North Bea gold project in Liberia. Deferred exploration at \$24 million increased by \$1.6 million – increased exploration spend of \$4.6 million, primarily at New Liberty Gold and Nkout projects (\$3.0 million and \$1.3 million, respectively) was off-set by the disposal of the Stellar properties with a carrying value of \$3 million.

Current liabilities reduced by \$1.5 million to \$5.4 million at the end of June 2010. Accounts payable fell by \$1.1 million over December 2009 levels while amounts outstanding to Stellar, which is now disclosed separately following disposal, amounted to \$0.8 million at the end of June 2010. The amount owing to joint venture partners at December 31 refers to Petra Diamonds and was eliminated on disposal of Stellar. The convertible debentures amounting to \$3.3 million at the end of June mature at the end of September. Non-current liabilities reduced to nil (down \$0.4 million) and relates to convertible debentures and asset retirement obligation of Stellar.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

Shareholders' equity increased by \$9.4 million over 2009. The main movement was the increase in share capital of \$16.9 million following the issue of 17.4 million common shares in April. Contributed surplus has risen by \$1.7 million due to issuance of share options in January and May 2010. The non-controlling interest in Stellar of \$5.0 million was eliminated following the disposal. The deficit reduced from \$15.6 million to \$11.4 million.

Cash Flow for the six months ended June 30, 2010

The cash inflow for the six months amounted to \$9.9 million leaving cash at the end of June 2010 of \$13.6 million. Quarter two resulted in a cash inflow of \$12.1 million following the private placing in April. The cash inflow for the period was \$14.0 million above the corresponding period last year. The majority of the cash outflow was spent on investing activities, with \$4.6 million spent on exploration activities. Operating activities including corporate costs amounted to \$2.1 million, \$0.5 million above the same period last year.

(d) OTHER INFORMATION

(i) Outstanding share data

The Company is authorised to issue an unlimited number of common shares without par value. As at December 31, 2009 the common shares in issue were 52,884,456. This increased to 70,283,226 common shares in issue at June 30, 2010.

Details of the stock options of the Company which are outstanding and exercisable as at June 30, 2010 are as follows:

	June 30, 2010		December 31, 2009	
	Number of options	Weighted average exercise price per share Cdn\$	Number of options	Weighted average exercise price per share Cdn\$
Beginning of the period	3,359,806	1.42	2,255,000	1.68
Options granted on acquisition of AAR	-	-	794,806	1.30
Other options granted	2,458,750	1.24	650,000	0.80
Options expired	-	-	(340,000)	1.92
End of the period	5,818,556	1.34	3,359,806	1.42

On January 8, 2010, the Company granted incentive stock options to certain directors and employees to purchase up to an aggregate of 1,208,750 common shares of no par value at an exercise price of Cdn\$1.22 per share, exercisable immediately and for a period of 5 years. These options have resulted in a charge to the consolidated statement of income/(loss) of \$846,481.

On May 13, 2010, the Company granted incentive stock options to certain directors and employees to purchase up to an aggregate of 1,250,000 common shares of no par value at an exercise price of Cdn\$1.25 per share, exercisable immediately and for a period of five years. These options have resulted in a charge to the consolidated statement of loss of \$857,053.

The options granted during the period have resulted in a charge to the consolidated statement of loss of \$1,703,534 with the Black-Scholes option pricing model and the following assumptions: nil dividend yield, a weighted average expected volatility of the Company's share price of 69.1% (January 8, 2010) and 63.6% (January 13, 2010) based on the weighted average volatility on AIM, a weighted average annual risk free rate of 3.05% and an expected life of five years.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

(ii) Convertible debentures

Below is a summary of the debt element of the convertible debentures:

	June 30, 2010 \$	December 31, 2009 \$
Opening balance	3,795,840	2,048,638
Fair value accretion	401,366	781,212
Unrealised foreign currency exchange (gain)/loss	(168,448)	205,309
Net proceeds from issue of Stellar convertible loan notes	-	727,773
Conversion of Stellar convertible debentures to equity	(274,991)	-
Disposal of Stellar	(485,690)	-
Fair value accretion on Stellar convertible loan notes	-	32,908
Closing balance	<u>3,268,077</u>	<u>3,795,840</u>
Included in current liabilities	3,268,077	3,399,762
Included in non-current liabilities	-	396,078
	<u>3,268,077</u>	<u>3,795,840</u>

On February 22, 2010, certain convertible debentures issued by Stellar on May 20, 2009 amounting to \$474,991 (including \$200,000 held by the Company) and accrued interest of \$71,250 were converted into Stellar shares. The remaining convertible debentures issued by Stellar of \$485,690, accrued interest of \$51,336 and related embedded derivative of \$125,388 were derecognized on the deemed disposal of Stellar.

During the period ended June 30, 2010 the total interest expense charged to the consolidated statement of income/(loss) for the above convertible debentures is \$585,006 (2009: \$535,956) including the accretion of the loan to its future value. Included in the consolidated statement of income/(loss) for the period ended June 30, 2010 is \$168,448 as an unrealised foreign currency exchange rate gain (2009: loss of \$327,647), as the debentures are denominated in sterling.

(iii) Off balance sheet arrangements

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

(iv) Related party transactions

The following table summarises the Company's related party transactions:

	Three months ended June 30, 2010 \$	Three months ended June 30, 2009 \$	Six months ended June 30, 2010 \$	Six months ended June 30, 2009 \$
Incurring management service fee with a company related by a director in common	-	-	-	59,308
Incurring management fees by directors	56,189	143,541	182,345	265,742
Incurring directors fees	115,056	175,126	167,794	243,682
	<u>171,245</u>	<u>318,667</u>	<u>350,139</u>	<u>568,732</u>

These transactions are in the normal course of business and are repayable on demand. A portion of the management fees have been capitalised within the deferred exploration costs. No consultancy payments were made during the quarter.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

The amounts due to related entities are as follows:

	June 30, 2010	December 31, 2009
	\$	\$
Directors' companies	-	9,499
Various directors	-	160,213
	-	169,712

These balances are payable on demand and have arisen from the provision of services rendered as set out above.

Amount due to/from related parties are settled through the course of the operating working capital cycle. Due to the short term nature of the amounts outstanding the fair value approximates to the carrying amount.

(v) Investment in Stellar Diamonds plc

On February 22, 2010, certain convertible debentures issued by Stellar Diamonds Limited ("Stellar"), previously 58.34% subsidiary of the Company at December 31, 2009, unpaid Stellar directors' fees and the 2009 management fee charged by the Company to Stellar were converted into new Stellar shares.

On the same date, Stellar completed its reverse takeover of West African Diamonds plc ("WAD"). Simultaneously, WAD changed its name to Stellar Diamonds plc, raised £5 million of new funds (the "Placing") and undertook a 5 for 1 share consolidation of the enlarged share capital of the group. Stellar Diamonds plc commenced trading on AIM on February 22, 2010.

The Placing comprised the issuance of 25,000,000 new ordinary shares at 20p per share of which the Company subscribed 197,500 shares amounting to \$37,500.

The dilution of African Aura's interest in Stellar from 58.34% to 31.8% represents a deemed disposal of a subsidiary. Accordingly, African Aura has:

- derecognized the assets and liabilities of and non-controlling interest in Stellar at their carrying amounts on February 22, 2010;
- recognized as consideration on the deemed disposal the investment in associate retained in Stellar at its fair value of \$9.5 million on February 22, 2010. The fair value of investment in associate is calculated as 30,595,270 shares at 20p per share converted to 31 cents per share (at a rate of 1.54782) on February 22, 2010; and
- recognized the difference of the fair value of the consideration received and carrying amounts of the net assets of Stellar at February 22, 2010 as gain on disposal attributable to the parent.

African Aura retains significant influence in Stellar Diamonds plc through its shareholding and board position. As a result Stellar Diamonds plc is not disclosed as a discontinued operation.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

(v) Investment in Stellar Diamonds plc (continued)

The following table summarizes the carrying values of the assets and liabilities disposed on February 19, 2010 and the gain on disposal.

	\$
Current assets	
Cash and cash equivalents	69,382
Accounts receivable	28,223
Due from African Aura group companies	248,090
Inventories	39,463
	<u>385,158</u>
Non-current assets	
Property, plant and equipment	10,388,492
Deferred exploration costs	2,975,998
	<u>13,364,490</u>
Total assets disposed	<u>13,749,648</u>
Current liabilities	
Accounts payable and accrued liabilities	490,276
Interest payable on convertible debenture	51,336
Embedded derivative	125,388
Due to related parties	20,970
Due to joint venture partners	709,753
	<u>(1,397,723)</u>
Non-current liabilities	
Convertible debenture	485,690
Asset retirement obligation	54,369
	<u>(540,059)</u>
Total liabilities derecognized	<u>1,937,782</u>
Minority interest derecognized	<u>(5,254,445)</u>
Net assets and non-controlling interest disposed	<u>6,557,421</u>
Total consideration	<u>9,471,194</u>
Net assets and non-controlling interest disposed	<u>6,557,421</u>
Gain on disposal of Stellar	<u>2,913,773</u>

The net cash outflow as a result of the disposal is \$69,382.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

(vi) Property, plant and equipment

	Mining assets \$	Machinery and equipment \$	Total \$
Cost			
At January 1, 2010	10,692,283	2,388,232	13,080,515
Additions	-	202,482	202,482
Disposal of subsidiary	(10,692,283)	(1,423,221)	(12,115,504)
At June 30, 2010	-	1,167,493	1,167,493
Depreciation			
At January 1, 2010	741,362	839,972	1,581,334
Charge for the year	246,145	154,925	401,070
Foreign exchange	-	(8,097)	(8,097)
Disposal of subsidiary	(987,507)	(739,505)	(1,727,012)
At June 30, 2010	-	247,295	247,295
Net book value			
At June 30, 2010	-	920,198	920,198
At January 1, 2010	9,950,921	1,548,260	11,499,181

(vii) Resource properties and deferred exploration costs

	June 30, 2010 \$	December 31, 2009 \$
Resources properties:		
Liberia		
Bea	210,000	210,000
North Bea	-	2,457,767
	210,000	2,667,767
Cameroon		
Batouri	4,091,266	4,091,266
Djoum	1,159,105	1,159,105
Ntem	629,073	629,073
Akonolinga	480,920	480,920
Ekomedion	14,297	14,297
	6,374,661	6,374,661
Sierra Leone		
Sonfon	1,017,000	1,017,000
	1,017,000	1,017,000
	7,601,661	10,059,428

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

(vii) Resource properties and deferred exploration costs (continued)

	January 1, 2010 \$	Additions \$	Disposal of subsidiary \$	Impairment \$	June 30, 2010 \$
Deferred exploration costs:					
Liberia					
Bea	16,996,448	2,970,901	-	-	19,967,349
Weaju	757,598	195,114	-	-	952,712
Gondoja	34,348	-	-	-	34,348
North Bea	39,653	7,184	-	(46,837)	-
Silver Hills	3,009	6,869	-	-	9,878
Ndablama	-	6,115	-	-	6,115
	<u>17,831,056</u>	<u>3,186,183</u>	<u>-</u>	<u>(46,837)</u>	<u>20,970,402</u>
Cameroon					
Batouri	330,158	46,961	-	-	377,119
Ntem	8,280	24,195	-	-	32,475
Akonolinga	906	2,721	-	-	3,627
Djourn	4,339	1,326,784	-	-	1,331,123
Ekomedion	24,322	16,677	-	-	40,999
Rey Bouba	-	783	-	-	783
Tchollire	-	4,517	-	-	4,517
	<u>368,005</u>	<u>1,422,638</u>	<u>-</u>	<u>-</u>	<u>1,790,643</u>
Sierra Leone					
Kono	1,919,194	7,302	(1,926,496)	-	-
Sonfon	1,202,093	(659)	-	-	1,201,434
Tongo	702,360	660	(703,020)	-	-
	<u>3,823,647</u>	<u>7,303</u>	<u>(2,629,516)</u>	<u>-</u>	<u>1,201,434</u>
Guinea					
Bouro	180,995	-	(180,995)	-	-
Druzhba and ex De Beers	159,289	-	(159,289)	-	-
Ouria	15,276	(9,078)	(6,198)	-	-
	<u>355,560</u>	<u>(9,078)</u>	<u>(346,482)</u>	<u>-</u>	<u>-</u>
	<u>22,378,268</u>	<u>4,607,046</u>	<u>(2,975,998)</u>	<u>(46,837)</u>	<u>23,962,479</u>

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

(vii) Resource properties and deferred exploration costs (continued)

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
	\$	\$	\$	\$
Deferred exploration costs				
Assays incl. shipment	42,622	(875)	120,872	6,650
Communications incl. equipment	12,128	1,935	22,067	12,342
Community relations	135,874	15,674	198,406	54,079
Consultants and professional fees	102,491	463,069	171,399	490,747
Data, images, reports and maps	-	500	-	3,900
Drilling	559,428	(6,676)	1,926,972	-
Geophysical	82,022	-	369,551	-
Infrastructure incl. roads and bridges	241,536	-	318,243	116,541
Licenses and permit fees	(2,671)	13,750	22,131	9,794
Project/field office costs incl. field equipment	181,068	276,625	451,206	375,627
Salaries and wages	283,128	89,536	646,125	516,644
Subsistence	30,544	7,017	78,388	14,258
Transportation incl. vehicles	190,488	1,251	281,686	296,170
Kono (Petra) joint venture	(7,302)	117,137	-	817,744
Net expenditure during the year	1,851,356	978,943	4,607,046	2,714,496
Impairment during the period	(46,837)	(500,371)	(46,837)	(522,287)
Transfer of Mandala costs to Property, plant and equipment	-	(2,570,252)	-	(2,570,252)
Disposal of Stellar Diamonds	-	-	(2,975,998)	-
Balance, Beginning of the period	22,157,960	29,030,079	22,378,268	27,316,442
Balance, End of the period	23,962,479	26,938,399	23,962,479	26,938,399

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

(viii) Impairment

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that the carrying value of the assets may exceed the estimated net recoverable amounts. An asset's carrying value is written down when the carrying value is not recoverable and exceeds its fair value. Impairment reviews for deferred exploration and acquisition costs are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise but typically when one of the following circumstances apply:

- (i) title to the asset is compromised;
- (ii) variations in metal prices that render the project uneconomic; and
- (iii) unexpected geological occurrences that render the resource uneconomic.

Where estimates of future cash flows are not available and where other factors suggest impairment, management assesses if the carrying value is recoverable and records an impairment if so indicated. The impairment review undertaken by management during quarter two, 2010 identified North Bea for impairment after the licence expired. The impairment charge for North Bea is \$2,504,604.

(ix) 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 over the next 12 months. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional finance in the future. If the Company cannot obtain additional finance in the future it may be forced to realise its assets at amounts significantly lower than the current carrying value. At June 30, 2010 the Company had cash and cash equivalents of \$13.6 million in hand following the successful fund raising which the Company completed on April 20, 2010. The private stock placement raised gross proceeds of \$17.4 million (£11.3 million), principally to fund New Liberty Gold deposit in Liberia and the Nkout iron ore project in Cameroon. No funds raised in the private stock placement will be applied to Putu Iron Ore Project in Liberia, which is currently fully funded under the joint venture agreement with Severstal Resources.

(x) International Financial Reporting Standards (IFRS)

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be required for the Company, for interim and annual financial statements beginning on January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

The Company is evaluating the impact of the adoption of IFRS on its consolidated financial statements. In the transition to IFRS, the Company must apply "IFRS 1 - First Time Adoption of IFRS" which sets out the rules for first time adoption. In general, IFRS 1 requires an entity to comply with each IFRS effective at the reporting date for the entity's first IFRS financial statements. This requires that an entity apply IFRS to its opening IFRS balance sheet as at January 1, 2010 (i.e. the balance sheet prepared at the beginning of the earliest comparative period presented in the entity's first IFRS financial statements).

On transition, management must apply the mandatory exemptions and make the determination as to which elective exemptions will be made under IFRS 1. Management is currently preparing its timetable for transition and will undertake a high level analysis of the financial statement areas to determine which elections will be taken. After this high level analysis is completed the Company will be in a better position to assess the impact IFRS will have on the financial statements.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

(xi) Investment in associates

The investment in associate at January 1, 2010 relates to the Company's investment in Severstal Liberia Iron Ore Ltd (SLIO). The Company's share in Stellar Diamonds plc (Stellar) was diluted to 31.8% on February 22, 2010 and therefore, Stellar is now accounted for as an associate. The Group's share in the result of associates relating to share in post-acquisition losses is recorded in the consolidated statement of income/(loss). The movement in the investments in associates is detailed below:

	\$
At January 1, 2010	7,200,097
Deemed disposal of Stellar	9,471,914
Share in result of associates	(1,065,951)
At June 30, 2010	<u>16,438,597</u>

At June 30, 2010, the Company holds 38.5% of SLIO and 30.4% of Stellar Diamonds plc.

(xii) Private placing

On April 20, 2010, the Company announced that it has conducted a private placing raising gross proceeds of \$17.4 million (£11.3 million) consisting of 17,398,770 new common shares of no par value in the capital of the Company (the "Placing Shares") at 65 pence per share (the "Placing price") (the "Placing"). The direct costs to issue the Placing Shares which have been charged to share capital amounted to \$498,848.

Participations by Directors of the Company in the Placing totalled over £450,000.

The Placing Price represented a discount of 3.7% to the closing middle market price of 67.5 pence per common share on AIM on April 19, 2010 (the last trading day prior to the issue of the announcement). The Placing Shares represented approximately 24.8% of the Company's enlarged issued share capital immediately following admission.

Net proceeds of the Placing are anticipated to fund the Company's projects detailed below up to June 2011 and are intended to be applied as follows:

- for completion of a Bankable Feasibility Study on the New Liberty gold deposit in Liberia (estimated cost approximately \$9.0 million);
- to deliver a maiden resource statement for the Nkout iron ore project in Cameroon (estimated cost approximately \$3.8 million);
- to deliver a NI 43-101 resource statement for the Weaju or surrounding deposits in Liberia (estimated cost approximately \$1.1 million); and
- the remaining net proceeds to fund the Company's working capital requirements.

No funds were raised in this Placing will be applied to Putu Iron Ore Project in Liberia, which is currently fully funded under the joint venture agreement with Severstal Resources.

(xiii) Subsequent events

There are no subsequent events to report.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

4. 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.

5. TRENDS IN THE MINING SECTOR¹

In the wake of the global economic crisis which started in 2008 the mining sector has been faced with plummeting demand and lower prices. The market capitalisation of many companies fell dramatically as share prices tumbled. Equity markets which were already difficult became even worse. In the face of this turmoil companies started to cut back on overheads, and place projects that were non-core on care and maintenance. The larger mining houses scaled back their work forces, placed deals on hold and started to investigate ways of reducing their debt burden. Just when the industry was preparing itself for a long period of stagnation, demand and commodity prices started to recover in 2009. By August 2009 base metal prices had returned to profitable levels, recovering at a faster pace than most industry analysts had predicted. This was in part helped by the concerted effort of the largest industrial nations agreeing stimulus packages. Driven by the need to secure the supply of key commodities countries like China have been investing heavily around the world. This trend is causing some countries to rethink the sale of sovereign assets to foreign investors including sovereign wealth funds. Not all companies cut back during the recession with many gold companies maintaining production to take advantage of the high prices. The lack of available capital is still hurting companies in the sector with funding going to the best projects first. Markets such as London's AIM have been hit hard with very few new listings in the mining sector over the past two years. Some markets such as Canada's TSX are recovering faster but most equity financing is confined to commodities such as gold and silver, copper, iron ore and coal. Still the challenge is to find and develop quality assets, which is becoming more difficult as easy to reach deposits are depleting. Those companies that will survive are the ones that will keep pace with change, embracing new ideas and techniques. African Aura sees itself as one of those companies that is prepared to embrace new ways of working and is already taking a proactive approach to the way it operates the Company.

6. RISKS AND UNCERTAINTIES

The Company is subject to a number of risk factors due to the fundamental nature of the exploration business in which it is engaged, the countries in which it operates and not least adverse movements in commodity prices. The Company seeks to counter exploration risk as far as possible by selecting exploration areas on the basis of their recognised geological potential to host high grade gold and iron ore deposits. The under-explored Archaean terrain on which the Company focuses in West Africa is also subject to a second significant risk, namely, political.

¹ Deloitte Tracking the trends 2010

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

The following risk factors should be given special consideration when evaluating an investment in the Company's shares:

a) Current global financial conditions

The recent events in global financial markets have had a profound impact on the global economy. The volatility in global equities, commodities, foreign exchange, precious metals and a lack of market liquidity, may adversely affect the Company's development. The global credit/liquidity crisis could also impact the cost and availability of finance and hence adversely affect the Company's liquidity.

b) Exploration and production may not prove successful

The Company's business operations are subject to risks and hazards inherent to the mining industry. The exploration for and the development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. It is impossible to ensure that the Company's current exploration programmes will result in a profitable commercial mining operation.

c) Development of the Company's prospective projects will require granting of additional licences

In some cases the Company's licenses do not currently provide for the development of a mine. Consequently, Aura will be required to obtain further licences from the respective government departments in the applicable countries of operation (mining, environmental and otherwise). Aura expects to be able to acquire such licences/permits, when appropriate, but there can be no assurance that such rights will ultimately be obtained.

d) Licences are subject to renewal

All tenements in which Aura has interests are subject to renewal conditions. The granting, maintenance and renewal of licenses often depends on Aura being successful in obtaining the required statutory approvals for proposed activities. Whilst Aura anticipates that subsequent renewals will be given as and when sought, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed.

e) Title to mineral properties

While Aura has undertaken all the customary due diligence in the verification of title to its mineral properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. The court systems in the foreign countries where Aura operates may not provide an adequate forum for the recognition and enforcement of the Company's legal rights.

f) Competition for access to land, resources and personnel

Mines have limited lives and, as a result, Aura will have to continually seek to replace and expand its reserves through the acquisition of new properties. Competition in the mineral exploration and development business is intense and could adversely affect the Company's ability to develop its properties. Aura competes with other mining companies for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel, many of which have greater financial and operational resources than Aura.

g) Insurance does not cover all of the potential losses, liabilities and damage

Exploration, development and production of mineral properties involve numerous risks. It is not always possible to obtain insurance against all risks and Aura may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Aura or to other companies in the mining industry on acceptable terms.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

h) Mineral resource estimates

Aura cannot give any assurance that the estimated mineral resources will be recovered if Aura proceeds to production or that they will be recovered at the volume, grade and rates estimated. The failure of Aura to achieve its production estimates could have a material and adverse effect on any or all of its future cash flows, profitability, results of operations and financial condition. These production estimates are dependent on, among other things, the accuracy of mineral reserve and resource estimates and the accuracy of assumptions regarding ore grades and recovery rates.

i) Mining activities are subject to environmental risks and regulations

Mining is an industry which has become subject to increasing environmental responsibility and liability. Aura's activities are subject to laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment. The potential for liability is an ever-present risk. Aura cannot give any assurance that, despite its precautions, breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially or adversely affect its financial condition and its results from operations.

j) Operations are subject to other forms of government regulation and permitting

Aura's mineral exploration and planned development activities are subject to various laws governing prospecting, mining development and production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use and other matters. Although Aura's exploration and planned development activities are currently believed by Aura to be carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

k) Market price of common shares

Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include global macroeconomic developments and market perceptions of the attractiveness of particular industries. The price of the common shares is also likely to be significantly affected by changes in the price of commodities or in Aura's financial condition. If an active market for the common shares does not continue, the liquidity of an investor's holding in the Company may be limited and the price of the common shares may decline. As a result of any of these factors, the market price of the common shares at any given point in time may not accurately reflect the long-term value of Aura.

l) Operations in foreign jurisdictions

Aura's operations in Liberia, Sierra Leone, Cameroon and Guinea are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. Changes, if any, in mining or investment policies or shifts in political attitude in any of the countries in which it operates may adversely affect Aura's operations. Operations may be affected by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, environmental legislation, land use, and land claims of local people.

m) Exchange rate fluctuations

Fluctuations in exchange rates may give rise to foreign currency exposure, either favourable or unfavourable, which may impact financial results. While Aura has historically raised a large proportion of its equity financing in UK pounds most of Aura's exploration costs, are denominated in U.S. dollars. From time to time Aura has engaged in currency hedging through vanilla forward contracts to offset the risk of exchange rate fluctuations.

n) Ability to raise external finance

The Company's main activity is exploration and development so it will continue to require the injection of capital and other sources of finance to fund activities in the future. The Company has financed its operations by: entering into joint venture agreements with partners; raised finance through the sale of equity capital; placed unsecured convertible debentures; and sold assets. Although the Company has been successful in the past in obtaining finance, there is no assurance that it will be able to obtain adequate finance in the future or that such finance will be on terms advantageous to the Company.

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

o) Mining is inherently dangerous

Mining involves various types of risks and hazards, including: environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structure cave-ins or slides, flooding, fires and interruption due to inclement or hazardous weather conditions. To minimize risks in these areas, the Company provides training programs for employees. At this stage in its development the mining hazards facing Aura are limited.

p) Non-controlled assets

Some of the Company's assets are controlled and managed by joint venture partners who may have different business objectives. Management of non-controlled assets may not comply with the Company management and operating standards, controls and procedures (including health, safety and environment standards). Failure to adopt appropriate standards, controls and procedures as regards these joint ventures or improper management of these assets could affect the value of the joint venture and assets held by the joint venture. The Company mitigates this risk by ensuring legal agreements are in place to protect its interests.

q) Commodity Prices

Is the risk that the price earned for minerals will fall to a point where it becomes uneconomic to extract them from the ground. During 2009 the price of commodities recovered from the low levels experienced in the second half of 2008. The principal metals in Aura's portfolio are iron ore and gold. The price of gold is dependent on many factors and although it has performed strongly in 2009/10 there is no assurance this will continue in the future. Iron ore prices are set by contract negotiations between suppliers and users in China and elsewhere. Ultimately the price of both metals is determined by supply and demand factors which are outside the control of the Company. The impact of commodity prices on the economics of Aura's advanced projects are kept under close review.

7. MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING AND CONTROLS

The unaudited interim consolidated financial statements of the Company for the six months ended June 30, 2010 have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and have been approved by the Company's Audit Committee and Board of Directors.

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Management is also responsible for the design and maintenance of effective internal control over financial reporting to provide reasonable assurance regarding the integrity and reliability of the Company's financial information and the preparation of its financial statements in accordance with Canadian GAAP.

Management maintains appropriate information systems, procedures and controls to ensure the integrity of the financial statements and that information used internally and disclosed externally is complete and reliable.

Management of the Company, including Aura's Chief Executive Officer and Chief Financial Officer, do not expect that the Company's disclosure controls and internal control procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The management of the Company has no knowledge of any fraud having been committed in the Company.

However, given the nature of the business and geographical displacement, management is committed to continuously mitigate any risks and systematically improve operating controls where and when possible in a cost effective manner.

Management recognises the limitation of segregation of duties due to the size of the organisation and is committed to mitigating such risks by introducing compensatory controls.

The Board is responsible for ensuring that management fulfils its responsibilities for financial reporting and

AFRICAN AURA MINING INC.
Management's Discussion and Analysis
For the six months ended June 30, 2010

internal control. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the external auditor to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its duties and responsibilities and to review the Annual Consolidated Financial Statements.

8. OUTLOOK

The Company is delivering on its objectives and the outlook is very promising. The Company is now well positioned in its chosen commodities of gold and iron ore to pursue strategies that will maximise the value of the Company. The Board believes that the current value of the Company does not recognise fully its key assets. With this in mind the Board is considering splitting African Aura into two separate companies, one focussed on developing its gold assets and the main surviving entity developing the iron ore assets. This process, being a Canadian incorporated company, would follow the most tax efficient means for the Company and its shareholders. At the appropriate time in the near future, the Board will announce the results of its review.

Meanwhile, at project level, the Putu iron ore project in which the Company has a 38.5% interest is making excellent progress. The drilling for the pre-feasibility study commenced in quarter two and the study itself will complete at the latest in 2012. The definitive feasibility study is then expected to be completed 18 months thereafter. A project update with metallurgical and current drilling progress will follow in September.

The Nkout Iron ore project in the Cameroon is an exciting prospect over which the Company has commenced a resource drilling programme in late July 2010. The Board believes there is currently no value attributed to the Cameroon iron ore assets in the Company's market capitalisation. Having commenced the year with an iron ore exploration licence the intention is to deliver an inferred resource statement by year end or early next year, depending on drilling progress.

The gold strategy is based around progressing New Liberty towards a definitive feasibility study during the first half of 2011. Further definition drilling in the Latiff zone has been completed and assays are expected in September. The Company is also stepping out along strike with extension drilling to further test the geology of the system. Additional targets within the same Bea Mountain licence area are being reviewed in order to provide further near surface mineable gold ounces. Of particular note are Silver Hills, Weaju, and Ndablama, all located within 15-30 kilometres of New Liberty. These near surface target ounces will allow for truckable ore to be transported to New Liberty.

The key priorities for the Company for the remainder of 2010 and part way through 2011 are summarised below:

- (a) Substantially progress the 62,000m resource drilling programme at Putu;
- (b) Finalisation of the 25 year MDA for Putu;
- (c) Undertake a first phase 4,200m drilling programme at the Nkout Iron Ore prospect in the Cameroon to define a maiden resource;
- (d) Update the resource at New Liberty and deliver a scoping study to evaluate the investment case for an open pit mining operation no later than quarter four
- (e) Anticipating a successful scoping study, progress New Liberty towards a definitive feasibility study encompassing an environmental assessment, metallurgical test work, mine planning and design, plant and infrastructure and a full economic evaluation; and
- (f) Evaluate the business case for splitting the gold and iron ore divisions into two separately listed companies.

On Behalf of the Board,
AFRICAN AURA MINING INC.

(Signed) LUIS G. CABRITA da SILVA
LUIS G. CABRITA da SILVA
President and CEO