**AFFERRO MINING INC. (PREVIOUSLY AFRICAN AURA MINING INC.)**

**Management's Discussion and Analysis**
**For the three months ended March 31, 2011**

**Contents**

## AFFERRO MINING INC. (PREVIOUSLY AFRICAN AURA MINING INC.)
### Management's Discussion and Analysis
### For the period ended March 31, 2011

The following discussion is management's assessment and analysis of the results and financial condition of Afferro Mining Inc. (the "Company" or "Afferro" or "Afferro Mining") based on International Financial Reporting Standards ("IFRS") applicable to a going concern and should be read in conjunction with the accompanying condensed interim consolidated financial statements and related notes for the three months to March 31, 2011. The Company changed its name from African Aura Mining Inc. to Afferro on April 13, 2011. This management discussion and analysis has been prepared based on information available to the Company as at June 27, 2011. Unless otherwise indicated all amounts are in US dollars.

Additional information relating to the Company, including the Annual Information Form, is available on SEDAR at www.sedar.com or on the Company's website at www.afferro-mining.com.

### 1. OVERVIEW

#### (a) DESCRIPTION OF BUSINESS

The Company is an exploration and development stage company focused on iron ore projects in west Africa and operates in Liberia and Cameroon. Its most advanced projects are the Putu Iron Ore Project in Liberia (38.5% interest) and the Nkout Iron Ore Project in Cameroon. 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. Following the Butterfly split on 13 April 2011, the Company's gold assets were divested into a new Company, Aureus Mining Inc., and the Company changed its name to Afferro. The Company is listed on the TSX Venture Exchange (TSX-V Ticker AFF) and the AIM Market ("AIM") of the London Stock Exchange (Ticker AFF).

#### (b) COMPANY HISTORY

The Company was incorporated as Zicor Mining Inc. under the *Business Corporations Act* (Yukon Territory) on March 19, 1996. Effective October 5, 1998, Zicor Mining Inc. purchased all interests of Mano by way of a reverse takeover and changed its 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, by Zicor Mining Inc. 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.

In June 2005, the Company announced that it had been awarded the Putu Mineral Exploration Licence, in Eastern Liberia, which had been the subject of limited exploration by a Swedish exploration team in the late 1950s (who moved on the discover the Liberia side of the Nimba Mountains) and a somewhat deeper exploration effort in the early 1970s by mainly German explorers affiliated to the Bong Mining group. This move in anticipation of increasing interest in iron ore broadened the Group's exposure to three commodities.

On October 14, 2009 the Company announced the completion of its merger with African Aura Resources Ltd. The acquisition made during the 2008-09 financial crisis combined the two companies' cash resources, and added early gold and iron ore focus in Cameroon to more advanced Liberian exposure. After closing the transaction the Company undertook a 1 for 8 share consolidation and changed its name to African Aura Mining Inc.

In February 2010, the Company's subsidiary Stellar Diamonds Limited completed a reverse takeover of AIM listed West African Diamonds Limited ("WAD"). Shares began trading in Stellar (ticker: STEL) on February 22, 2010. At the same time as the reverse takeover Stellar issued new shares, diluting the Company's interest to a point where it no longer was a subsidiary of the Company.

Post period end, at a Special Meeting held on 5 April 2011 shareholders approved the Plan of Arrangement (the "Arrangement") to split the Company into two separate entities. Following the split the Company will focus on the iron ore assets and Aureus Mining Inc. ("Aureus") will focus on the gold assets and hold the Stellar shares. Aureus was listed on the TSX and AIM on April 13, 2011.

## (c) STRATEGY

### *Introduction*

The Company's strategy is to develop its assets into producing mines and to generate positive cash flow as early as possible. The Company believes that the best way to achieve this medium-term strategy is to split the Company into two as described above.

The rationale for splitting the Company can be summarised as follows:

- the separation of the iron ore and gold assets will allow valuations to be ascribed to each of its iron ore and gold divisions resulting in an expected higher overall valuation, market circumstances allowing, than currently ascribed to the Company;
- the market tends to prefer 'pure play' single commodity focused entities; and
- both companies will be better positioned to finance their businesses and grow through exploration and acquisition.

The Company's management believe it is well placed to implement its commodity focused strategy through the business strengths discussed below:

### *A Strong Portfolio of Assets*

The Company has a strong portfolio of iron ore assets and before the Arrangement, had the following gold assets.

*Iron Ore*

- 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 has a NI 43-101 compliant inferred resource estimate of 2.4Bt grading 34% iron; and

- The 100% owned Nkout Iron Ore Project in Cameroon, where the Company announced post period end an NI 43-101 compliant inferred resource estimate of 1.42Bt grading 33.6% iron, with 700Mt magnetite BIF being promoted to the indicated resource category.

*Gold*

- The New Liberty Gold Project in Liberia has a NI 43-101 compliant resource estimate of 5.6M tonnes grading 4.17 g/t for 751,000 contained ounces of gold in the indicated category and 7Mt grading 3.40 g/t for 762,000 contained ounces of gold in the inferred category. The definitive feasibility study ("DFS") is currently underway and is scheduled to be completed by end December 2011;
- A promising portfolio of exploration stage gold projects in Liberia and Cameroon; and

- The Sonfon joint venture in Sierra Leone with Golden Star Resources Ltd.

***Experienced Board***

The Directors of the Company have extensive experience of operating in Africa and taking projects through development to production. There is a balanced representation of directors with operational, corporate and financial backgrounds. The majority of directors are independent.

***Strong Partnerships***

The Company has strong technical and financial partners, in Severstal to help develop the Putu Iron Ore Project.

***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**

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

| Country | Project | Commodity | Status at March 31, 2011 | 2011 Plans | Project Ownership | Treatment in Financial Statements |
|---|---|---|---|---|---|---|
| Liberia | Putu | Iron ore | MDA awarded; camp completed | Continue with PFS; upgrade resource to indicated (see section 2) | 38.5% | Associate |
| Cameroon | Nkout | Iron ore | 1Bt resource delivered | Resource increased to 1.42Bt in June 2011. A further update is planned by end Sept 2011 | 100%[3] | Subsidiary |
| Liberia | New Liberty[5] | Gold | Upgrade in resource and positive preliminary economic assessment | Definitive Feasibility Study by Dec 2011; exploration drilling | 90%[4] | Subsidiary[1] |
| Liberia | Ndablama[5] | Gold | Trenching completed, Phase I drilling completed | Trenching and soil sampling | 100% | Subsidiary[1] |
| Liberia | Weaju[5] | Gold | Camp infrastructure upgraded | Drilling planned in Q4 2011 | 100% | Subsidiary[1] |
| Sierra Leone | Sonfon[5] | Gold | Exploration and initial drilling completed | Continued exploration and drilling planned | 49% | Subsidiary[2] |

1. Licences are held by Bea Mountain Aura's Liberian subsidiary.
2. Only the Company's share of the expenditure is recorded.
3. The Government of Cameroon has a right to 10% stake in the share capital of the mining company.
4. The Government of Liberia has a 10% free carried interest.
5. These projects are now held by Aureus Mining Inc.

## 2. EXPLORATION PROJECTS

### (a) IRON ORE DIVISION

### (i) Putu Iron Ore, Liberia

***Introduction***

The Putu Iron Ore Project is located in the south-east of Liberia in Grand Gedeh County, approximately 320 km to the south-east of the capital city of Monrovia. The Project is a joint ownership between the Company (38.5%) and Severstal (61.5%), the licence for which is held by Putu Iron Ore Mining Inc ("PIOM"). Since November 2010, both companies are financing the on-going development in proportion to their shareholding.

***Mineral Development Agreement ("MDA")***

The Putu Project MDA was granted by the Government of the Republic of Liberia on September 2, 2010, and was subsequently ratified by the Legislature of the Republic of Liberia on September 9, 2010.The MDA provides for the development and construction of the Putu Project for a period of twenty-five years and includes a two year extension for exploration until September 30, 2012.

***Resource Upgrade***

The Company announced the resource upgrade at Putu on February 7, 2011. SRK Consulting (UK) Ltd ("SRK") has estimated a total inferred mineral resource 2.4Bt grading 34% iron. Of this 185Mt is oxide material with a grade of 37.8% iron, 17Mt of haematite itabirite at 48.25% iron, and 2,173Mt of magnetite itabirite at 33.7% iron. In addition to the inferred mineral resource, there is potential for a further 1Bt to 2.5Bt of itabirite material, and 5Mt to 17Mt of oxide material, below the current modelled optimised pit shell. The deep structure has not yet been defined and therefore the deposit remains open at depth. In addition, the deposit is open along strike north of North Jideh, and south of South Jideh, however, the itabirite unit thins and may not be prospective further along strike.

***Exploration Update***

As of March 20, 2011 a total 44,176m (116 holes) had been drilled at Putu. Three rigs are onsite and another rig is in Monrovia and on route to site. The four drill rigs will target 19,000m of drilling including in-fill drilling. As at March 20, 2011 43,581m of core has been logged, 19,979m cut with 10,211 samples collected and 8,972 samples dispatched to SGS lab from 94 drill holes. Only three baseline studies are left to be completed – butterfly, large mammals and hydrogeology. A tender process is underway for a feasibility study on the construction of a paved road between Greenville and Zwedru in accordance with the MDA. The total Budget for 2011 is $35.7 million with the Company's share being $13.7 million.

### ii) Nkout Iron ore Project, Cameroon

***Introduction***

The Nkout Iron prospect is located in the Company's Djoum licence in southern Cameroon. The project was identified from interpretation of airborne magnetic and remote sensing data in 2006 whilst investigating gold occurrences in the 150 km long, Sangemalina-Djoum Archaean greenstone belt. Djoum, the closest town to the Nkout prospect, is located 280 km southeast of the Nsimalen International Airport in Yaoundé. The route from Yaoundé incorporates 170 km of macadam road and 110 km of laterite road. The Nkout project area is located approximately 7.5 km due south of the Djoum to Mbalam road. The terrain is typical of the southern tropical forest of Cameroon, characterised by dense jungle, rivers, swamps and areas of steep topography. The Nkout deposit is 100% owned by the Company.

The highlights are:

- Ownership: 100%
- Resource: 1.42Bt at 33.6% Fe (from approximately 6 km section)
- Management Target: 4Bt
- Licence size: 998 $Km^2$
- Test work proves high grade concentrate and sinter fines potential
- Target: Major geophysical anomaly 20 km in length
- Status: Resource definition drilling
- Potential for direct shipping ore ("DSO") being investigated

***Resource Estimate***

The Company announced its maiden inferred mineral resource at Nkout on February 1, 2011. In total, SRK estimated an inferred mineral resource of some 1.04Bt grading 34.2% iron. Post period end, on June 16, 2011 the Company reported a 36% increase in the resource to 1.42Bt at 33.6% iron. 700Mt of the magnetite BIF, representing 50% of the resource, has been promoted to indicated category at Nkout Centre. The resource estimate now covers approximately 6 km of the 20 km long magnetic anomaly. A further resource update to include oxidised zone drilling is expected at the end of September 2011.

***Exploration Programme***

The Company has drilled 12,000m to end May 2011, including 8,000m in 2011. A total of approximately 35,000m of drilling is targeted in the current year. Three rigs are currently on site, two of which are owned and operated by the Company. The number of rigs will increase to seven by September 2011, of which four will be in-house owned and operated.

The Company is targeting a number of key deliverables between now and the end of the year including:

~ increasing the magnetite resource at Nkout (recently increased to 1.42Bt at 33.6% iron post period end);
~ increasing the quantity of DSO potential material by end of September 2011;
~ logistics and infrastructure scoping study to be completed in early Q4, 2011: and
~ commence a preliminary economic assessment in Q4 which will deliver results during Q1, 2012.

**iii) Other Iron Ore Projects, Cameroon**

The Company holds interests in two other iron ore projects in Cameroon, the Ngoa Hill and Akom Hills projects, which, when combined with the Nkout Project, are considered by the Company to represent a potentially significant iron ore asset.

The Ngoa Hill project is located 3 km south of the Nkout Project on the adjacent Essong licence, which is 70% owned by the Company. The project contains one prospect which is approximately 2 km long and stands approximately 100m higher than the Nkout Project. A drilling programme at Ngoa included 10 reconnaissance holes. The assay results are expected to be published shortly. A further 1,000m of reconnaissance drilling is planned in September 2011.

The Akom Hills project is comprised of three areas to the northwest of the Nkout Project and is based on the contiguous 100% owned Akonolinga licence. It covers a discontinuous strike length of approximately 20 km based on interpreted airborne geophysical data. Mapping of the project has identified three separate banded iron formation occurrences with a combined strike length of approximately 8 km from which samples have been collected. The Company has commissioned a geophysical interpretation of the 2010 airborne survey data for iron ore and other commodities, primarily, gold.

The work undertaken to-date on Ntem has been for gold exploration. However, recent preliminary exploration has identified the potential for iron ore. A geophysical interpretation of the 2010 airborne survey data will be undertaken in Q3 2011.

**(b) GOLD DIVISION**

Post period end and as detailed above all gold assets have been divested to Aureus Mining Inc.

**(i) New Liberty Gold Project, Liberia**

***Introduction***

The key asset in the Gold division is the New Liberty Gold Project where the Company is currently undertaking a DFS. 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 predominantly paved road covering the 100 km to the project site, providing all year round access.

In August 2009 the Company was granted by the Government of Liberia a Class 'A' Mining Licence within the Bea Mountain MDA.

The best drill intersect from New Liberty is currently 8.45 g/t Au over 37m from 55m down hole and the deposit, which crops out at surface, remains open at depth. 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%.

***Resource Estimate***

In December 2010, the Company published an updated NI 43-101 compliant resource estimate of 5.6M tonnes grading 4.17 g/t for 751,000 contained ounces of gold in the indicated category and 7Mt grading 3.40 g/t for 762,000 contained ounces of gold in the inferred category.. The indicated resource has been projected to an approximate depth of 200m below surface. The inferred resource remains open down dip and along strike. A total of 175 diamond drill holes have been completed at New Liberty for 27,736m the majority of which have been utilised in the latest mineral resource estimate.

***Preliminary Economic Assessment ("PEA")***

The PEA supports an open pit and gold processing plant with an average annual production rate of 850,000 tonnes of ore over an 8.5 year production life. In the first 5 years of the project, forecast gold production will average 100,000 ounces per year with total gold production for the project expected to be some 786,700 ounces.

The average life of mine cash cost per ounce is estimated at $484 with an expected pre-tax net present value of $234 million at a gold price of $1,100/oz using a 10% discount rate giving a pre-tax internal rate of return of 73%. The expected payback period is less than 2 years. For all estimates Q4, 2010 market prices for capital and operating costs were applied. Based on the results of the study, the New Liberty deposit contains 7.3Mt of mineable gold ore in the indicated and inferred category at a diluted head grade of 3.6 g/t. The majority of the mineable resource is in the indicated category.

The total capital cost of approximately $98 million for the project includes a processing plant, power supply, other mine infrastructure, tailings dam construction, creek diversion, sustaining capital and mine closure. The pit optimization work assumes that the mining operation will be outsourced to a suitable mining contractor. An analysis of project sensitivities highlights that the operation is least sensitive to capital cost increases.

***Progress in 2011***

Since the resource update in December 2010 a total of 29 resource infill diamond drill holes have been completed for a total of 6,286m. This was achieved with one in-house drill rig. The Company currently has two contractor drill rigs on site with another two to be mobilised and commissioned by the end of June. The mine plan for New Liberty envisages a single contiguous pit. The remaining 14,000m diamond drilling programme has been designed to improve the resource confidence levels to the measured and indicated categories.

Australian Mining Consultants have been retained to provide technical assistance on the development of the resource model, geotechnical/hydrology investigations and will prepare the mining and reserves section of the DFS. DRA Engineering have been appointed design engineers to undertake the New Liberty metallurgical work and process design; 400-500kgs of core samples are being readied for metallurgical testing at Mintek in South Africa. The Company has received proposals in respect of the tailings storage facility and the Marvoe Creek diversion which it is considering. The environmental and social impact assessment ("ESIA") is well advanced and will be submitted to the authorities at the end of 2011. On the staffing front eight senior technical staff have been appointed. The full DFS is on schedule to be completed by the end of 2011.

On the exploration front 1,000m of drilling has been completed to test for extensions to New Liberty. In total 10,000m are planned to be drilled this year. Geophysics and ground surveys are in progress and soil geochemistry will begin shortly.

Two further exploration drilling rigs are planned to arrive in September, when a 12,000m programme will commence covering Ndablama, Weaju, and Gondoja.

### (ii) 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. Mapping, supplemented by later drilling, indicates that mineralisation is located within a sheared ultramafic host unit bounded to the north and south by granite basement. A total of 3,935m of diamond drilling was completed in 48 diamond drill holes during two phases between 2000 and 2006. This drilling confirmed the presence of four principal high-grade lenses of gold mineralisation, named the North Zone, the Main Zone, the Ridge Zone and the Creek Zone, as well a zone of modest mineralisation called Macenta. The combined strike length is approximately 450m. During the first half of 2010 the Camp was upgraded in preparation of a 4,000m drilling programme which is now scheduled for Q4 2011.

### (iii) Ndablama gold project, Liberia

The Ndablama prospect is located in the northeast corner of the Bea MDA property and is approximately 40 km northeast 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. The anomalous soil zone of gold enrichment is defined by values of 150 to 3,000 ppb and is up to 600m wide in the south eastern portion, and approximately 200m wide for the majority of its northerly strike. The anomalous zone remains open to the north, south and east.

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

Exploration activities at Ndablama include extensive trenching and diamond drilling. Previous trench results and results for the first eight holes were reported by the Company in November 2010 and February 2011 respectively. The remaining seven holes from the 3,423m programme were reported in April and included 14m at 2.86 g/t and 10m at 2.77 g/t.

The drilling and trenching results received to date define an area which is 150m east-west by 900m north-south that hosts multiple gold zones. This mineralised system is still open to the north, south and southeast and at depth. Results are pending from a further 1,500m of trenching, which was completed in the south eastern portion of the gold in soil anomaly in order to understand the geology and mineralisation within this folded area. Future exploration work at Ndablama will be focused on ground geophysical surveys and follow up drilling.

### (iv) Gondoja, Liberia

Exploratory drilling at Gondoja that started in late 2010 was completed in early 2011. The assays from the last of the 15 holes drilled have been sent for analysis. Trenching is on-going.

### (v) Sonfon Gold Project, Sierra Leone

The Sonfon project is subject to a joint venture agreement dated June 16, 2010 between Golden Star (the operator) and the Company, pursuant to which Golden Star and the Company hold 51% and 49% interests respectively. The 2011 Budget is $1.7 million and the Company's share is $0.8 million and includes 10,800m of reverse circulation drilling. The drilling has been completed and the results of the assays are awaited.

### (vi) Cameroon Gold Projects

The two main gold projects in Cameroon are Batouri and Ntem. Batouri is the most advanced and has had $4.1 million spent on it to-date and Ntem $0.7 million. The Company has prepared an exploration programme for 2011 which will include ground work at both Batouri and Ntem. The work programme at Ntem will supported by the geophysical interpretation of the 2010 airborne survey data.

## 3. SUMMARY OF PERFORMANCE

### (a) SUMMARY OF SELECTED QUARTERLY FINANCIAL INFORMATION

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

| US Dollars | March 31, 2011 | December 31, 2010 | September 30, 2010 | June 30, 2010 |
|---|---|---|---|---|
| Loss for the period from continuing operations | (4,984,940) | (1,677,995) | (992,778) | (1,502,217) |
| (Loss) attributable to the owners of the parent company | (6,375,494) | (3,987,318) | (1,453,232) | (4,572,577) |
| Basic & diluted loss per share from continuing operations | (0.058) | (0.018) | (0.010) | (0.020) |
| Basic & diluted loss per share from continuing & discontinued operations | (0.074) | (0.052) | (0.021) | (0.077) |
| Total assets | 90,326,902 | 91,336,564 | 64,988,297 | 65,133,871 |
| US Dollars | March 31, 2010 | December 31, 2009(1) | September 30, 2009(1) | June 30, 2009(1) |
| (Loss)/Income for the period from continuing operations | (1,519,788) | 582,892 | (4,787,763) | (2,923,267) |
| Income/(loss) attributable to the owners of the parent company | 716,206 | 582,892 | (4,787,763) | (2,923,267) |
| Basic & diluted (loss)/income per share from continuing operations | (0.023) | 0.028 | (0.121) | (0.074) |
| Basic & diluted income/(loss) per share from continuing & discontinued operations | 0.014 | 0.028 | (0.121) | (0.074) |
| Total assets | 55,057,068 | 59,467,811 | 44,307,648 | 52,765,793 |

(1) Information for 2009 is presented in accordance with Canadian GAAP and was not required to be restated to IFRS.

The Company's performance is not affected by seasonal trends. As an explorer the Company has historically incurred losses, however, in the quarters ended December 31, 2009 and March 31, 2010 the Company recorded net income attributable to owners of the parent of $582,892 and $716,206 respectively. 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.

### (b) RESULTS OF OPERATIONS

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

**(a) Review of three months ended March 31, 2011 (unaudited) compared to the three month period ended March 31, 2010 (unaudited).**

The loss in Q1, 2011 attributable to owners of the parent at $6.4 million compares with an income of $0.7 million for the corresponding period last year. The reduction in income of $7.1 million over Q1 2010 is down to higher overheads (up $3.6 million) and an increase in the loss on assets held for distribution of $3.3 million. Details of the main overhead differences are detailed below:

(1) Legal and professional fees at $1.0 million in Q1 2011 are $0.9 million above Q1 last year. A significant part of the increase relates to the costs of the Arrangement including legal fees $0.4 million, accounting fees $0.1 million, share registrar fees $0.1 million; broker/nominated advisor fees $0.1 million;

(2) Wages and salaries at $0.8 million in Q1 2011 are $0.6 million higher than Q1 last year. The majority of the difference relates to an accrual for employer national insurance on unexercised in the money stock options;

(3) Stock based compensation increased by $1.6 million over Q1 last year. This relates entirely to the award of stock options. The higher charge reflects a larger award in 2011 (2.3 million options) compared with 2010 (1.2 million options) and a higher fair value per option (Q1 2011 Cdn$1.06 versus Q1 2010 Cdn$0.70);

(4) Other expenses increased by $0.4 million to $0.6 million over Q1, 2010. The largest single increase came in travel which increased by $0.2 million.

The finance expense, which relates to the interest on convertibles, was zero in the period compared with a charge of $0.4 million in Q1 last year.

Assets held for distribution recorded a loss of $1.4 million in the period. The unfavourable movement over Q1 last year is mainly down to Stellar. In Q1, 2010 the Company recognised a gain on the disposal of Stellar of $2.9 million which was partly off-set by a gross loss on the sale of diamonds of $0.4 million. In Q1, 2011 there were additional costs relating to Stellar including a loss of significant influence charge ($0.7 million) and the share of results of Stellar during the period.

### (ii) BALANCE SHEET, LIQUIDITY AND CAPITAL RESOURCES AND CASH FLOWS

**Balance Sheet at March 31, 2011 versus December 31, 2010**

Total assets at $90.3 million are $1 million below December 2010. Of total assets $11.5 million are in the Cameroon, $13.4 million in Liberia, $48.7 million relate to gold and diamond assets held for distribution and $16.7 million relate to cash and other assets held in the UK. Current assets at $65.8 million are $7.8 million below December 2010 due to lower cash and cash equivalents (down $5.3 million) and lower assets held for distribution (down $2.6 million). Non-current assets at $24.5 million are $6.7 million above the year end figure. The increase in non-current assets is due to the Company meeting its 38.5% share of expenditure at Putu ($3.3 million) and increased deferred exploration costs in Cameroon (including $2.5 million at the Nkout project). Property, plant and equipment increased by $0.7 million to $1.7 million at the end of March 2011, with additions of $0.8 million including machinery and equipment ($0.4 million) and vehicles ($0.4 million).

Current liabilities increased by $1.3 million to $4.0 million at the end of March 2011. Trade payables increased by $1.5 million and accruals by $0.4 million. The increase in trade and other payables was down to exploration activity at Nkout (especially drilling), an increase in expenditure associated with the Arrangement, and accruals for employer national insurance on unexercised in the money stock options. Amounts due to related parties at the end of December 2010 ($0.3 million) were paid in Q1 2011.

Total shareholders' equity of $86.2 million at March 31, 2011 is $2.3 million below the December 2010 level. The main movements were: the increase in the share based payments reserve of $2.4 million following the issue of stock options in Q1, 2011; a reduction in the cumulative translation reserve of $1 million due to the translation of sterling balances into US dollars; and the increase in the deficit of $6.4 million due to the loss in the period as detailed under (i) (a) above.

**Liquidity and Capital Resources**

The Company's primary source of funding has been the sale of equity securities and the issue of debt. The Company is not in production and does not generate cash flows from operations. As at March 31, 2011 the Company had cash and cash equivalents of $27.3 million ($16.4 million relating to continuing operations and $10.9 million relating to assets held for distribution) compared to $36.1 million as at December 31, 2010 ($21.6 million relating to continuing operations and $14.4 million relating to assets held for distribution). The Company has working capital of $13.4 million (excluding assets held for distribution) as at March 31 2011 compared to $20.1 million as at December 31, 2010. The Company has no significant financial or other instruments other than its cash and cash equivalents and its investment in Stellar Diamonds. The majority of the Company's cash and cash equivalents are invested with a leading multi-national bank with a AA- credit rating.

**Cash Flows for the three months ended March 31, 2011**

The net decrease in cash for the period ended March 31, 2011 amounted to $8.8 million leaving cash at the end of the period of $27.3 million. This compares with a cash outflow of $2.2 million in the corresponding period last year.

The cash outflow from operating activities is $1.1 million and includes corporate costs associated with the Arrangement, recurring professional fees and corporate salaries. There were no amounts paid to related parties in the period although in Q1 2010 the amount due to related parties was $0.7 million.

The cash flow used in investing activities in the period amounted to $9.2 million, $6.3 million higher than Q1 2010. The investment in Putu in the period amounted to $3.7 million. In the corresponding period last year our partner Severstal was solely funding Putu. Payments of $0.9 million were made to acquire machinery and equipment ($0.4 million – all continuing) and vehicles ($0.4 million – continuing; $0.1 million - discontinuing) in the period. Payments in Q1 2011 of $4.4 million for deferred exploration included Sonfon ($0.8 million), New Liberty ($1.2 million); Nkout ($1.9 million) and Ngoa ($0.2 million), which is $2.1 million higher than the expenditure in Q1, 2010.

Cash flows from financing activities in Q1 2011 were limited to the exercise of stock options ($0.6 million). The foreign exchange gain arising on the translation of opening cash balances is $1.0 million in Q1 2011 compared with $0.02 million in Q1 2010.

### (c) OTHER INFORMATION

### (i) Outstanding share data

| | Shares | Amount $ |
|---|---|---|
| Balance at January 1, 2010 | 52,884,456 | 50,637,085 |
| Shares issued on private placing | 30,914,567 | 49,278,442 |
| Share issuance costs | - | (1,845,985) |
| Conversion of convertible debentures | 2,053,569 | 6,277,970 |
| Exercise of share options | 11,500 | 18,652 |
| Balance at December 31, 2010 | 85,864,092 | 104,366,164 |
| Exercise of share options | 388,500 | 589,739 |
| Balance at March 31, 2011 | **86,252,592** | **104,955,903** |

On February 21, 2011, the Company issued 229,125 new common shares in exchange for the exercise of 229,125 stock options at a weighted average exercise price of Cnd$1.38.

On March 3, 2011, the Company issued 159,375 new common shares in exchange for the exercise of 159,375 stock options at a weighted average exercise price of Cnd$1.65.

**Stock options in the Company**

The fair value of the share options granted in the three months ended March 31, 2011 was estimated at Cnd$1.06 per option (3 months ended March 31, 2010: Cnd$0.70) at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Dividend yield | 0% | 0% |
| Risk free interest rate | 2.47% | 3.05% |
| Expected life | 5 years | 5 years |
| Expected volatility | 44% | 69% |

The volatility is measured as the weighted average volatility of the Company's stock on AIM.

| | March 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price per share Cdn$ | Number of options | Weighted average exercise price per share Cdn$ |
| Beginning of the year | **5,713,306** | **1.36** | 3,359,806 | 1.42 |
| Options granted | **2,285,000** | **2.75** | 2,698,750 | 1.33 |
| Options forfeited | **(143,812)** | **1.57** | (6,250) | 1.60 |
| Options expired | **-** | **-** | (327,500 | 1.76 |
| Options exercised | **(388,500)** | **1.49** | (11,500) | 1.71 |
| End of the period | **7,465,994** | **1.77** | 5,713,306 | 1.36 |

### (ii) Assets held for distribution to owners

In November 2010 the Company committed to entering the Arrangement, pursuant to which The Company's interests in its gold assets (including the New Liberty Gold Project in Liberia), approximately 14% of the outstanding ordinary shares of Stellar Diamonds plc ("Stellar") and cash and cash equivalents equal to 40% of The Company's total cash balance as at April 13, 2011, the effective time of the Arrangement ("Effective Time") were transferred to Aureus Mining. As a result of the Arrangement, each shareholder of the Company received one new common share of the Company and one common share of Aureus Mining for each common share of the Company held by such shareholder at the Effective Time. In addition, the Company changed its name to "Afferro Mining Inc." as part of the Arrangement. On April 5, 2011, the Company received the requisite shareholder approval at the Company's Special Meeting of Shareholders the Arrangement. The Arrangement was completed on April 13, 2011 and as a result, the assets transferred to Aureus Mining and the liabilities associated with those assets were reclassified as held for distribution to owners in the consolidated statement of financial position.

The loss associated with the assets held for distribution, which have been included in the interim statement of comprehensive (loss)/income, were as follows:

| | Period ended March 31, 2011 $ | Period ended March 31, 2010 $ |
|---|---|---|
| Revenue | **-** | 320,367 |
| Cost of sales | **-** | (761,006) |
| **Gross loss** | **-** | (440,639) |
| Administrative expenses | **(97,230)** | (336,051) |
| Gain on disposal of Stellar | **-** | 2,913,773 |
| Loss of significant influence in Stellar | **(744,681)** | - |
| Share of results of Stellar | **(548,729)** | (216,919) |
| Interest income | **86** | 3,707 |
| Comprehensive (loss)/income | **(1,390,554)** | 1,923,871 |
| | | |
| Attributable to: | | |
| Owners of the parent | **(1,390,554)** | 2,235,994 |
| Non-controlling interest | **-** | (312,123) |
| (Loss)/income on assets held for distribution to owners | **(1,390,554)** | 1,923,871 |

The major classes of assets and liabilities comprising the operations classified as held for distribution are as follows:

| | March 31, 2011 $ | December 31, 2010 $ |
|---|---|---|
| Resource properties | **5,459,615** | 5,459,615 |
| Deferred exploration costs | **27,825,632** | 25,691,032 |
| Property, plant and equipment | **668,663** | 613,878 |
| Investment in associate | **-** | 5,117,752 |
| Available for sale asset - Stellar Diamonds plc | **3,824,342** | - |
| Trade and other receivables | **31,433** | 28,905 |
| Cash and cash equivalents | **10,932,428** | 14,441,778 |
| Total assets held for distribution | **48,742,113** | 51,352,960 |
| | | |
| Trade and other payables | **376,813** | 515,193 |
| Due to related party | **6,317** | 141,349 |
| Total liabilities associated with assets held for distribution | **383,130** | 656,542 |

**(iii) Property, plant and equipment**

| | Machinery and equipment | Vehicles | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Cost** | | | |
| At December 31, 2010 | 930,046 | 463,653 | 1,393,699 |
| Additions | 360,285 | 453,077 | 813,362 |
| Foreign exchange | 1,246 | - | 1,246 |
| At March 31, 2011 | **1,291,577** | **916,730** | **2,208,307** |
| **Depreciation** | | | |
| At December 31, 2010 | 328,009 | 66,585 | 394,594 |
| Charge for the period | 57,933 | 44,433 | 102,366 |
| Foreign exchange | (112) | - | (112) |
| At March 31, 2011 | **385,830** | **111,018** | **496,848** |
| **Net book value** | | | |
| At December 31, 2010 | 602,037 | 397,068 | 999,105 |
| At March 31, 2011 | **905,747** | **805,712** | **1,711,459** |

**(iv) Intangible assets**

| | January 1, 2011 | Additions | March 31, 2011 |
|---|---|---|---|
| | $ | $ | $ |
| **Resource properties:** | | | |
| **Cameroon** | | | |
| Nkout | 963,089 | - | **963,089** |
| Ntem | 523,203 | - | **523,203** |
| Akonolinga | 399,984 | - | **399,984** |
| | 1,886,276 | - | **1,886,276** |
| **Deferred exploration costs:** | | | |
| **Cameroon** | | | |
| Nkout | 4,398,027 | 2,456,880 | **6,854,907** |
| Ntem | 214,377 | 6,081 | **220,458** |
| Akonolinga | 102,302 | 318 | **102,620** |
| Ngoa | 85,067 | 238,562 | **323,629** |
| | 4,799,773 | 2,701,841 | **7,501,614** |

The movement in intangible assets which are included in the assets held for distribution for the three month ended March 31, 2011 is as follows:

| | January 1, 2011 $ | Addition $ | March 31, 2011 $ |
|---|---|---|---|
| **Resource properties:** | | | |
| **Liberia** | | | |
| Bea | 210,000 | - | **210,000** |
| Ndablama extension | 141,349 | - | **141,349** |
| | 351,349 | - | **351,349** |
| **Sierra Leone** | | | |
| Sonfon | 1,017,000 | - | **1,017,000** |
| **Cameroon** | | | |
| Batouri | 4,091,266 | - | **4,091,266** |
| | 5,459,615 | - | **5,459,615** |
| **Deferred exploration costs:** | | | |
| **Liberia** | | | |
| New Liberty | 22,557,796 | 1,111,372 | **23,669,168** |
| Weaju | 1,134,480 | 67,081 | **1,201,561** |
| Gondoja | 34,348 | - | **34,348** |
| Silver Hills | 48,107 | - | **48,107** |
| Ndablama | 288,981 | 163,454 | **452,435** |
| | 24,063,712 | 1,341,907 | **25,405,619** |
| **Sierra Leone** | | | |
| Sonfon | 1,201,434 | 792,431 | **1,993,865** |
| **Cameroon** | | | |
| Batouri | 425,886 | 262 | **426,148** |
| | 25,691,032 | 2,134,600 | **27,825,632** |

In the three months to March 31, 2011 $2.7 million of deferred exploration was spent in Cameroon, and predominantly on Nkout. This included $1.2 million on drilling or 45% of total deferred exploration in the period. The drilling was mainly at Nkout centre and the Company employed 3 rigs, 1 contractor rig and 2 rigs owned and operated by the Company. Assay costs relating to the drilling amounted to $0.1 million. Salaries and wages of operational staff amounted to $0.5 million. Infrastructure expenditure at $0.2 million relates to upgrading the camp at Nkout. Exploration expenditure on the gold assets which were held for distribution amounted to $2.1 million, of which $1.1 million was spent on New Liberty and $0.8 million on the Sonfon project where the Company has a 49% interest.

### (v) 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. At March 31, 2011 the Company had cash and cash equivalents of $27.3 million of which $16.4 million relates to continuing operations. The directors believe that the current funds will be sufficient to finance the committed capital expenditure, general working capital and corporate costs.

### (vi) Transition to International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that significantly affects financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over a five-year transitional period. In February 2008, the AcSB announced that 2011 is the adoption date for publicly listed companies to use IFRS, replacing Canadian GAAP. The adoption date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's adoption date of January 1, 2011 has involved the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

The Company's approach to the conversion to IFRS included three phases:

- Phase One, an initial general diagnostic of its accounting policies and Canadian GAAP relevant to its financial reporting requirements to determine the key differences and options with respect to accounting standards under IFRS;
- Phase Two, an in depth analysis of the impact of those areas identified under phase one; and
- Phase Three, the implementation and quantification of the conversion process, through the preparation of the opening balance sheet as at January 1, 2010 and comparatives.

The Company's IT, accounting and financial reporting systems were not significantly impacted as a result of the transition to IFRS and no changes in the Company's system of internal controls over financial reporting were required upon the adoption of IFRS

The note to the condensed interim consolidated financial statements provides more detail on the Canadian GAAP to IFRS differences, our accounting policy choices and optional exemptions taken under IFRS1 – First time adoption of International Financial Reporting Standards.

Upon completion of the Company's transition project the following adjustments were identified as necessary:

**Assets held for distribution to owners**

The Company transferred certain assets and liabilities to Aureus Mining subsequent to the period end. This distribution fell under the guidance of IFRIC 17 Distributions of Non-cash Assets to Owners and as the Company was committed to such a distribution prior to December 31, 2010 the provisions of IFRS5 – Non-current Assets Held for Sale and Discontinued Operations have been applied to the comparative year end. Canadian GAAP permits a specific exemption whereby assets to be disposed of by other than sale should be classified as held until disposed of. This difference has no impact on net assets or total comprehensive (loss)/income.

**Translation of foreign subsidiaries**

All of the Company's foreign operations were classified as integrated under Canadian GAAP whereby foreign currency subsidiaries were translated into the group presentation currency using the temporal method with resulting differences taken to income/(loss). IAS21 – The Effects of Changes in Foreign Exchange Rates does not distinguish between integrated and self-sustaining foreign operations and all foreign currency subsidiaries are translated into the group presentation currency using the closing rate method with resulting differences recognised in other comprehensive (loss)/income. The Company recognised a decrease in equity of $202,247 as at January 1, 2010 as a result of this difference (March 31, 2010 $339,258, December 31, 2010 $433,954). Additionally as a result of the exemption taken under IFRS1 to reset the cumulative translation reserve to zero upon transition to IFRS a balance of $21,755 in the accumulated other comprehensive loss reserve was taken to deficit.

**Financial statement presentation changes**

The transition to IFRS has resulted in minor financial statement presentation changes. The changes to the statement of financial position relate to minor changes to nomenclature only, all classifications remain the same. Changes to the statement of comprehensive (loss)/income relate to classification changes for certain items of expense. The most significant of these changes is that wages and salaries have been broken out of administrative and office expenses and interest on convertible debentures has been classified as a finance expense. None of these changes has an impact on total comprehensive (loss)/income.

**Reconciliation of Cash Flows**

The IFRS transition did not have any impact on the Company's cash flows from operating, financing, or investing activities.

**(vii) Critical accounting estimates**

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant balances and transactions affected by management estimates include, but not limited to, the valuation of the consideration on the deemed disposal of Stellar Diamonds Ltd., the carrying value of Company's investment in associates, resource properties, deferred exploration costs, asset retirement obligations and future income tax, the calculation of the fair value of stock-based compensation and warrants as well as the recovery of assets, fair value of convertible debt at inception and the allocation of proceeds between share capital and warrants. Actual results could differ from those estimates.

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.

**(viii) Investments in associates**

The investment in associate relates to the Company's investment in Severstal Liberia Iron Ore Ltd ("SLIO"). During the period ended March 31, 2011 the Company's ownership of Stellar was diluted to 14.2%, thus significant influence was lost and Stellar is now accounted for as an available-for-sale financial instrument. The Group's share in the result of associates relating to the share in post-acquisition losses is recorded in the consolidated statement of income/(loss). The movement in the investments in associates is detailed below:

| | SLIO Continuing | Stellar Discontinuing | Total |
|---|---|---|---|
| | $ | $ | |
| At January 1, 2010 | 7,200,097 | - | 7,200,097 |
| Investment in Stellar | - | 9,471,194 | 9,471,194 |
| Additional investment | 3,060,517 | 61,099 | 3,121,616 |
| Share in result of associates | (179,536) | (2,106,040) | (2,285,576) |
| Impairment | - | (2,308,501) | (2,308,501) |
| At December 31, 2010 | 10,081,078 | 5,117,752 | 15,198,830 |
| Additional investment | 3,421,137 | - | 3,421,137 |
| Share in result in associates | (87,192) | (548,730) | (635,922) |
| Impairment | - | (744,680) | (744,680) |
| Transfer to financial instruments | - | (3,824,342) | (3,824,342) |
| **At March 31, 2011** | **13,415,023** | **-** | **13,415,023** |

### (ix) Segment information

The Company is engaged in the acquisition, exploration and development of iron ore and gold properties in the West African countries of Liberia, Cameroon, and Sierra Leone. Information presented to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the geographical location. The reportable segments under IFRS 8 are as follows:

- Cameroon exploration;
- Liberia exploration;
- Discontinued operations of the gold properties and diamond interests; and
- Corporate and other activities.

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the three month period ended March 31, 2011:

| | Cameroon | Liberia | Discontinued operations | Corporate and other | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Loss for the period | (116,759) | (87,193) | (1,390,554) | (4,780,988) | (6,375,494) |
| Segment assets | 11,484,234 | 13,436,512 | 48,742,113 | 16,664,043 | 90,326,902 |
| Segment liabilities | (1,197,062) | - | (383,130) | (2,511,848) | (4,092,040) |
| Depreciation of property, plant and equipment | 97,454 | - | 46,041 | 4,912 | 148,407 |
| Capital additions | | | | | |
| – property, plant and equipment | 727,248 | - | 100,824 | 86,114 | 914,186 |
| – intangible assets | 2,701,841 | - | 2,134,600 | - | 4,836,441 |

### (x) Related party transactions

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

| | **March 31, 2011** | March 31, 2010 |
|---|---|---|
| | **$** | $ |
| Incurred management fees by directors | **271,250** | 126,156 |
| Incurred directors fees | **76,002** | 52,738 |
| Incurred professional fees and consultancy services by a director | **66,029** | - |
| Incurred professional fees and consultancy services by a director of Aureus | **29,167** | - |
| Incurred geologist fee with a company related by a common director | **2,935** | - |

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.

The amounts due to related entities at March 31 which are included in trade and other payables are as follows:

| | **March 31, 2011** | December 31, 2010 |
|---|---|---|
| | **$** | $ |
| Director of the Company | **66,029** | - |
| Director of Aureus | **29,167** | - |
| Company related by a common director | **2,935** | - |
| | **98,131** | - |

As at March 31, 2011, trade and other receivables include $21,489 owed by SLIO (December 31, 2010: due to related parties of $345,141).

As at March 31, 2011, the liabilities associated with assets held for distribution include $6,317 owed to a company of a director (December 31, 2010: $141,349).

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.

**(xi) Off balance sheet arrangements**

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

**(xii) Subsequent Events**

The Company completed its Plan of Arrangement on April 13, 2011, pursuant to which the Company's interests in its gold assets (including the New Liberty Gold Project in Liberia), approximately 14% of the outstanding ordinary shares of Stellar Diamonds and cash and cash equivalents equal to 40% of The Company's total cash balance as at April 13, 2011, the effective time of the Arrangement were transferred to Aureus Mining.

On June 21, 2011 37,500 new common shares were issued by the Company pursuant to the exercise of share options.

## 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 SECTOR

After bottoming in early 2009, the industry recovered much more quickly than most would have predicted. Although the recovery remained fragile, the global economy improved markedly over the course of 2009 and into 2010. Metals prices improved steadily since bottoming in early 2009, and were again well above their long-term trends through most of 2010. 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. Markets such as London's AIM have been hit hard over the last few years with very few new listings in the mining sector. Some markets such as Canada's TSX are recovering faster although the appetite of investors is still confined to commodities such as gold and silver, copper, iron ore and coal. Responding to rising metal prices most mining companies increased their exploration budget in 2010. Metals Economics Group's reports a 2010 exploration budget total of $11.2 billion. Regionally, Latin America (led by Mexico, Peru, Chile, Brazil, and Argentina) was the top exploration destination in 2010, a position it has held for the better part of two decades, while Canada was the top country overall. Gold was the leading target, attracting more than half the global exploration budget, with copper a distant second. The challenge for companies is to find and develop quality assets, which is becoming more and 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.

## 6. INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. 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 do not expect that the Company's disclosure controls and internal control procedures will prevent all errors and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of that system are met. Other than changes related to our IFRS transition plan, there have been no changes in our internal control over financial reporting during the quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

## 7. OUTLOOK

Since period end the Company completed the Plan of Arrangement, at which time the Company's interests in its gold assets, Stellar, and cash and cash equivalents of approximately $10.6 million were transferred to Aureus Mining Inc. Whilst the resulting split into two companies came at a very difficult time for the equity markets the board believes that the pure play commodity strategy is still the correct one going forward.

As an iron ore company Afferro is now focused on developing its world class assets in Liberia (Putu) and Cameroon (Nkout); the key objectives for the remainder of 2011 are to:

1) Increase the resource at Putu (currently 2.4Bt at 34% iron) with a significant proportion classified as indicated by year end;
2) Increase the magnetite resource at Nkout (increased to 1.42Bt at 33.6% iron in June 2011);
3) Further identify direct shipping ore material at Nkout by end 2011;
4) Complete the logistics and infrastructure scoping study during Q4, 2011; and
5) Commence a preliminary economic assessment on Nkout after the delivery of the scoping study.

Afferro, like many other companies in the mining sector has lost significant value as a result of market volatility. Despite this the directors are confident that the implementation of its strategy will provide significant upside in the foreseeable future.

On Behalf of the Board,

AFFERRO MINING INC.

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