

Condensed Interim Consolidated Financial Statements (Unaudited)

Afferro Mining Inc.

For the Three and Nine Months Ended September 30, 2011
(Stated in US dollars)

AFFERRO MINING INC.

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NOTICE TO READER

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed interim consolidated financial statements for the three and nine months ended September 30, 2011.

The condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

Afferro Mining Inc.**Condensed Interim Consolidated Statements of Financial Position (Unaudited)**

(stated in US dollars)

	September 30, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Assets			
Current assets			
Cash and cash equivalents	21,793,781	21,662,666	3,695,796
Trade and other receivables	862,291	488,013	4,414,215
Due from related parties (Note 10)	69,337	-	-
Inventories	150,000	66,692	220,826
Assets held for distribution to owners (Note 4)	-	51,352,960	-
	22,875,409	73,570,331	8,330,837
Non-current assets			
Intangible assets			
- Resource properties (Note 5)	1,886,276	1,886,276	9,882,223
- Deferred exploration costs (Note 5)	16,995,970	4,799,774	22,378,268
Property, plant and equipment (Note 6)	2,131,080	999,105	11,474,139
Investment in associates (Note 7)	19,277,335	10,081,078	7,200,097
	40,290,661	17,766,233	50,934,727
Total assets	63,166,070	91,336,564	59,265,564
Liabilities			
Current liabilities			
Trade and other payables	2,252,128	1,737,629	2,288,447
Convertible debentures	-	-	3,399,762
Interest payable on convertible debentures	-	-	120,924
Derivative financial instruments	-	-	125,388
Due to related parties (Note 10)	-	345,141	879,464
Liabilities held for distribution to owners (Note 4)	-	656,542	-
	2,252,128	2,739,312	6,813,985
Non-current liabilities			
Convertible debentures	-	-	396,078
Provisions	46,845	46,373	54,369
	46,845	46,373	450,447
Total liabilities	2,298,973	2,785,685	7,264,432
Equity			
Share capital (Note 8)	129,532,923	104,366,164	50,637,085
Share based payment reserve	9,818,385	7,255,394	5,292,619
Warrant reserve	-	-	2,808
Convertible debentures	-	-	2,637,802
Cumulative translation reserve	(1,322,763)	(1,229,363)	-
Deficit	(77,161,448)	(21,841,316)	(11,610,833)
Non-controlling interest	-	-	5,041,651
Total equity	60,867,097	88,550,879	52,001,132
Total liabilities and equity	63,166,070	91,336,564	59,265,564

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

Afferro Mining Inc.

Condensed Interim Consolidated Statements of Comprehensive (Loss)/Income (Unaudited)

(stated in US dollars)

	3 months ended September 30, 2011 \$	3 months ended September 30, 2010 \$	9 months ended September 30, 2011 \$	9 months ended September 30, 2010 \$
(Expenses)/income				
Legal and professional	(276,975)	(183,381)	(1,507,070)	(561,679)
Depreciation (Note 6)	(182,069)	(78,964)	(431,952)	(195,638)
Wages and salaries	(167,924)	(325,531)	(349,127)	(623,933)
Share based payments (Note 8)	(123,992)	-	(2,562,991)	(1,703,534)
Foreign exchange gain	722,677	67,732	866,390	333,814
Other expenses	(237,473)	(38,180)	(1,466,593)	(449,414)
Loss from operations	(265,756)	(558,324)	(5,451,343)	(3,200,384)
Share in result of associates (Note 7)	(109,672)	(51,966)	(307,071)	(51,966)
Unrealized foreign exchange (loss)/gain on convertible debentures	-	(164,167)	-	4,281
Finance income	6,050	39,093	63,808	51,670
Finance cost	-	(309,380)	-	(870,349)
Loss for the period from continuing operations	(369,378)	(1,044,744)	(5,694,606)	(4,066,748)
Loss for the period from discontinued operations (Note 4)	-	(720,611)	(1,390,554)	(2,179,224)
Loss for the period attributable to owners of the parent	(369,378)	(1,765,355)	(7,085,160)	(6,245,972)
Other comprehensive (loss)/income				
Currency translation differences	(997,129)	1,273,049	(93,400)	(360,046)
Total comprehensive loss for the period attributable to owners of the parent	(1,366,507)	(492,306)	(7,178,560)	(6,606,018)
Loss per share				
Weighted average number of shares outstanding, basic and diluted	99,080,189	70,283,226	90,467,539	63,310,925
From continuing operations, basic and diluted	(0.004)	(0.015)	(0.063)	(0.064)
From continuing and discontinued operations, basic and diluted	(0.004)	(0.025)	(0.078)	(0.099)

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

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

	3 months ended September 30, 2011 \$	3 months ended September 30, 2010 \$	9 months ended September 30, 2011 \$	9 months ended September 30, 2010 \$
Operating activities				
Loss for the period	(369,378)	(1,765,355)	(7,085,160)	(6,245,972)
Items not affecting cash:				
Gain on disposal of subsidiary	-	-	-	(2,913,773)
Share in results of associates	109,672	791,005	855,801	1,856,956
Share based payments	123,992	-	2,562,991	1,703,534
Finance costs	-	285,344	-	870,349
Finance income	(6,050)	(39,093)	(63,808)	(51,670)
Unrealized foreign exchange loss/(gain) on convertible debentures	-	164,167	-	(4,281)
Unrealized foreign exchange gain	(286,860)	(228,997)	(446,609)	(261,505)
Loss of significant influence on associate	-	-	744,680	-
Depreciation, depletion, and amortization	182,069	106,437	477,993	507,507
Impairment of intangible assets	-	62,313	-	2,566,918
Write-back of amounts due to associate	-	(203,506)	-	(203,506)
Changes in non-cash working capital:				
Trade and other receivables	(201,693)	(231,033)	(374,557)	(256,451)
Inventories	(66,692)	-	-	181,363
Trade and other payables	(693,155)	334,592	(229,692)	(237,093)
Due to/(from) related parties	244,964	(103,124)	(44,793)	525,382
Cash flows from operating activities	(963,131)	(827,250)	(3,603,154)	(1,962,242)
Investing activities				
Payments to acquire property, plant and equipment	(557,533)	(631,317)	(1,680,751)	(833,799)
Payments for resource properties	-	-	(141,349)	-
Payments for deferred exploration expenditure	(5,669,755)	(2,674,102)	(13,859,704)	(7,281,149)
Disposal of subsidiary	-	-	-	(69,382)
Investment in associates	(1,828,896)	(61,099)	(9,848,469)	(61,099)
Interest received	6,050	39,093	63,808	51,670
Cash flows used in investing activities	(8,050,134)	(3,327,425)	(25,466,465)	(8,193,759)
Financing activities				
Issuance of share capital (net of costs)	24,246,175	-	24,246,175	16,912,182
Exercise of stock options	290,959	-	920,584	-
Cash distributed to Aureus Mining	-	-	(10,776,952)	-
Interest paid	-	(130,740)	-	(293,678)
Cash flows from financing activities	24,537,134	(130,740)	14,389,807	16,618,504
Impact of foreign exchange on cash balance	(681,473)	662,656	369,151	(177,925)
Net increase/(decrease) in cash and cash equivalents	14,842,396	(3,622,759)	(14,310,661)	6,284,578
Cash and cash equivalents at beginning of period	6,951,385	13,603,133	36,104,442	3,695,796
Cash and cash equivalents at end of period	21,793,781	9,980,374	21,793,781	9,980,374
Cash flows from discontinued operations				
Cash flows from operating activities	-	-	(327,044)	-
Cash flows used in investing activities	-	-	(2,333,906)	-
Cash flows used in financing activities	-	-	(10,776,952)	-

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

Afferro Mining Inc.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

(stated in US dollars)

	Share capital \$ (Note 8)	Share based payment reserve \$	Warrant reserve \$	Equity component of convertible debentures \$	Cumulative translation reserve \$	Deficit \$	Non-controlling interest \$	Total equity \$
Balance at January 1, 2010	50,637,085	5,292,619	2,808	2,637,802	-	(11,610,833)	5,041,651	52,001,132
Loss for the period	-	-	-	-	-	(5,933,849)	(312,123)	(6,245,972)
Comprehensive loss for the period	-	-	-	-	(360,046)	-	-	(360,046)
Share-based payments	-	1,703,534	-	-	-	-	-	1,703,534
Shares issued, net of costs	17,411,030	-	-	-	-	-	524,917	17,935,947
Share issuance costs	(498,848)	-	-	-	-	-	-	(498,848)
Disposal of subsidiary	-	-	-	-	-	-	(5,254,445)	(5,254,445)
Expired warrants	-	-	(2,808)	-	-	2,808	-	-
Balance September 30, 2010	67,549,267	6,996,153	-	2,637,802	(360,046)	(17,541,874)	-	59,281,302
Loss for the period	-	-	-	-	-	(4,299,442)	-	(4,299,442)
Comprehensive income for the period	-	-	-	-	(869,317)	-	-	(869,317)
Shares issued, net of costs	31,867,412	-	-	-	-	-	-	31,867,412
Share issue costs	(1,347,137)	-	-	-	-	-	-	(1,347,137)
Share-based payments	-	259,241	-	-	-	-	-	259,241
Conversion of convertible debentures	6,277,970	-	-	(2,637,802)	-	-	-	3,640,168
Exercise of stock options	18,652	-	-	-	-	-	-	18,652
Balance at December 31, 2010	104,366,164	7,255,394	-	-	(1,229,363)	(21,841,316)	-	88,550,879
Loss for the period	-	-	-	-	-	(7,085,160)	-	(7,085,160)
Comprehensive income for the period	-	-	-	-	(93,400)	-	-	(93,400)
Shares issued, net of costs	24,246,175	-	-	-	-	-	-	24,246,175
Share-based payments	-	2,562,991	-	-	-	-	-	2,562,991
Exercise of stock options	920,584	-	-	-	-	-	-	920,584
Distribution of assets to Aureus Mining (Note 4)	-	-	-	-	-	(48,234,972)	-	(48,234,972)
Balance at September 30, 2011	129,532,923	9,818,385	-	-	(1,322,763)	(77,161,448)	-	60,867,097

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

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

1 Nature of operations

Afferro Mining Inc. ("Afferro Mining" or "the Company") and its subsidiaries (together "the group") were 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 River Resources Limited by way of a reverse takeover and changed its name to Mano River Resources Inc. On October 14, 2009 the Company announced the completion of its merger with African Aura Resources Ltd and changed its name to African Aura Mining Inc. On April 13, 2011, the day it completed the Plan of Arrangement (the "Arrangement") with Aureus Mining Inc. ("Aureus Mining") the Company changed its name to Afferro Mining.

Afferro Mining is focused on exploration and development of iron ore assets in Cameroon and Liberia.

These condensed interim consolidated financial statements ("interim financial statements") were authorized for issue by the Board of Directors on November 17, 2011.

2 Basis of preparation and first-time adoption of IFRS

These interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time Adoption of International Financial Reporting Standards*. Subject to certain transition elections disclosed below, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 11 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The interim financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The Company has prepared its interim 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 September 30, 2011 the Company had cash and cash equivalents of \$21.8 million which the directors believe will be sufficient to finance the operation for the foreseeable future.

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

3 New IFRS Pronouncements

At the date of authorisation of these interim financial statements, the following Standards and Interpretations which have not been applied in these interim financial statements were in issue but not yet effective:

- IFRS 9 *Financial Instruments*
- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- Amendments to IAS 1 *Presentation of Financial Statements*
- IAS 12 *Deferred Tax: Recovery of Underlying Assets*
- Amended IAS 19 *Employee Benefits*
- IAS 27 *Separate Financial Statements (revised 2011)*
- IAS 28 *Investments in Associates (revised 2011)*

The Company is currently assessing the impact of these pronouncements on its financial statements.

4 Assets distributed to Aureus Mining Inc. ("Aureus Mining")

In November 2010 the Company committed to entering into the Arrangement, pursuant to which the Company's interests in its gold assets (including the New Liberty Gold Project in Liberia), as well as shares representing approximately 14% of the outstanding ordinary shares of Stellar Diamonds plc ("Stellar") and cash and cash equivalents equal to approximately 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 (the "Transferred Assets") together with certain related liabilities. 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, thereby splitting the Company's business and assets between gold and diamond assets in Aureus Mining and iron ore assets remaining in the Company. 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 for the Arrangement at the Company's special meeting of shareholders. On April 13, 2011, the Arrangement was completed and as a result, the Transferred Assets and certain liabilities were distributed to Aureus Mining. The major classes of assets and liabilities distributed to Aureus Mining on April 13, 2011 and the operations classified as held for distribution as at December 31, 2010 are as follows:

	April 13, 2011 \$	December 31, 2010 \$
Cash and cash equivalents	10,776,952	14,441,778
Trade and other receivables	31,434	28,905
Intangible assets		
- Resource properties (Note 5)	5,459,615	5,459,615
- Deferred exploration costs (Note 5)	27,924,114	25,691,032
Property, plant and equipment (Note 6)	668,662	613,878
Available for sale asset - Stellar (Note 7)	3,824,342	-
Investment in associates (Note 7)	-	5,117,752
Total assets	<u>48,685,119</u>	<u>51,352,960</u>
Trade and other payables	450,147	515,193
Due to related party	-	141,349
Total liabilities	<u>450,147</u>	<u>656,542</u>

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

4 Assets distributed to Aureus Mining (continued)

The loss from discontinued operations which have been included in the consolidated statement of comprehensive (loss)/income, is as follows:

	3 months ended September 30, 2011	3 months ended September 30, 2010	9 months ended September 30, 2011	9 months ended September 30, 2010
	\$	\$	\$	\$
Revenue	-	-	-	320,367
Cost of sales	-	-	-	(761,006)
Gross loss	-	-	-	(440,639)
Impairment of intangible assets	-	-	-	(2,504,604)
Other income/(expenses)	-	18,428	(97,230)	(343,168)
Gain on disposal of Stellar	-	-	-	2,913,773
Loss of significant influence in Stellar	-	-	(744,680)	-
Share of results of Stellar	-	(739,039)	(548,730)	(1,804,990)
Interest income	-	-	86	404
Loss from discontinued operations	-	(720,611)	(1,390,554)	(2,179,224)
Attributable to:				
Owners of the parent	-	(720,611)	(1,390,554)	(1,867,101)
Non-controlling interest	-	-	-	(312,123)
	-	(720,611)	(1,390,554)	(2,179,224)

The effect of discontinued operations on segment results is disclosed in Note 9.

5 Intangible assets

	January 1, 2011	Additions	September 30, 2011
	\$	\$	\$
Resource properties:			
Cameroon			
Nkout	963,089	-	963,089
Ntem	523,203	-	523,203
Akonolinga	399,984	-	399,984
	<u>1,886,276</u>	-	<u>1,886,276</u>
Deferred exploration costs:			
Cameroon			
Nkout	4,398,028	11,918,226	16,316,254
Ntem	214,377	9,964	224,341
Akonolinga	102,302	29,786	132,088
Ngoa	85,067	238,220	323,287
	<u>4,799,774</u>	<u>12,196,196</u>	<u>16,995,970</u>

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

5 Intangible assets (continued)

	January 1, 2010 \$	Additions \$	Foreign exchange \$	Impairment \$	Reclassified as held for distribution \$	December 31, 2010 \$
Resource properties:						
Liberia						
Bea	210,000	-	-	-	(210,000)	-
Ndablama extension	-	141,349	-	-	(141,349)	-
North Bea	2,457,767	-	-	(2,457,767)	-	-
	<u>2,667,767</u>	<u>141,349</u>	<u>-</u>	<u>(2,457,767)</u>	<u>(351,349)</u>	<u>-</u>
Cameroon						
Batouri	4,091,266	-	-	-	(4,091,266)	-
Nkout	1,068,585	-	(105,496)	-	-	963,089
Ntem	579,946	-	(56,743)	-	-	523,203
Akonolinga	443,362	-	(43,378)	-	-	399,984
Ekomedion	14,297	-	-	(14,297)	-	-
	<u>6,197,456</u>	<u>-</u>	<u>(205,617)</u>	<u>(14,297)</u>	<u>(4,091,266)</u>	<u>1,886,276</u>
Sierra Leone						
Sonfon	1,017,000	-	-	-	(1,017,000)	-
	<u>9,882,223</u>	<u>141,349</u>	<u>(205,617)</u>	<u>(2,472,064)</u>	<u>(5,459,615)</u>	<u>1,886,276</u>

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

5 Intangible assets (continued)

	January 1, 2010 \$	Additions \$	Foreign exchange \$	Impairment \$	Disposal of Stellar \$	Reclassified as held for distribution \$	December 31, 2010 \$
Deferred exploration costs:							
Liberia							
New Liberty	16,996,448	5,561,348	-	-	-	(22,557,796)	-
Weaju	757,598	376,882	-	-	-	(1,134,480)	-
Gondoja	34,348	-	-	-	-	(34,348)	-
North Bea	39,653	7,184	-	(46,837)	-	-	-
Silver Hills	3,009	45,098	-	-	-	(48,107)	-
Ndablama	-	288,981	-	-	-	(288,981)	-
	<u>17,831,056</u>	<u>6,279,493</u>	<u>-</u>	<u>(46,837)</u>	<u>-</u>	<u>(24,063,712)</u>	<u>-</u>
Cameroon							
Batouri	330,158	81,931	13,797	-	-	(425,886)	-
Ntem	8,280	206,743	(646)	-	-	-	214,377
Akonolinga	906	101,714	(318)	-	-	-	102,302
Nkout	4,339	4,407,479	(13,790)	-	-	-	4,398,028
Ngoa	-	85,409	(342)	-	-	-	85,067
Ekomedion	24,322	23,695	-	(48,017)	-	-	-
	<u>368,005</u>	<u>4,906,971</u>	<u>(1,299)</u>	<u>(48,017)</u>	<u>-</u>	<u>(425,886)</u>	<u>4,799,774</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>-</u>	<u>-</u>	<u>(2,629,516)</u>	<u>(1,201,434)</u>	<u>-</u>
Guinea							
Bouro	180,995	-	-	-	(180,995)	-	-
Droujba and ex De Beers	159,289	-	-	-	(159,289)	-	-
Ouria	15,276	(9,078)	-	-	(6,198)	-	-
	<u>355,560</u>	<u>(9,078)</u>	<u>-</u>	<u>-</u>	<u>(346,482)</u>	<u>-</u>	<u>-</u>
	<u>22,378,268</u>	<u>11,184,689</u>	<u>(1,299)</u>	<u>(94,854)</u>	<u>(2,975,998)</u>	<u>(25,691,032)</u>	<u>4,799,774</u>

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

5 Intangible assets (continued)

	3 months ended September 30, 2011 \$	3 months ended September 30, 2010 \$	9 months ended September 30, 2011 \$	9 months ended September 30, 2010 \$
Deferred exploration costs				
Assays incl. shipment	252,186	193,681	454,873	314,553
Communications incl. equipment	103,546	33,097	133,898	55,164
Community relations	16,344	43,175	29,887	241,581
Consultants and professional fees	577,960	182,132	943,925	353,531
Drilling	1,069,384	799,575	3,761,742	2,726,547
Geophysical	21,463	61,930	21,463	431,481
Infrastructure incl. roads and bridges	2,301,439	316,901	2,544,850	635,144
Licenses and permit fees	-	45,656	-	67,787
Project/field office costs, incl. field equipment	32,901	243,516	1,057,782	694,722
Salaries and wages	1,196,931	531,997	2,354,282	1,178,122
Subsistence	97,005	76,440	219,787	154,828
Transportation incl. vehicles	339,407	146,002	673,707	427,688
Net expenditure during the period	6,008,566	2,674,102	12,196,196	7,281,148
Impairment during the period	-	(48,017)	-	(94,854)
Disposal of Stellar	-	-	-	(2,975,998)
Foreign exchange	-	156,259	-	156,259
Balance, Beginning of the period	10,987,404	23,962,479	4,799,774	22,378,268
Balance, End of the period	16,995,970	26,744,823	16,995,970	26,744,823

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

6 Property, plant and equipment

	Mining assets \$	Machinery and equipment \$	Vehicles \$	Total \$
Cost				
At January 1, 2010	10,692,283	2,106,359	256,848	13,055,490
Additions	-	367,947	829,062	1,197,009
Disposal of subsidiary	(10,692,283)	(1,332,563)	(90,658)	(12,115,504)
Transfer to assets held for distribution	-	(187,383)	(528,250)	(715,633)
Foreign exchange	-	(24,314)	(3,349)	(27,663)
At December 31, 2010	-	930,046	463,653	1,393,699
Additions	-	995,354	584,574	1,579,928
Foreign exchange	-	(16,482)	-	(16,482)
At September 30, 2011	-	1,908,918	1,048,227	2,957,145
Depreciation				
At January 1, 2010	741,362	766,057	73,932	1,581,351
Charge for the year	246,145	291,187	106,169	643,501
Disposal of subsidiary	(987,507)	(691,039)	(48,466)	(1,727,012)
Transfer to assets held for distribution	-	(36,956)	(64,798)	(101,754)
Foreign exchange	-	(1,240)	(252)	(1,492)
At December 31, 2010	-	328,009	66,585	394,594
Charge for the period	-	235,912	196,040	431,952
Foreign exchange	-	(481)	-	(481)
At September 30, 2011	-	563,440	262,625	826,065
Net book value				
At January 1, 2010	9,950,921	1,340,302	182,916	11,474,139
At December 31, 2010	-	602,037	397,068	999,105
At September 30, 2011	-	1,345,478	785,602	2,131,080

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

7 Investment in associates

The investment in associate relates to the Company's investment in Severstal Liberia Iron Ore Ltd ("SLIO"). During Q2 the Company's ownership of Stellar was diluted to 14.2%, thus significant influence was lost and Stellar was accounted for as an available-for-sale financial instrument until its distribution to Aureus. The movement in the investment in associates is detailed below:

	SLIO Continuing \$	Stellar Discontinued \$	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	9,503,328	-	9,503,328
Share in result in associates	(307,071)	(548,730)	(855,801)
Loss of significant influence of associate	-	(744,680)	(744,680)
Transfer to financial instruments	-	(3,824,342)	(3,824,342)
At September 30, 2011	19,277,335	-	19,277,335

8 Equity

(a) Authorised

Unlimited number of common shares without par value.

(b) Issued

	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 stock options	11,500	18,652
Balance at December 31, 2010	85,864,092	104,366,164
Shares issued on private placing	17,318,897	25,334,295
Share issuance costs	-	(1,088,120)
Cancelled shares	(444)	-
Exercise of stock options	752,155	920,584
At September 30, 2011	103,934,700	129,532,923

On July 22, 2011, the Company announced that it had completed a private placing raising gross proceeds of £15.5 million (\$25.3 million at the exchange rate of \$1.63) consisting of 17,318,897 new common shares without par value in the capital of the Company at 90 pence (\$1.47) per share. The direct costs to issue the shares amounted to \$1.1 million.

Afferro Mining Inc.

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8 Equity (continued)

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

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

On June 15, 2011, the Company issued 37,500 common shares for the exercise of 37,500 stock options at a weighted average exercise price of Cdn\$1.04.

On July 5, 2011, the Company issued 46,875 common shares for the exercise of stock options with a weighted average exercise price of Cdn\$1.01.

On July 28, 2011 the Company issued 259,280 common shares for the exercise of stock options with a weighted average exercise price of Cdn\$1.11 of which 62,500 shares were issued to Guy Pas, Non-Executive Director.

On September 19, 2011 the Company issued 20,000 common shares for the exercise of stock options with a weighted average exercise price of Cdn\$0.73.

(c) Stock options

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

The issuance of Afferro options and Aureus Mining options is intended to put the holders of the options in the same position (or as close as possible thereto) as each shareholder of African Aura who participated in the Arrangement. Therefore it is not necessary to value the African Aura options prior to the effective time of the Arrangement and Afferro and Aureus Mining options after the effective time as these options are not a new grant or a re-pricing but rather an effective continuation of the previous options.

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

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

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

8 Equity (continued)

The Exercise Price Proportion was calculated as 0.3978. The exercise prices of the Company's stock options have accordingly been restated to reflect the exercise prices so determined in accordance with the Arrangement.

On July 25, 2011 the Company issued 150,000 stock options to the Company's CFO, with an exercise price of Cdn\$1.50 per share.

The fair value of the 2,425,000 stock options of the Company granted for the period ended September 30, 2011 was estimated at \$1.06 per option (period ended September 30, 2010: 2,458,750 stock options at \$0.69 per option) at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	September 30, 2011	September 30, 2010
Dividend yield	0%	0%
Risk free interest rate	2.44%	3.05%
Expected life	5 years	5 years
Weighted average expected volatility on AIM	45%	66%
Weighted average exercise price	Cdn\$1.65	Cdn\$0.74

	September 30, 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 period	5,713,306	0.82	3,359,806	0.86
Options granted	2,435,000	1.65	2,698,750	0.80
Options forfeited	(173,218)	(0.95)	(6,250)	(0.96)
Options expired	(18,750)	(1.11)	(327,500)	(1.06)
Options exercised	(752,155)	(0.89)	(11,500)	(1.03)
End of the period	7,204,183	1.08	5,713,306	0.82

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

8 Equity (continued)

Information relating to stock options outstanding and vested at September 30, 2011 is as follows:

Expiry date	September 30, 2011		December 31, 2010	
	Exercise price per share Cdn\$	Number of stock options outstanding and vested	Exercise price per share Cdn\$	Number of stock options outstanding and vested
July 31, 2011	-	-	1.11	339,125
March 16, 2012	1.11	75,000	1.11	75,000
May 31, 2012	1.11	37,500	1.11	37,500
January 17, 2013	0.96	787,500	0.96	1,118,125
July 1, 2013	1.69	49,062	1.69	63,780
January 19, 2014	0.48	554,375	0.48	650,000
January 13, 2015	0.73	1,157,750	0.73	1,208,750
May 13, 2015	0.75	1,250,000	0.75	1,250,000
June 6, 2015	0.25	147,187	0.25	181,530
November 1, 2015	1.36	240,000	1.36	240,000
December 1, 2015	0.51	166,811	0.51	235,498
December 1, 2015	0.75	98,124	0.75	98,124
December 1, 2015	1.01	29,437	1.01	29,437
January 10, 2016	1.66	2,275,000	-	-
July 22, 2016	1.50	150,000	-	-
January 1, 2017	0.86	19,625	0.86	19,625
June 28, 2017	1.38	166,812	1.38	166,812
	1.08	7,204,183	0.82	5,713,306

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

9 Segment information

The Company is engaged in the acquisition, exploration and development of iron ore properties in the West African countries of Liberia and Cameroon. Information presented to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the geographical location of the exploration commodity. 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 period ended September 30, 2011:

	Cameroon	Liberia	Discontinued operations	Corporate and other	Consolidated
	\$	\$	\$	\$	\$
As at September 30, 2011					
Segment assets	21,678,806	19,306,798	-	22,180,466	63,166,070
Segment liabilities	(1,860,644)	-	-	(438,329)	(2,298,973)
For the 9 months ended September 30, 2011					
Loss for the period	(718,013)	(307,071)	(1,390,554)	(4,669,522)	(7,085,160)
Depreciation of property, plant and equipment	(396,639)	-	(46,041)	(35,313)	(477,993)
Capital additions:					
– property, plant and equipment	1,466,408	-	100,824	113,520	1,680,752
– intangible assets	12,196,196	-	2,233,305	-	14,429,501
For the 3 months ended September 30, 2011					
Loss for the period	(179,402)	(109,672)	-	(80,304)	(369,378)
Depreciation of property, plant and equipment	(163,091)	-	-	(18,978)	(182,069)
Capital additions:					
– property, plant and equipment	538,183	-	-	19,351	557,534
– intangible assets	6,008,565	-	-	-	6,008,565

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

9 Segment information (continued)

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the period ended September 30, 2010:

	Cameroon	Liberia	Discontinued operations	Corporate and other	Consolidated
	\$	\$	\$	\$	\$
As at September 30, 2010					
Segment assets	6,245,226	14,875,434	30,013,822	13,853,815	64,988,297
Segment liabilities	(483,208)	-	(465,473)	(4,758,314)	(5,706,996)
For the 9 months ended September 30, 2010					
Loss for the period	(528,594)	(51,966)	(2,179,224)	(3,486,188)	(6,245,972)
Depreciation of property, plant and equipment	(175,083)	-	(311,869)	(20,555)	(507,507)
Impairment of intangible assets	(62,314)	-	(2,504,604)	-	(2,566,918)
Capital additions					
– property, plant and equipment	377,945	-	397,810	58,044	833,799
– intangible assets	2,723,350	-	4,557,799	-	7,281,149
For the 3 months ended September 30, 2010					
Income/(Loss) for the period	274,799	(51,966)	(720,611)	(1,267,577)	(1,765,355)
Depreciation of property, plant and equipment	(71,365)	-	(27,473)	(7,599)	(106,437)
Impairment of intangible assets	(62,314)	-	-	-	(62,314)
Capital additions					
– property, plant and equipment	296,053	-	329,875	2,722	628,650
– intangible assets	1,395,027	-	1,321,130	-	2,716,157

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

10 Related party transactions

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

	3 months ended September 30, 2011 \$	3 months ended September 30, 2010 \$	9 months ended September 30, 2011 \$	9 months ended September 30, 2010 \$
Continuing operations				
Incurring management fees	154,387	50,681	460,129	251,395
Incurring directors fees	48,304	55,559	175,435	223,353
Management and office service fees to Aureus Mining	147,496	-	175,000	-
Consulting and service fees to Stellar	27,192	27,192	81,576	67,980
Consulting and service fees to SLIO	10,434	8,238	33,650	25,285
Discontinued operations				
Incurring professional fees and consultancy services with a director	-	-	78,311	-
Incurring professional fees and consultancy services with a director of Aureus Mining	-	-	29,167	-
Incurring geologist fee with a company related by a common director	12,399	-	2,935	23,947
Receipt of bridging loans from Stellar	-	-	-	400,000

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 from/(to) related parties which are included in trade and other payables are as follows:

	September 30, 2011 \$	December 31, 2010 \$
Aureus Mining	39,874	-
SLIO	29,463	(345,141)
	69,337	(345,141)

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

Amounts 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.

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

11 First-time adoption of IFRS

a) Reconciliation of Statement of Financial Position

A reconciliation between the Canadian generally accepted accounting principles ("CGAAP") and IFRS consolidated statement of financial position at January 1, 2010 (date of transition to IFRS), September 30, 2010 and December 31, 2010 is provided below.

	December 31, 2010			September 30, 2010			January 1, 2010		
	CGAAP	Adj (Note i, ii, iii)	IFRS	CGAAP	Adj (Note ii, iii)	IFRS	CGAAP	Adj (Note ii, iii)	IFRS
Assets									
Current assets									
Cash and cash equivalents	36,104,442	(14,441,776)	21,662,666	9,980,374	-	9,980,374	3,695,796	-	3,695,796
Trade and other receivables	488,010	3	488,013	4,642,444	-	4,642,444	4,414,215	-	4,414,215
Inventories	66,692	-	66,692	-	-	-	220,826	-	220,826
Assets held for distribution to owners	-	51,352,960	51,352,960	-	-	-	-	-	-
	36,659,144	36,911,187	73,570,331	14,622,818	-	14,622,818	8,330,837	-	8,330,837
Non-current assets									
Intangible assets									
- Resource properties	7,728,713	(5,842,437)	1,886,276	7,587,364	(237,195)	7,350,169	10,059,428	(177,205)	9,882,223
- Deferred exploration costs	30,492,105	(25,692,331)	4,799,774	26,744,823	(3,927)	26,740,896	22,378,268	-	22,378,268
Property, plant and equipment	1,662,821	(663,716)	999,105	1,429,535	(30,555)	1,398,980	11,499,181	(25,042)	11,474,139
Investment in associates	15,198,830	(5,117,752)	10,081,078	14,875,434	-	14,875,434	7,200,097	-	7,200,097
Total assets	91,741,613	(405,049)	91,336,564	65,259,974	(271,677)	64,988,297	59,467,811	(202,247)	59,265,564
Liabilities									
Current liabilities									
Trade and other payables	2,252,822	(515,193)	1,737,629	1,561,078	-	1,561,078	2,288,447	-	2,288,447
Convertible debentures	-	-	-	3,635,887	-	3,635,887	3,399,762	-	3,399,762
Interest payable on convertible debentures	-	-	-	-	-	-	120,924	-	120,924
Embedded derivative	-	-	-	-	-	-	125,388	-	125,388
Due to related parties	457,584	(112,443)	345,141	510,031	-	510,031	879,464	-	879,464
Liabilities held for distribution to owners	-	656,542	656,542	-	-	-	-	-	-
	2,710,406	28,906	2,739,312	5,706,996	-	5,706,996	6,813,985	-	6,813,985
Non-current liabilities									
Convertible debentures	-	-	-	-	-	-	396,078	-	396,078
Provisions	46,373	-	46,373	-	-	-	54,369	-	54,369
Total liabilities	2,756,779	28,906	2,785,685	5,706,996	-	5,706,996	7,264,432	-	7,264,432
Equity									
Share capital	104,366,164	-	104,366,164	67,549,267	-	67,549,267	50,637,085	-	50,637,085
Share based payment reserve	7,255,394	-	7,255,394	6,998,961	-	6,998,961	5,292,619	-	5,292,619
Warrant reserve	-	-	-	-	-	-	2,808	-	2,808
Convertible debentures	-	-	-	2,637,802	-	2,637,802	2,637,802	-	2,637,802
Cumulative translation reserve	-	(1,229,363)	(1,229,363)	-	(360,046)	(360,046)	-	-	-
Deficit	(22,614,969)	773,653	(21,841,316)	(17,611,297)	66,614	(17,544,683)	(11,386,831)	(224,002)	(11,610,833)
Accumulated other comprehensive loss	(21,755)	21,755	-	(21,755)	21,755	-	(21,755)	21,755	-
Non-controlling interest	-	-	-	-	-	-	5,041,651	-	5,041,651
Total equity	88,984,834	(433,955)	88,550,879	59,552,978	(271,677)	59,281,301	52,203,379	(202,247)	52,001,132
Total liabilities and equity	91,741,613	(405,049)	91,336,564	65,259,974	(271,677)	64,988,297	59,467,811	(202,247)	59,265,564

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

11 First-time adoption of IFRS (continued)

- i) As disclosed in Note 4, the Company transferred certain assets and liabilities to Aureus Mining on April 13, 2011 as part of the Arrangement. As the Company was committed to such a distribution prior to December 31, 2010 the provisions of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations have been applied. Canadian GAAP permits a specific exemption whereby assets to be disposed of by other than sale should be classified as held until disposed of.
- ii) Under Canadian GAAP, the functional currency of the Company's subsidiaries was determined to be the US dollar. Upon adoption of IFRS, the Company reassessed its functional currency for each entity in the group and determined that the functional currency for each entity was its local currency (see the subsequent reassessment on January 1, 2011, when the functional currency of Caminex SARL and Ridgeway Energy SARL changed from CFA to US dollars).
- iii) The Company took the election available under IFRS 1 to re-set cumulative translation adjustments to zero upon transition to IFRS hence the reclassification of the accumulated other comprehensive loss reserve to opening deficit.

b) Reconciliation of Total Comprehensive (Loss)/Income

A reconciliation between the Canadian GAAP and IFRS total comprehensive (loss)/income for the period ended September 30, 2010 and year ended December 31, 2010 is provided below.

	Note	Year ended December 31, 2010	Period ended September 30, 2010
Total Comprehensive loss under Canadian GAAP		(11,543,070)	(6,536,589)
Foreign exchange	i)	997,655	290,616
Currency translation adjustments	ii)	(1,229,363)	(360,046)
<u>Total Comprehensive loss under IFRS</u>		<u>(11,774,778)</u>	<u>(6,606,018)</u>

- i) Under Canadian GAAP, the functional currency of the Company's subsidiaries was determined to be the US dollar. Upon adoption of IFRS, the Company reassessed its functional currency for each entity in the group and determined that the functional currency for each entity was its local currency (see the subsequent reassessment on January 1, 2011, when the functional currency of Caminex SARL and Ridgeway Energy SARL changed from CFA to US dollars).
- ii) IFRS requires exchange differences arising on the translation of foreign subsidiaries into the presentation currency to be recorded in other comprehensive income.

Afferro Mining Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the period ended September 30, 2011

(stated in US dollars)

11 First-time adoption of IFRS (continued)

c) Reconciliation of Cash Flows

The transition to IFRS has resulted in presentation changes on interest on convertible debentures and interest income. Under IFRS, finance income and finance costs are accounted for as non-cash reconciling items under operating activities and interest paid and interest received are presented as financing and investing activity, respectively.

d) 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 the descriptions 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.