**AFRICAN AURA MINING INC.**

# Management's Discussion and Analysis
## For the three months ended March 31, 2010

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**Contents**

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The following discussion is management's assessment and analysis of the results and financial condition of African Aura Mining Inc. (the "Company" or "Aura" or "African Aura") based upon Canadian Generally Accepted Accounting Principles ("GAAP") and should be read in conjunction with the accompanying consolidated financial statements and related notes for the three months to March 31, 2010. The Company changed its name from Mano River Resources Inc. to African Aura Mining Inc. on October 13, 2009, the day it completed the acquisition of African Aura Resources Limited ("AAR"). This management discussion and analysis has been prepared based on information available to the Company as at May 24, 2010. Unless otherwise indicated all amounts are in US dollars.

Additional information relating to the Company is available on SEDAR at www.sedar.com or on the Company's website at www.african-aura.com.

### 1. OVERVIEW

#### (a) DESCRIPTION OF BUSINESS

African Aura is an exploration and development company with a prospective portfolio of gold, iron ore and diamond projects in West Africa. The Company's 38.5% interest in Putu is held through Severstal Liberia Iron Ore ("SLIO"). African Aura has subsidiaries in Liberia, Cameroon and Sierra Leone, which hold interests in mineral properties. African Aura's diamond interests are now held through a 30.4% equity interest in Stellar Diamonds plc ("Stellar"). Stellar was admitted to AIM in February 2010 following the successful reverse takeover ("RTO") of West African Diamonds ("WAD"). The Company has a loyal and strong workforce and supports the local communities in which it operates by: sourcing services and supplies, creating job opportunities and participating in social programmes. The Company is listed on the TSX Venture Exchange (TSX-V Ticker AUR) and the AIM Market ("AIM") of the London Stock Exchange (Ticker AAAM).

#### (b) COMPANY HISTORY

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

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

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

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

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

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

### (c) STRATEGY

The Company's strategy is to develop its assets into producing mines and to generate positive cash flow as early as possible and thereby deliver increased shareholder value. The Company looks to achieve this through both organic growth and corporate transactions such as the acquisition of AAR. The Company expects to continue to focus on West Africa where it has experience, strength and depth. From a commodity perspective, the Company's primary focus in the future will be on gold and iron ore. Realising the value of Aura's diamond division was achieved on February 22, 2010 when Stellar was admitted to AIM following the successful RTO of WAD.

#### Business Strengths

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

*A Strong Portfolio of Assets*

The Company has a strong portfolio of assets which include:

- The Company's 38.5% owned Putu iron ore project in Liberia which is being explored and operated by the Company's joint venture partner Severstal Resources ("Severstal") is moving towards the pre-feasibility stage. Putu has a NI 43-101 compliant inferred resource of 1.08 billion tonnes of iron ore at 37.6% iron from less than one quarter of the strike length of the 500-600 metre high ridge drilled to date;
- The 100% owned New Liberty Gold Mine project in Liberia which is presently the subject of a 10,000m confirmation drilling programme and has a measured and indicated resource of 1.384 million contained ounces (13.533 million tonnes of measured and indicated resources grading at 3.18 g/t gold – NI 43-101 compliant). A definitive feasibility study for an open pit and underground mine scenario is planned to commence in quarter three 2010;
- A promising portfolio of early stage iron ore and gold projects in Cameroon; and
- The Company's 30.4% equity interest in AIM listed Stellar Diamonds.

*Experienced Board*

The Directors have extensive experience of operating in Africa and taking projects through to development and production. On the Board there is a balanced representation of directors with operational, corporate and financial backgrounds. The Board is now extremely well placed to advance the Company towards becoming a producer.

*Strong Partnerships*

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

*Managed Risk*

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

*Technically Strong*

The Company has experienced exploration teams in the countries in which it operates with the flexibility to work across the region in areas where the geological setting is well understood. The Company employs up-to-date technological tools to better focus its exploration efforts, and has its own drilling equipment and trained drilling team.

### (d) ON-GOING PROJECTS

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

| Country | Project | Commodity | Status at March 31, 2010 | 2010 Plans | African Aura Ownership | Financial Statements |
|---|---|---|---|---|---|---|
| Liberia | Putu | Iron ore | MDA(1); camp development | MDA(1) ; drilling and metallurgical test work | 38.5% | Associate |
| Cameroon | Nkout | Iron ore | Planning next phase of exploration | Airborne survey completed and drilling planned | 100% | Subsidiary |
| Liberia | New Liberty | Gold | Drilling in 2010 | Definitive Feasibility Study to commence in quarter three | 100% | Subsidiary |
| Liberia | Weaju | Gold | Drill preparation | Drilling and a maiden resource statement | 100% | Subsidiary |
| Sierra Leone | Sonfon | Gold | Planning next drilling (2) | GSR plan an exploration programme | 49% | Subsidiary |
| Sierra Leone | Kono | Diamonds | Care & Maintenance(3) | Care & Maintenance | 30.4%(4) | Associate |
| Sierra Leone | Tongo | Diamonds | Care & Maintenance | Further exploration | 30.4%(4) | Associate |
| Guinea | Mandala | Diamonds | Full production(5) | Full production | 30.4%(4) | Associate |
| Guinea | Bomboko | Diamonds | Full production | Full production | 30.4%(4) | Associate |
| Guinea | Bouro | Diamonds | Care & Maintenance | Further exploration | 30.4%(4) | Associate |

(1) Mineral Development Agreement. See section 2(a) for further details.
(2) GSR has met the financial commitments to earn 51% of the project.
(3) Temporarily on care and maintenance until rough diamond prices improve.
(4) Held by Stellar in which African Aura has a 30.4% holding.
(5) Production started quarter two, 2009.

## 2. EXPLORATION PROJECTS

### (a) IRON ORE

### (i) Putu Iron Ore, Liberia

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

Putu is located in the centre of a 425 square kilometre exploration licence in Grand Gedeh County of eastern Liberia. The project consists of two prominent ridges, namely Mt. Jideh (with the Mt. Montroh extension) and Mt. Ghi. Mt Jideh is the priority target and has a strike length of approximately 12-13 km based on mapping, surface sampling and airborne magnetic data. In October 2008 the Government of Liberia granted the Company a two year extension to the Putu exploration licence, extending it to September 30, 2010. The Company is awaiting the issuance of a full 25 year MDA, which will set out the fiscal regime for the life of the licence.

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

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

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

During 2010 there has been progress in the following areas:

- Metallurgical testing is nearing completion at Amdel laboratories in Western Australia and a final report is expected at the end of May;
- Drilling contractors GTR (Russia) and OSD (Australia) have mobilised equipment to site for the 62,000 metre drilling programme. GTR has now commenced drilling and OSD will commence drilling in early June;
- Consultants have been engaged to complete the biodiversity, surface and groundwater baseline studies. Discussions are underway with other international consultants to cover the social and community aspects of the project;
- Construction of the exploration camp at Petrokon (Tiamah) Town continues and the fit-out of the accommodation blocks is nearly complete. Overflow accommodation for the drillers has also been completed and the drill core shed will be completed before the commencement of drilling; and
- The Government of Liberia's lawyers are working on finalising the draft MDA. The target is to submit an agreed draft MDA to the Legislature of Liberia for ratification by early July. The MDA will provide 25 year mineral tenure and, therefore, a sound legal and commercial basis for more intensive investment in the Putu project.

The Company's 38.5% interest in SLIO is recorded in the financial statements as an investment in associate whereas prior to the completion of the Severstal transaction on December 10, 2008 it was treated as an 80% owned subsidiary of the Company.

### (ii) Nkout, Ngoa and Akon Hills, Cameroon

African Aura has three principal early stage iron ore projects in Cameroon, namely Nkout, the adjacent Ngoa and the more distant Akon Hills. The Company considers that each of their dimensions represent potentially significant iron ore targets in their own right. In February 2010, African Aura signed a contract with New Resolution Geophysics of South Africa to undertake a 14,000 line km airborne geophysical survey (electromagnetic and gravity) on the Cameroon properties. The survey which commenced in February 2010 and completed in April and covers the Company's iron ore and gold licences, with lines typically being flown at 100m spacing. The results from the survey have been sent for analysis and interpretation, a process which will be completed in June.

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

Nkout is the most promising of the three early stage prospects. A ground magnetic survey was completed in quarter one, 2010 and initially confirms that this prospect has potential for drilling. Based on this survey and earlier work the Company is planning an initial 4,200m drilling programme. A drilling contract is ready for signature and a drilling rig has been mobilised and will arrive on site in June.

## (b) GOLD

### (i) New Liberty Gold Mine, Liberia

The key asset in the Gold division is the 100% owned New Liberty, a project situated some 90km north west of the capital city Monrovia, where the Company has a NI 43-101 compliant gold resource estimate of 1.38M contained ounces (13.533M tonnes of measured and indicated resources grading 3.18 g/t gold). The drilling programme which was completed in quarter two, 2008, brought the total number of holes drilled at New Liberty to 130, totalling 15,313m. The results received from the 2008 drilling programme confirm that there is potential to expand the current resource estimate through delineation of further resources at depth.

In September 2008 AMC Consultants (UK) Ltd. ("AMC"), undertook a conceptual mining study on the potential of New Liberty for an underground mining operation. AMC concluded that although there appeared to be good potential for underground exploitation, additional infill drilling work is required to depths of up to 300 metres to define the underground resource potential.

AMC was then mandated in July 2009 to incorporate the positive drilling results received in 2008 from below 200mts into a new geological model. This model has been used in developing the drill targets for the current 2010 drilling programme. The 2008 drilling (holes K115-K130) produced some of the best intersections achieved to date at New Liberty with two of the six holes drilled to the minus 200m level, K-115 and K-116 returning 23 metres grading 4.95 g/t gold (including 12 metres at 9.12g/t) and 31 metres grading 3.59 g/t gold (including 17 metres at 7.03 g/t) respectively.

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

The current 10,000 metre drilling campaign which started in October 2009 has now been completed. The Company considers that the results received to date from the current phase of drilling, which have confirmed the continuity of the mineralised zone significantly deeper than the lower limit of the present resource estimate of 300mts, including 4.94g/t gold over 10m in hole KGD136 from a depth of 379m and 4.42g/t gold over 8m in KGD133 at a depth of 447m, have the potential to expand the resource base further. The excellent high grade results coupled with the potential of further near surface ounces in a newly defined zone between the Larjor and Kinjor bodies, adds greater near-term, potential mining value. Results from the final holes are expected to be released in June. In addition to the 10,000 metre drilling programme, nine further holes are currently being drilled in the newly discovered zone.

The best drill intersect from New Liberty is currently 8.45 g/t gold over 37m from 55m depth and the deposit, which outcrops 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%.

AMC will be undertaking a scoping study which will be delivered in quarter three 2010 and will prepare an updated resource statement once all of the assay results have been received. A revised definitive feasibility study aiming for annual production of approximately 100,000 oz is expected to commence in quarter three 2010. The expectation is for a mix between an open pit and an underground operation.

### (ii) Weaju gold project, Liberia

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

### (iii) Other Gold Projects, Liberia

Silver Hills has already produced encouraging results in the past, and samples from a recent trenching programme are awaiting analysis. These results will be published as soon as they become available. At Gondoja, exploration is still at an early stage despite encouraging results from an earlier drilling programme. Artisanal miners are prevalent at Ndablama to the southwest of Gondoja, where local miners are extracting gold from the top soil. Limited soil and channel sampling at Ndablama has yielded positive results with channel samples assaying grades of 1.47 and 2.91 g/t over 3m respectively. North Bea is located approximately 45km east of New Liberty. The main prospect is Fula Camp, which has been trenched and drilled and shows drill results that include: 3.14 g/t over 12.45m, 5.37 g/t over 9.85m, 2.41 g/t over 21.35m and 4.27 g/t over 6.30m.

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

The Sonfon project is under joint venture with Golden Star Resources ("GSR"). GSR has met its expenditure commitments under the agreement and as a result its beneficial interest in the project has increased to 51%. The project is currently under review by GSR and the Company. From discussions with GSR management it would appear that further exploration work, including drilling, is required before a decision can be made on whether to undertake a feasibility study or not. A decision will be made by the parties on the future of the project during quarter two, 2010.

**(v) Cameroon Gold Projects**

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

**(c) DIAMONDS**

**Corporate**

The RTO of WAD was completed successfully and Stellar Diamonds plc was admitted to trading on the AIM Market, on February 22, 2010. In conjunction with the RTO, Stellar successfully raised £5 million to progress Mandala and Bomboko.

Stellar announced on May 4, 2010 that it had reached agreement with Petra Diamonds to acquire Petra's interest in the Kono kimberlite project. Stellar will issue Petra with 4,500,000 new ordinary Stellar shares (at a price of £0.20 per share) for a total consideration of £900,000, in return for Petra's interest in the Kono Project, held via joint venture company Basama Diamonds Limited. On completion Stellar's issued share capital will be 101,193,932 shares and Petra will become a 4.45% shareholder in Stellar. Petra has agreed (subject to certain exceptions) not to dispose of any of the Stellar shares for 12 months from the completion of the deal which was announced on May 24, 2010. Following the acquisition of Petra's interest, the Stellar group will own 100% of the project.

**Mandala diamond project, Guinea**

The Mandala alluvial diamond project is 100% owned by Stellar and comprises two alluvial mining concessions in the southeast of Guinea.

As part of the RTO process a new Competent Person's report was issued which independently assigned a diamond resource of 676,000 carats in the measured and indicated category, with a further 114,000 carats in the inferred category.

Since Mandala commenced production in April 2009 a total of 77,263 carats at a run of mine (diluted) average grade of 0.72 carats per cubic metre (39.8 carats per hundred tonnes ("cpht")) have been produced.

During February a 37 carat 'fancy' yellow stone was recovered, the largest diamond produced to date by Stellar at the Mandala mine. The diamond has been cut, partially polished, and exported to Antwerp for valuation and sale.

Between May 2009 and February 2010 some 60,800 carats have been sold from the Mandala mine, generating revenues in excess of $1.7 million for the Company, at an average price of $29 per carat. The latest sale of 6,000 carats in early March recorded an average price of $42 per carat (excluding the 37 carat fancy yellow diamond), indicative of an improving rough diamond market.

**Kono diamond project, Sierra Leone**

In January 2009, Stellar reached agreement with Petra Diamonds to assume management control of the Kono project for the duration of 2009. Due to weak prices in the rough diamond market, management made the decision in May 2009 to suspend operations at Kono and place the project under temporary care and maintenance until rough diamond prices recover. In line with the strategy to maintain Kono on care and maintenance it was decided to write down the value of the project by $7 million in quarter three, 2009. Prior to placing the project on care and maintenance Stellar sole-funded the project during 2009.

**Bomboko Diamond mine, Guinea**

Since the placing and re-admission, Stellar has allocated resources to further develop the 100% owned Bomboko diamond mine, located some 60km from the Mandala mine in southeast Guinea, with the objectives of increasing production levels and improving diamond recoveries.

The Bomboko project has produced 3,923 carats since trial mining commenced in quarter four 2009 at an average grade of over 4.42cpht. A total of 349 carats have been produced in May at an average grade of 5cpht and an average stone size of 0.41 ct/stone. The largest diamond recovered to date is a 16 carat gem quality stone.

Three diamond sales totalling 1,816 carats have been completed from Bomboko since July 2009, with prices progressively increasing from $114 per carat to $126 per carat, reflecting the improving diamond market. An export of over 1,000 carats is expected in late March. The Bomboko run of mine diamonds are comprised of a high percentage (typically above 55%) of gemstones with a high average diamond size (typically above 0.5/ct), which impacts positively on the diamond price.

The upgrading of the 70km road between Mandala and Bomboko continued and is expected to take a further month to complete. The previous 4 hour journey now takes 3 hours and when the road is completed this should be reduced to 2.5 hours.

**Other Diamond Projects**

Stellar is assessing the next exploration and development phase at its Tongo (Sierra Leone) and Droujba (Guinea) kimberlite diamond projects. These may include surface bulk sampling and drilling in order to define geological models and establish early-stage diamond grades and values. Previous mini-bulk sampling of Tongo yielded grades of approximately 100 carats per hundred tons (cpht) with high value diamonds ($189 per carat; November 2008 Government of Sierra Leone valuation) and there are reported grades of up to 200 cpht for the Droujba kimberlite pipe.

**Diamond production to increase**

Stellar is in the process of acquiring additional mining equipment in order to increase production at both the Mandala and Bomboko diamond mines, including the addition of a 16-foot pan plant and a flow sort X-Ray machine at Bomboko, which is expected to be installed during quarter two 2010. It is expected that these initiatives will lead to increased production and processing capacities, as well as enhancing security in the diamond recovery process. This should enable the Company to meet its near term forecasts of 2,000 carats and 12,500 carats per month from the Bomboko and Mandala mines respectively.

## 3. SUMMARY OF PERFORMANCE

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

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

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

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

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

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

| US Dollars | March 31, 2010 | December 31, 2009 | September 30, 2009 | June 30, 2009 |
|---|---|---|---|---|
| Net sales | 320,367 | 615,299 | 359,161 | 204,544 |
| Gross profit/(loss) | (440,639) | 370,368 | (1,010,834) | (894,205) |
| Interest income | 7,494 | - | 19 | 1,143 |
| Dilution gain/(loss) | - | 77,054 | (24,385) | (52,669) |
| Project impairment | - | 321,321 | 6,913,238 | 500,371 |
| Gain on disposal of assets | 2,913,773 | 3,076,366 | - | - |
| Income/(loss) attributable to the owners of the parent company | 811,413 | 582,892 | (4,787,763) | (2,923,267) |
| Basic and diluted income/(loss) per share | 0.015 | 0.028 | (0.121) | (0.074) |
| Total assets | 55,396,326 | 59,467,811 | 44,307,648 | 52,765,793 |
| US Dollars | March 31, 2009 | December 31, 2008 | September 30, 2008 | June 30, 2008 |
| Net sales/Gross profit | - | - | - | - |
| Interest income | - | 2,168 | 21,415 | 32,676 |
| Dilution gain | 1,514 | 5,327,344 | - | 442,840 |
| Project impairment | - | 6,089,258 | 5,161,333 | - |
| Gain on disposal of SLIO | 21,916 | 7,762,899 | - | - |
| Income/(loss) attributable to the owners of the parent company | (611,080) | 8,944,998 | (5,362,222) | (996,109) |
| Basic and diluted income/(loss) per share | (0.015) | 0.224 | (0.136) | (0.024) |
| Total assets | 53,661,289 | 54,749,687 | 47,082,223 | 51,393,067 |

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

**(c) RESULTS OF OPERATIONS**

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

**Review of three months ended March 31, 2010 (unaudited) compared to the three month period ended March 31, 2009 (unaudited).**

The income for quarter one, 2010 amounted to $811,413 which compares with a loss of $611,080 in the corresponding period last year. The main reason for the significant improvement over 2009 is the gain on the disposal of Stellar ($2,913,773) arising from the reverse takeover of WAD. There were a number of adverse variances which partly off-set this gain including:

(1) Gross loss on Mandala of $440,639. In the corresponding quarter last year there were no diamond sales as production only started in quarter two, 2009;
(2) Share in results of associates is up $296,405 higher than 2009; and
(3) Higher expenses in the quarter which at $1.9 million are $1.1 million above last year. The main increases came in stock based compensation (up $787,081); professional fees includes costs related to the Stellar RTO fees (up $227,907); and higher interest on convertible debentures.

(ii) **BALANCE SHEET, LIQUIDITY AND CAPITAL RESOURCES**

**Balance Sheet at March 31, 2010 versus December 31, 2009**

Total assets at $55.4 million are $4.1 million down on last year. Current assets are down $2.4 million mainly due to lower cash and cash equivalents. Non-current assets at $49.5 million are $1.4 million down on last year. The reduction in property, plant and equipment ("PPE") of $10.7 million is due to the disposal of Stellar. Deferred exploration fell by $0.2m to $22.2 million – increased exploration spend of $2.8 million, primarily at New Liberty Gold project ($2.1 million) was off-set by the disposal of the Stellar properties with a carrying value of $3 million. Investment in associates (Severstal Liberia Iron Ore and Stellar) increased by $9.5 million principally due to the disposal of Stellar.

Current liabilities reduced by $0.2 million to $6.6 million. The amount due to associates at March 31 is $0.8 million. The amount owing to joint venture partner refers to Petra Diamonds and was eliminated as part of the disposal of Stellar. Non-current liabilities reduced to zero (down $0.4 million) and relates to convertible debentures and asset retirement obligation which were part of the disposal of Stellar.

Shareholders' equity reduced by $3.4 million over 2009. The main movement was the elimination of the non-controlling interest in Stellar. The deficit reduced to $10.6 million.

**Cash Flow for the three months ended March 31, 2010**

The cash outflow for the quarter amounted to $2.2 million leaving cash at the end of March 2010 of $1.5 million. The cash outflow was $0.6 million lower than the corresponding quarter last year. The majority of the outflow was spent on investing activities, with $2.9 million spent on exploration activities. The net cash outflow as a result of the disposal of Stellar is $69,382.

**(d) OTHER INFORMATION**

**(i) Outstanding share data**

The Company is authorised to issue an unlimited number of common shares without par value. As at December 31, 2009 the common shares in issue were 52,884,456. This increased to 70,283,226 common shares in issue at May 24, 2010.

Details of the stock options of the Company which are outstanding and exercisable during the period are as follows:

| | **March 31, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price Cdn$** | Number of options | Weighted average exercise price Cdn$ |
| Beginning of the period | **3,359,806** | **1.42** | 2,255,000 | 1.68 |
| Options granted on acquisition of AAR | **-** | | 794,806 | 1.30 |
| Other options granted | **1,208,750** | **1.22** | 650,000 | 0.80 |
| Options expired | **-** | **-** | (340,000) | 1.92 |
| End of the period | **4,568,556** | **1.37** | 3,359,806 | 1.42 |

On January 8, 2010, the Company granted incentive stock options to certain directors and employees to purchase up to an aggregate of 1,208,750 common shares in the Company exercisable for a period of five years at a price of Cdn$1.22 per share.

The fair value of the stock options granted in the year was determined to be $846,481 using the Black-Scholes option pricing model with the following assumptions: no dividends, a weighted average volatility of the Company's share price of 69% (based on the weighted average volatility of the Company's share price on AIM), a weighted average annual risk free rate of 3.05% and an expected life of five years.

**(ii) Convertible debentures**

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

| | **March 31, 2010 $** | December 31, 2009 $ |
|---|---|---|
| Opening balance | **3,795,840** | 2,048,638 |
| Fair value accretion | **268,021** | 781,212 |
| Unrealised foreign currency exchange loss/(gain) | **(176,362)** | 205,309 |
| Net proceeds from issue of Stellar convertible loan notes | **-** | 727,773 |
| Conversion of Stellar convertible debentures to equity | **(274,991)** | - |
| Disposal of Stellar | **(485,690)** | - |
| Fair value accretion on Stellar convertible loan notes | **-** | 32,908 |
| Closing balance | **3,126,818** | 3,795,840 |
| | | |
| Included in current liabilities | **3,126,818** | 3,399,762 |
| Included in non-current liabilities | **-** | 396,078 |
| | **3,126,818** | 3,795,840 |

On September 27, 2007 the Company issued unsecured convertible debentures to raise £2.3 million ($4.6 million). The convertible debentures are repayable on August 1, 2010 and bear interest at 9% per annum. The principal amount is convertible by the holders into common shares of the Company (2,053,571 shares) at a conversion price of £1.12 per share at any time prior to maturity. If prior to the maturity date, the daily volume weighted average trading price of the Company's common shares on AIM, or such other stock exchange where the majority of the Company's trading volume occurs, is greater than £1.456 per share (or equivalent), for any period of 21 consecutive trading days, the Company shall have the right at its sole option to provide notice to the holder and thereafter the debentures will be automatically converted to common shares.

As the debentures are convertible into common shares at the option of the holder, they have been accounted for in their component parts. The fair value of the conversion option was determined to be $2,637,802 based on using the Black-Scholes option pricing model with the following assumptions: no dividends were paid, a weighted average volatility of the Company's share price in TSX-V of 172%, a weighted average annual risk free rate of 4.64% and an expected life of three years. The residual was allocated to the debt component and subsequently carried at amortised cost using the effective interest rate of 44.1% to accrete the liability to the value of the consideration received.

During the period ended March 31, 2010 the total interest expense charged to the consolidated statement of income/(loss) for the above convertible debentures is $374,110 (quarter one, 2009: $249,130) including the accretion of the loan to its future value. Interest has been paid up to February, 2010 and therefore an accrual of $49,040 is included at March 31, 2010 (December 2009: $49,040). Included in the consolidated statement of income/(loss) for the period ended March 31, 2010 is $176,362 as an unrealised foreign currency exchange rate gain (quarter one 2009: gain of $39,559), as the debentures are denominated in sterling.

### (iii) Off balance sheet arrangements

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

### (iv) Related party transactions

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

| | **March 31, 2010 $** | March 31, 2009 $ |
|---|---|---|
| Incurred management fees by directors | **126,156** | 122,201 |
| Incurred directors fees | **52,738** | 68,556 |
| | **178,894** | 190,757 |

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

The amounts due to related entities are as follows:

| | **March 31, 2010 $** | December 31, 2009 $ |
|---|---|---|
| Directors' companies | **-** | 9,499 |
| Various directors | **36,472** | 160,213 |
| | **36,472** | 169,712 |

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

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

**(v) Deemed disposal of Stellar Diamonds Limited**

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

On the same date, Stellar completed its reverse takeover of West African Diamonds plc ("WAD"). Simultaneously, WAD changed its name to Stellar Diamonds plc, raised £5 million new funds (the "Placing") and undertook a 5 for 1 share consolidation of the enlarged share capital of the group. Stellar Diamonds plc commenced trading on AIM on February 22, 2010. Consequently, African Aura's interest in Stellar Diamonds plc at March 31, 2010 was diluted to 31.8%.

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

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

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

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

### (v) Deemed disposal of Stellar Diamonds Limited (continued)

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

| | $ |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | 69,382 |
| Accounts receivable | 28,223 |
| Due from African Aura group companies | 248,090 |
| Inventories | 39,463 |
| | **385,158** |
| **Non-current assets** | |
| Property, plant and equipment | 10,388,492 |
| Deferred exploration costs | 2,975,998 |
| | 13,364,490 |
| **Total assets disposed** | **13,749,648** |
| **Current liabilities** | |
| Accounts payable and accrued liabilities | 510,341 |
| Interest payable on convertible debenture | 51,336 |
| Embedded derivative | 125,388 |
| Due to related parties | 20,970 |
| Due to joint venture partners | 689,688 |
| | **(1,397,723)** |
| **Non-current liabilities** | |
| Convertible debenture | 485,690 |
| Asset retirement obligation | 54,369 |
| | **(540,059)** |
| **Total liabilities derecognized** | **1,937,782** |
| **Minority interest derecognized** | **(5,254,445)** |
| **Net assets and non-controlling interest disposed** | **6,557,421** |
| **Total consideration** | **9,471,194** |
| **Net assets and non-controlling interest disposed** | **6,557,421** |
| **Gain on disposal of Stellar** | **2,913,773** |

### (vi) Property, Plant and Equipment

| | Mining assets $ | Machinery and equipment $ | Total $ |
|---|---|---|---|
| **Cost** | | | |
| At January 1, 2010 | 10,692,283 | 2,388,232 | 13,080,515 |
| Additions | - | 58,940 | 58,940 |
| Disposal of subsidiary | (10,692,283) | (1,423,221) | (12,115,504) |
| At March 31, 2010 | - | 1,023,951 | 1,023,951 |
| **Depreciation** | | | |
| At January 1, 2010 | 741,362 | 839,972 | 1,581,334 |
| Charge for the year | 246,145 | 91,234 | 337,379 |
| Disposal of subsidiary | (987,507) | (739,505) | (1,727,012) |
| At March 31, 2010 | - | 191,701 | 191,701 |
| **Net book value** | | | |
| At March 31, 2010 | **-** | **832,250** | **832,250** |
| At January 1, 2010 | **9,950,921** | **1,548,260** | **11,499,181** |

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

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

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

| | January 1, 2010 $ | Additions $ | Disposal of subsidiary $ | March 31, 2010 $ |
|---|---|---|---|---|
| **Deferred exploration costs:** | | | | |
| **Liberia** | | | | |
| Bea | 16,996,448 | 2,139,510 | - | 19,135,958 |
| Weaju | 757,598 | - | - | 757,598 |
| Gondoja | 34,348 | - | - | 34,348 |
| North Bea | 39,653 | 1,470 | - | 41,123 |
| Silver Hills | 3,009 | 6,869 | - | 9,878 |
| | 17,831,056 | 2,147,849 | - | 19,978,905 |
| **Cameroon** | | | | |
| Batouri | 330,158 | 49,178 | - | 379,336 |
| Ntem | 8,280 | 33,533 | - | 41,813 |
| Akonolinga | 906 | 3,900 | - | 4,806 |
| Djoum | 4,339 | 463,183 | - | 467,522 |
| Ekomedion | 24,322 | 52,217 | - | 76,539 |
| Rey Bouba | - | 1,123 | - | 1,123 |
| Tchollire | - | 6,482 | - | 6,482 |
| | 368,005 | 609,616 | - | 977,621 |
| **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) | - |
| | 3,823,647 | 7,303 | (2,629,516) | 1,201,434 |
| **Guinea** | | | | |
| Bouro | 180,995 | - | (180,995) | - |
| Druzhba and ex De Beers | 159,289 | - | (159,289) | - |
| Ouria | 15,276 | (9,078) | (6,198) | - |
| | 355,560 | (9,078) | (346,482) | - |
| | **22,378,268** | **2,755,690** | **(2,975,998)** | **22,157,960** |

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

| | Three months ended March 31, 2010 $ | Three months ended March 31, 2009 $ |
|---|---|---|
| **Deferred exploration costs** | | |
| Assays incl. shipment | **365,779** | 7,525 |
| Communications incl. equipment | **9,940** | 10,407 |
| Community relations | **62,532** | 38,405 |
| Consultants and professional fees | **68,908** | 27,678 |
| Data, images, reports and maps | **-** | 3,400 |
| Drilling | **1,367,544** | 6,676 |
| Infrastructure incl. roads and bridges | **76,707** | 116,541 |
| Licenses and permit fees | **24,803** | (3,956) |
| Project/field office costs incl. field equipment | **270,136** | 99,002 |
| Salaries and wages | **362,997** | 427,108 |
| Subsistence | **47,844** | 7,241 |
| Transportation incl. vehicles | **91,198** | 294,919 |
| Kono (Petra) joint venture | **7,302** | 700,607 |
| Net expenditure during the year | **2,755,690** | 1,735,553 |
| Impairment during the period | **-** | (21,916) |
| Disposal of Stellar Diamonds | **(2,975,998)** | - |
| Balance, Beginning of the period | **22,378,268** | 27,316,442 |
| **Balance, End of the period** | **22,157,960** | 29,030,079 |

### (viii) Impairment

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

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

Where estimates of future cash flows are not available and where other factors suggest impairment, management assesses if the carrying value is recoverable and records an impairment if so indicated. The impairment review undertaken by management during quarter one, 2010 did not identify any projects for impairment.

### (ix) Going Concern

The Company has prepared its consolidated financial statements on a going concern basis which assumes that the Company will be able to realise assets and discharge liabilities in the normal course of business over the next 12 months. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional finance in the future. If the Company cannot obtain additional finance in the future it may be forced to realise its assets at amounts significantly lower than the current carrying value. At March 31, 2010 the Company had cash and cash equivalents of $1.5 million in hand. In order to progress its key projects and to have sufficient funds to finance general overhead costs the Company completed on April 20, 2010 a private stock placement raising $17.5 million (£11.3 million), principally to fund New Liberty Gold deposit in Liberia, the Nkout iron ore project in Cameroon and the Weaju gold project in Liberia. No funds were raised for Putu Iron Ore Project as arrangements are in place to finance Putu towards a pre-feasibility study.

### (x) International Financial Reporting Standards (IFRS)

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

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

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

### (xi) Investment in associates

The movement in the Company's investment in Severstal Liberia Iron Ore Ltd. (SLIO) and Stellar Diamonds plc during the period is detailed below:

| | $ |
|---|---|
| At January 1, 2010 | 7,200,097 |
| Deemed disposal of Stellar | 9,471,914 |
| Share in result of associates | (210,205) |
| At March 31, 2010 | 16,461,086 |

The Group's share in the result of the associate is recorded in the consolidated statement of income/(loss).

At March 31, 2010, the Company holds 38.5% of SLIO and 31.8% of Stellar Diamonds PLC.

### (xii) Subsequent Events

#### (1) Private Placing

On April 20, 2010, the Company announced that it has conducted a private placing to raise gross proceeds of approximately £11.3 million (US$17.5 million) consisting of 17,398,770 new common shares of no par value in the capital of the Company ('the Placing Shares') at 65 pence per share (CAD$1.012) ('the Placing Price') ('the Placing').

**Highlights**

- Under the Placing the Company intends to issue the new common shares to certain institutional and other investors and certain Directors of the Company.
- Participations by Directors of the Company in the Placing total over £450,000
- Net proceeds of the Placing are anticipated to fund the Company's projects detailed below for at least 14 months and are intended to be applied as follows:
  - for completion of a Bankable Feasibility Study on the New Liberty gold deposit in Liberia (estimated cost approximately $9.0 million);
  - to deliver a maiden resource statement for the Nkout iron ore project in Cameroon (estimated cost approximately $3.8 million);
  - to deliver a NI 43-101 resource statement for the Weaju deposit in Liberia (estimated cost approximately $1.1 million); and
  - the remaining net proceeds to fund the Company's working capital requirements.
- No funds being raised in this Placing to be applied to Putu Iron Ore Project in Liberia, which is currently fully funded under the joint venture agreement with Severstal Resources.
- The Placing Price represents a discount of 3.7 per cent. to the closing middle market price of 67.5 pence per common share on AIM on April 19, 2010 (the last trading day prior to the issue of this announcement).
- The Placing Shares will represent approximately 24.8 percent of the Company's enlarged issued share capital immediately following admission.

**Directors' Shareholdings**

The Company has been notified that, conditional on admission, 702,650 common shares in aggregate will be placed at the Placing Price with the following Directors:

| Director | Number of common shares taken up under the Placing | Value of common shares taken up under the Placing | Total number of common shares held following the Placing | Percentage of enlarged issued share capital |
|---|---|---|---|---|
| David Netherway | 19,000 | £12,350.00 | 84,594 | 0.12% |
| Luis da Silva | 45,650 | £29,672.50 | 58,159 | 0.08% |
| Guy Pas | 538,000 | £349,700.00 | 5,597,226 | 7.96% |
| David Evans | 23,000 | £14,950.00 | 245,500 | 0.35% |
| Steven Poulton | 77,000 | £50,050.00 | 1,234,102 | 1.74% |
| **Total** | **702,650** | **£456,722.50** | **7,219,581** | **10.27%** |

Following admission, the total issued share capital of the Company will be 70,283,226 common shares, all of which have voting rights.

**(2) Option Award**

On May 13, 2010 the Board of African Aura announced that, pursuant to its Stock Option Plan, it has granted incentive stock options to the directors and certain employees of the Company. The share options have been granted over a total of 1,250,000 common shares of no par value ("Common Shares"), representing approximately 1.49% of the issued share capital of the Company at an exercise price of Cdn$1.25 per share, being equal to the closing price of the Common Shares on the TSX-V on May 12, 2010 (being the latest practical date prior to the grant of the options), exercisable immediately and for a period of five years from May 13, 2010.

The allocation of options to directors is as follows:

| | | New Options issued | Total Options held |
|---|---|---|---|
| David Netherway | Chairman | 200,000 | 755,123 |
| Luis da Silva | President & CEO | 200,000 | 757,500 |
| Steven Poulton | Director | 200,000 | 557,938 |
| Guy Pas | Director | 150,000 | 618,750 |
| David Evans | Director | 150,000 | 612,500 |
| Boris Granovsky | Director | 150,000 | 150,000 |

These options were issued for nil consideration.

## 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[1]

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

## 6. RISKS AND UNCERTAINTIES

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

[1] Deloitte Tracking the trends 2010

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

***(a) Current global financial conditions***

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

***(b) Exploration and production may not prove successful***

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

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

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

***(d) Licences are subject to renewal***

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

***(e) Title to mineral properties***

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

***(f) Competition for access to land, resources and personnel***

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

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

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

***h) Mineral resource estimates***

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

***i) Mining activities are subject to environmental risks and regulations***

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

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

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

***k) Market price of common shares***

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

***l) Operations in foreign jurisdictions***

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

***m) Exchange rate fluctuations***

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

***n) Ability to raise external finance***

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

***o) Mining is inherently dangerous***

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

***p) Non-controlled assets***

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

***q) Commodity Prices***

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

## 7. MANAGEMENTS RESPONSIBILITY FOR FINANCIAL REPORTING AND CONTROLS

The consolidated financial statements of the Company for the three months ended March 31, 2010 have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and have been approved by the Company's Audit Committee and Board of Directors.

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

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

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

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

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

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

## 8. OUTLOOK

The outlook for the Company is very promising despite the difficult trading conditions in the financial markets. The Company is now well positioned in its chosen commodities, gold and iron ore to pursue strategies that will maximise the value of the Company.

The Putu iron ore project in which the Company has a 38.5% interest made excellent progress in 2009 and the early part of 2010. The drilling for a pre-feasibility study is commencing now and the study will complete in 2012. The definitive feasibility study is then expected to be completed 18 months thereafter. The Nkout Iron ore project in the Cameroon is an exciting prospect and the Company has plans to commence a resource drilling programme during quarter two, 2010. There is currently no value attributed to the Cameroon iron ore assets in the Company's market capitalisation.

The gold strategy is based around progressing New Liberty towards a definitive feasibility study during the first half of 2011. Additional targets within the same licence area are being reviewed in order to provide further near surface ounces. Of particular note are Silver Hills, Weaju, Gondoja and Ndablama, all located within 15-30 kilometres of New Liberty. These near surface target ounces will allow for truckable ore to be transported to New Liberty.

The key priorities for the Company for 2010 are summarised below:

(a) Finalisation of the 25 year MDA for Putu;
(b) 62,000m resource drilling programme at Putu starting in the first half of 2010 with metallurgical test results due in the middle of the year;
(c) Commencement of a 4,000m resource definition drilling programme at satellite prospects near New Liberty;
(d) Interpretation of the airborne survey over the Nkout Iron Ore prospect in the Cameroon leading to a drilling programme to define a maiden resource;
(e) Update the resource at New Liberty and deliver a scoping study to evaluate the different mining scenarios and the investment case; and
(f) Based on a successful scoping study, progress New Liberty towards a definitive feasibility study encompassing an environmental assessment, metallurgical test work, mine planning and design, plant and infrastructure and a full economic evaluation.

On Behalf of the Board,
AFRICAN AURA MINING INC.

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