

AFRICAN QUEEN MINES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Nine Months Ended June 30, 2010
(Expressed in Canadian Dollars, unless otherwise stated)

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1.1 DATE

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the consolidated financial statements of African Queen Mines Ltd. (“the Company”) for the year ended September 30, 2009.

This MD&A is prepared as of August 30, 2010. All dollar figures stated herein are expressed in Canadian dollars.

1.2 OVERVIEW

1.2.1 FORWARD LOOKING STATEMENTS

Certain statements contained in the report constitute forward-looking statements. When used in this document the words “anticipate”, “believe”, “estimate”, “expect”, “plan”, “future”, “intend”, “may”, “will”, “should”, “predicts”, “potential”, “continue”, and similar expressions, as they relate to African Queen Mines Ltd. or its management, are intended to identify forward-looking statements. Such statements reflect current views of African Queen Mines Ltd. with respect to future events and are subject to certain known and unknown risks, uncertainties and assumptions. These statements should not be relied upon. Many factors could cause the actual results, performance or achievements to be materially different for many future results, performance or achievements that may be expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. African Queen Mines Ltd. does not intend, and does not assume any obligation to update these forward looking statements.

1.2.2 DESCRIPTION OF BUSINESS

African Queen Mines Ltd. (“the Company”) was incorporated on April 30, 2008 and was a wholly-owned subsidiary of Pan African Mining Corp (“Pan African”). The Company was initially formed solely for the purpose of entering into an Arrangement Agreement (“the Arrangement”) and completing the Arrangement. The Company commenced operations, on June 27, 2008. Additional information regarding the Arrangement can be found in Note 7 of the consolidated financial statements of the Company for the year ended September 30, 2009.

The Company is a mineral exploration company focused on the acquisition, exploration, and development of minerals resources in areas of southern Africa deemed to have relatively high potential for mining success and relatively low political risk. Activities to date have focused mainly on the Company’s mineral properties in Namibia and Botswana. In addition, the Company is exploring three regions for gold and metals in Mozambique under agreements with other companies, and also exploring for gold in Ghana and Kenya under agreements with other companies. The Company intends to engage in these business activities on a long-term basis.

The Company has five subsidiaries; 100% owned subsidiary, PAM Botswana (Pty) Ltd., 100% owned subsidiary, PAM Minerals Namibia (Pty) Ltd., 99% owned subsidiary PAM Mocambique Limitada, 100% owned AQ Ghana Gold Limited and 100% owned subsidiary AQ Kenya Gold Limited.

The Company has offices in Vancouver, Canada. The Company is a “reporting issuer” under applicable securities legislation in British Columbia, Alberta and Ontario, and trades on the TSX Venture Exchange under the symbol AQ and on the Frankfurt Stock Exchange under the symbol QMO.

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1.3 PROPERTIES / CLAIMS AND EXPLORATION PROGRAMS

The initial thrust of the Company's exploration activities is in Mozambique, Namibia, Botswana, Ghana and Kenya on the following properties.

1.3.1 Mozambique

On June 27, 2008 Pan African transferred its ownership in PAM Mocambique Limitada., a 100% owned subsidiary to the Company.

1.3.1.a. – Manica Minerals – Fingoe Project

Pan African entered into a Joint Venture Agreement dated August 9, 2006, with Manica for exploration, development and exploitation of a prospective gold project in Mozambique presently under license to Manica in the North-West of Mozambique. Under terms of that agreement, Pan African has the right to earn up to an 85% interest in the project in stages, by funding through to pre-feasibility. On June 27, 2008, Pan African assigned all its rights and its obligations in the Manica Minerals – Fingoe Project to the Company. The Company met its US\$150,000 expenditure commitment to secure its continued participation in the joint venture for the initial two years and as of August 8, 2008, it had earned a 51% interest in the project. The Company had the option to earn a further 24% in the project by spending US \$600,000 over three years to bring its interest to 75%. In the event Manica declines to fund from this point, the Company may earn a further 10% by continuing to fund exclusively through to the completion of a pre-feasibility, to bring its interest to 85%. After the Company earns an 85% interest, Manica may elect to continue funding with the Company pro-rata. In the event Manica declines to fund from this point, Manica's interest will dilute to a 1.5% NSR. The Government of Mozambique retains a 3% gross royalty on production.

The Fingoe project was a grass roots exploration project with good potential for the discovery of mesothermal vein gold, distal skarn Au and IOCG deposits. It was originally comprised of four Prospecting Licenses granted by the Ministry of Mineral Resources and Energy to Manica covering approximately 450 sq.km. The project area was accessed from the major town of Tete by tar road (approximately 160 km) followed by gravel road (approximately 170 km) and jeep track (approximately 50 km). Tete has a good international airport with regular flights from Maputo, the capital of Mozambique. The project area is characterized by moderate relief with a medium density drainage network that flows into Lake Caborra Bassa, approximately 30 km to the south. The project area is vegetated by Miombo woodland. The climate of the project area is characterized by two distinct seasons, namely a wet season from November to March and a dry season from April to October. The project was workable through most of the year with heavy rains impeding access routes during the wetter months.

Over the past three years, the focus of the Fingoe project was methodical stream sampling of the region with follow-up of gold and base metals anomalies by field geologists who conducted further reconnaissance soil sampling, mapping, rock sampling and trenching. The program was very effective in identifying several priority sources of anomalous gold within the region. Due to the potential nugget effect of coarse gold, additional follow-up samples were collected 100m upstream and downstream from the original positive samples. Where a coincidence of gold in all three samples was found to exist the target was given priority with respect to its rating and importance.

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A number of significant gold in soil anomalies were delineated as a result of the sampling program, with sampled grids showing highly anomalous values in some cases >200 ppb. One such anomalous gold target within the region covers an area of approximately 10 km x 10 km.

On May 25, 2009 the Company announced that follow-up field work was underway on multiple targets at its Fingoe Gold Project in Mozambique's Fingoe Belt in Tete Province, including targets on the prospecting licenses held under the agreement with Manica and prospecting licenses held under an agreement with Africa Eagle Resources plc (see 1.3.1 c). Geochemical data from all the soil grid target areas has now been received and reviewed, with some very encouraging results over a number of the areas identified. Pitting, trenching, detailed mapping and rock sampling over the following targets, with a view to identifying drill-ready targets before the end of 2009, was planned for the initial part of the field season:

1. The Aliyele project area was found to host a large east-west trending structure separating late stage granites from intensely deformed argillaceous and volcanoclastic metasediments. A number of rock and soil sample anomalies were reported along this structure. Co-incident copper and gold values were identified and the planned work in this area focused upon reconnaissance mapping and rock sampling of outcrop.
2. The Ashwa project area was further soil sampled and trenched as the previously identified gold-in-soil sample anomalies were located on a single, discreet follow-up grid facilitating further evaluation.
3. Grid soil sampling in the Tambika project area revealed two areas of anomalous gold in soil and these were followed up with detailed mapping and trenching.
4. The Tsimbi project area is located to the east of the Ashwa area. A number of gold anomalies were identified from the previous stream sampling surveys and were followed through the sampling of three detailed soil sample grids. At the end of 2008 a new access track was constructed in this area which sped up field work considerably.

The Company's exploration activities on the Fingoe Gold Project were under the guidance of Senior Consulting Geologist Pete Siegfried, P.Geol., a qualified person. Field studies were carried out on behalf of the Company by Remote Exploration Services of Cape Town, South Africa.

On June 18, 2009 the Company abandoned license 956L, in order to concentrate its efforts on the exploration of the other three licenses under Joint Venture Agreement with Manica associated with the Fingoe project.

On March 3, 2010 the Company abandoned the remaining three licenses, 957L, 958L and 959L, to concentrate its exploration activities on its highest priority gold targets in other areas. Accordingly, the Company has now relinquished all rights with respect to the licenses related to the Fingoe project held under Joint Venture Agreement with Manica. The Company transferred expenditures in the amount of \$1,120,269 incurred on the Manica Minerals – Fingoe Project and added them to the expenditures incurred on the King Solomon Project (see 1.3.1.c) for which the permits sit adjacent to those that were held under the Manica Minerals – Fingoe Project.

1.3.1.b. – African Eagle Properties

Pan African entered into an agreement dated April 10, 2007 with U.K.-based African Eagle Resources plc ("African Eagle") (AIM: AFE) for exploration, development and exploitation of five

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Prospecting Licenses controlled by African Eagle's wholly-owned subsidiary, Twigg Exploration and Mining Limitada, in the greater Fingoe region situated in Tete Province in the northwest of Mozambique. On June 27, 2008, Pan African assigned all its rights and its obligations in the African Eagle Properties to the Company. Under terms of the agreement, the Company earned the right to acquire African Eagle's Fingoe licenses by funding and carrying out a regional exploration program on the licenses during the preceding dry season. In consideration for the assignment of said licenses, the Company agreed to assume responsibility for all license costs commencing as of the agreement date, and to expend not less than US\$50,000 on a regional reconnaissance exploration programme during the initial twelve month period. The Company met its initial US\$50,000 expenditure commitment and paid the requisite license fees. It is anticipated that the licenses will be assigned to PAM Mocambique Limitada, the Company's operating subsidiary in Mozambique, in the near future. In the event that the Company undertakes a mining operation on the licenses, African Eagle will receive a standard and customary 2% NSR with respect to all future mineral production from the license area. The Company has the right, at any time and at its sole discretion, to repurchase a 1% NSR from African Eagle for US\$2,000,000 cash. The remaining 1% NSR shall not be subject to a repurchase right except by mutual agreement. The Government of Mozambique retains a 3% gross royalty on production.

The licenses comprise approximately 909 square km in aggregate and are located in close proximity to Pan African's other Fingoe area holdings under its joint venture with Manica. The project is a grassroots gold exploration prospect.

The project area is accessed from the major town of Tete by tar road (approximately 160 km) followed by gravel road (approximately 100 km) and jeep track (approximately 30 km). Tete has a good domestic airport with regular flights from Maputo, the capital of Mozambique. The project area is characterized by moderate relief with a medium density drainage network that flows into Lake Caborra Bassa and the Zambezi River, approximately 50 km to the south. The project area is vegetated by Miombo woodland. The climate is characterized by two distinct seasons, namely a wet season from November to March and a dry season from April to October. The project is workable through most of the year with heavy rains impeding access routes during the wetter months.

On February 9, 2009 the Company decided to abandon four of the five licenses held under the agreement with African Eagle due to the results of the exploration program. The remaining license comprising approximately 150 square kilometres is presently under a new application by PAM Mocambique Limitada.

1.3.1.c. – Optimetal Project

On July 10, 2009 the Company entered into an Earn-in and Joint Venture Agreement with Swiss-based Opti Metal Trading Limited ("Optimetal"), covering exploration, development and exploitation of Prospecting License No. 884L held by Optimetal's Mozambique subsidiary (the "License"). The License covers an area of approximately 230 sq.km. in the center of the Fingoe Belt, now called the "King Solomon Project," adjacent to permits which are the subject of an existing earn-in and joint venture Agreement between the Company and African Eagle Resources plc (AIM: AFE) (see 1.3.1 c), covering an aggregate of 380 sq.km.

Under the terms of the Agreement, the Company may earn up to an 85% interest in the License and related Project by funding prescribed stages from exploration through feasibility. Optimetal has the right to participate at its election pro-rata after the Company has reached 51% ownership interest. The Company is designated as manager and operator of the Project. Phase 1 of the Project is a ground exploration program comprised of soil and rock sampling, mapping, trenching

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and sample analysis, together with additional studies including ground geophysics as the parties shall agree. The objective of Phase 1 is to assess the overall geologic structure of the License area and the likelihood of commercially viable hard-rock gold deposits within the License area, as well as to identify discreet drill targets for a Phase 2 reconnaissance core drilling program. The costs for Phase 1, estimated at up to U.S. \$300,000, are being shared equally by the parties. By paying its 50% share of said Phase 1 costs, the Company will earn a 25% interest in the Project. The Company has fulfilled its obligation to fund its 50% share of said Phase 1 costs and accordingly has now earned a 25% interest in the Project. On November 24, 2009 the Company elected to proceed with the Phase 2 program.

Over the past three years, the Company and its predecessor, Pan African Mining Corp., have been exploring a number of gold targets in Tete Province, Mozambique, under the joint ventures previously noted. Exploration has been focused on the bimodal suite of volcanic and volcanoclastic lithologies, metasediments and late stage granites of the Mesoproterozoic age Fingoe Group. During this time, the Company's understanding of the regional geological controls and setting has advanced significantly, with the result that the License constituting the King Solomon Project, while outside the immediate area of investigation, was identified as being highly prospective for potential gold mineralisation. Accordingly, the Company has now entered into the Agreement with a view toward including the License within the overall Fingoe Regional Project area under study and evaluation.

A number of historical gold and copper showings are recorded within the License for the King Solomon Project, some of which have been mined in the past. Many of these showings are observed in the field to be associated with magnetite and malachite. These magnetite showings formed the focus of previous investigations during Portuguese colonial times. Although very little documented data is available, it appears that iron ore as well as gold and copper were targeted by these explorers. Mention of the Messeca iron ore deposit is made by various authors and is located within the License Area.

A review of the geology which underlies the License Area shows a predominance of carbonate lithologies. These rocks are regarded to be important in the genesis of potential gold deposits within this geological setting due to their reactive nature. Plotting of the documented historical showings reveals a clear association at the contact of these carbonate units with both intrusive granitic and intrusive gabbroic rocks. A number of skarn reaction zones are noted in the area and therefore the association of gold with these alteration rock types is strongly suggested. In one area extensive zones of grossular garnet as well as tremolite and magnetite are present over 2 km of strike and it is anticipated that other similar alteration zones exist in the area.

On September 17, 2009 the Company announced that assay results have now been received from Acme Analytical Laboratories Ltd. (Vancouver) for the initial 23 grab rock samples collected as part of the Phase 1 exploration program on its King Solomon Project on the Fingoe Belt in western Tete Province, Mozambique. Of the 23 samples collected, 6 reported gold values > 3 g/t Au, 6 reported copper values > 3 % Cu, and 3 reported silver values > 50 ppm Ag, with associated bismuth mineralization present in nearly all samples. The highest values obtained from any single sample were: 11.87 g/t Au, 3.67 % Cu, 56.3 ppm Ag, with 6.8 ppm Bi. The samples were collected from disparate outcroppings over a strike extent of approximately 10 km and are believed to represent fairly typical examples of the mineralization exposed. The gold values from the samples together with the exceptional values of associated copper, silver and bismuth mineralization indicate the potential for a sizable regional mineralizing system in the form of a polymetallic skarn-gold association. Additional detailed trench and soil sampling is presently being completed over a number of identified targets and will be analysed and reported as soon as available.

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The Phase 1 exploration effort has been focused on the rock and soil sampling of a number of already defined target areas, as well as detailed mapping and trench sampling. The four target prospects identified within the license area are as follows:

Mankombiti Target: This is a malachite-bearing magnetite skarn developed on the contact of a calcite marble and granodioritic intrusive. Some of the copper values are highly significant (> 20% Cu). The recognition of the association of magnetite with the mineralisation led to the planning of a number of ground magnetic surveys over the various targets. At Mankombiti two parallel skarn zones have been mapped for about 2 km. and have been traced magnetically for over 5 km of strike. The zone appears to have a consistent 65° dip to the north and is offset by occasional east northeast trending faults. Further rock and trench samples have been collected from this area and are awaiting assay.

Ashwa North Target: This prospect was initially discovered from the air and appears as an open collapsed pit. It is presumed to represent a historic mine from the Portuguese or even earlier Arab times. Extensive collapse of the side walls masks any outcrop but the grab samples collected indicate gold to be present. At present the prospect is being trenched to source any outcropping or *in-situ* material.

Eiland Prospect: The highest gold (32 g/t) as well as significant copper values (19 % Cu) were located in this area. Mapping indicates that a malachite and tremolite-bearing, magnetite ironstone occurs at the contact of a gabbro intrusive and calcite limestones. It is intensely folded and much of the tremolite mineralisation may in fact be due to metasomatism. This contact zone can be mapped for over 800 meters and presently a number of 20 m trenches are being excavated along the gabbro-carbonate contact zone.

Kazito Prospect: This target is a continuation of the Makombiti contact zone towards the northeast. Historic mining is evidenced by the removal of all soil material from the karstified dip slope of the overlying marbles. The samples collected are from carbonate and gossanous veins near the contact with underlying granite. Of note is the recent identification of a gold bearing, late stage shear zone. Sample results are pending but rock samples were crushed and panned in camp to estimate gold grade. This mineralisation is associated with malachite and gossanous material.

The recognition of a large exoskarn setting exceeding 20 km in extent for this mineralisation is of fundamental importance for the potential for further discoveries within the area. The common and widespread occurrence of mineralisation at the contact of intrusive granite and gabbro bodies with limestones suggests the possibility of continuity at depth.

GRAB SAMPLE RESULTS FROM KING SOLOMON PROJECT, MOZAMBIQUE

SAMPLE	LOCALITY	Au (g/t)	Cu (%)	Ag (ppm)	Bi (ppm)
11-3-08L	Pedro	0.38	13.27	74	213.7
11-3-10L	Kazito	6.28	0.95	10	>2000.0
11-3-16L	Kazito	3.62	0.01	411	13.5
11-3-17L	Mankombiti	0.05	0.05	1.3	14.4
11-3-18L	Mankombiti	0.92	4.38	1.7	304.5
11-3-19L	Mankombiti	1.03	0.74	2.5	335.4
11-3-20L	Mankombiti	1.71	0.84	2.1	647.4
11-3-21L	Mankombiti	0.71	20.79	264	1389.5

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SAMPLE	LOCALITY	Au (g/t)	Cu (%)	Ag (ppm)	Bi (ppm)
11-3-22L	Mankombiti	0.05	0.65	8.8	57
11-3-23L	Mankombiti	0.12	0.05	0.4	5.1
11-3-24L	Ashwa North	0.41	0.05	2.9	652.5
11-3-25L	Ashwa North	0.00	0.97	0.4	2.9
11-3-29L	Eiland	<0.01	0.05	0.2	1.4
11-3-30L	Eiland	1.92	0.03	0.3	3.5
11-3-31L	Eiland	11.87	3.67	56.3	6.8
11-3-32L	Eiland	0.80	0.33	1.2	9.2
11-3-33L	Eiland	0.04	0.01	0.2	0.6
11-3-34L	Eiland	<0.01	0.01	<0.1	0.2
11-3-35F	Eiland	<0.01	19.6	<0.1	0.3
11-3-05L	Eiland	3.57	0.11	2.1	33
11-3-06L	Eiland	14.38	0.09	1.7	16.8
11-3-07L	Eiland	8.95	4.97	29.9	1965.7
11-3-29L	Eiland	<0.01	0.05	0.2	1.4

Note: This table includes the results of all 23 samples assayed by Acme Analytical Laboratories Ltd. (Vancouver).

The sample results presented indicate that polymetallic mineralisation should be expected along trend including anomalous Au, Zn, Ag, Cu, Pb, and importantly Bi. Bismuth is recognized as an important gold pathfinder and is a commonly associated element with skarn gold systems. The bismuth values recorded are noted to be a factor of 3 or 4 times global abundance. Exceptional silver values were obtained from three of the grab samples.

On October 14, 2009, the Company announced that assay results have now been received from Scientific Services Laboratories (South Africa) for a further 62 grab rock samples collected as part of the Phase 1 exploration program on its King Solomon Project on the Fingoe Belt in western Tete Province, Mozambique. Of the latest 62 samples collected, 11 reported gold values > 3 g/t Au, 5 reported copper values > 10 % Cu, and 4 reported silver values > 200 ppm Ag. Zinc was present in many of the samples, ranging nearly 40% Zn in the case of one sample. The highest values obtained from any single samples were No. 055L: 11.20 g/t Au, 23.3% Cu and 256.0 ppm Ag; and No. 038L: 12.75 g/t Au, 4.55 % Cu and 255.5 ppm Ag. These samples were collected from outcroppings from the Kazito and Makombiti prospects within the 10 km anomalous mineralized zone and are believed to represent fairly typical examples of the mineralization exposed.

The results of these 62 samples are consistent with and in some respects more robust than the results previously reported, for the 23 samples taken along strike and analyzed by Acme Analytical Laboratories Ltd. (Vancouver). The current samples not only confirm the presence at surface of significant gold mineralization (35% of the samples reported > 1 g/t Au), but also the polymetallic nature of the vein mineralization. In addition to the high values of copper and silver associated with the gold mineralization, high zinc values were reported. The results of additional trench and soil sampling data are presently being awaited over a number of identified targets and will be analysed and reported as soon as available. To date 85 grab samples have been analyzed and a total of 3,400 soil samples collected and submitted to laboratory.

Two highly prospective targets are the focus of our initial exploration efforts, with a view toward commencing shallow scout drilling during the next month. These are the Makombiti and Kazito Targets. The former consists of a malachite-bearing, magnetite skarn developed on the contact of

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a calcite marble and granite intrusive. Extensive shearing is present along this contact zone and a number of deep adits have been identified. The Kazito Prospect is identified as a possible continuation of the Makombiti contact zone towards the northeast. Gabbroic intrusives are in contact with calcitic and dolomitic marbles. A number of cross cutting shears have been identified and are associated with siderite alteration.

GRAB SAMPLE RESULTS FROM KING SOLOMON PROJECT, MOZAMBIQUE

SAMPLE	PROSPECT	Au (g/t)	Cu (%)	Pb(ppm)	Zn(ppm)	Mn(ppm)	Ag(ppm)
001F	Mankombiti	<0.05	0.03	67	33	243	N/A
002F	Mankombiti	<0.05	0.00	<20	58	426	N/A
003F	Mankombiti	<0.05	0.06	44	514	468	N/A
004F	Mankombiti	0.61	1.66	<20	55	381	N/A
009L	Kazito	1.66	0.12	11	11	144	<2.0
036L	Kazito	0.47	0.03	<10	<10	134	<2.0
011L	Kazito	0.16	0.07	121	194	394	3.9
012L	Kazito	1.79	0.01	17	<10	64	<2.0
013L	Kazito	0.52	1.30	100	324	1340	<2.0
014L	Kazito	<0.05	0.01	32	15	449	<2.0
015L	Kazito	0.15	0.15	145	1790	353	<2.0
037L	Kazito	0.43	0.02	19	<10	834	<2.0
038L	Kazito	12.75	4.55	1190	2593	133	255.5
039L	Kazito	0.92	0.67	194500	259200	7960	452.5
040L	Kazito	0.19	0.11	12600	24060	7330	32.6
041L	Kazito	0.99	0.94	204	395300	9190	21.8
042L	Kazito	0.10	0.00	48	397	2080	<2.0
043L	Kazito	0.08	0.55	60	5540	456	<2.0
044L	Kazito	1.69	0.37	16	615	11500	3.2
045F	Kazito	0.09	0.21	<10	84	523	<2.0
046L	Kazito	0.28	1.03	12	144	697	10.1
047L	Kazito	0.33	0.09	<10	48	78	<2.0
048L	Kazito	0.28	11.80	<10	116	211	85.5
049L	Kazito	0.87	1.21	330	115	65	28.1
050L	Kazito	0.17	0.09	197	288	178	<2.0
051L	Kazito	1.25	1.13	89	1410	680	6.8
052F	Kazito	0.30	0.23	<10	21	217	<2.0
053L	Kazito	3.82	1.47	36	112500	2740	2.2
054L	Kazito	6.89	0.38	17	701	869	3.9
055L	Kazito	11.20	23.30	<10	13250	172	256.0
056L	Kazito	6.54	5.36	29	2830	130	60.2
057L	Kazito	0.32	5.99	53	9970	239	75.6
058L	Mankombiti	0.35	1.09	<10	69	1200	2.4
059L	Mankombiti	3.40	27.50	<10	131	180	<2.0
060L	Mankombiti	0.27	0.54	<10	64	451	<2.0
061L	Mankombiti	0.26	1.51	<10	105	541	5.8
062L	Mankombiti	1.66	14.20	<10	20	732	87.1
063L	Mankombiti	0.34	0.80	<10	32	782	2.3
064L	Mankombiti	1.41	5.07	<10	31	850	5.6
065L	Mankombiti	0.28	2.47	<10	62	310	<2.0

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SAMPLE	PROSPECT	Au (g/t)	Cu (%)	Pb(ppm)	Zn(ppm)	Mn(ppm)	Ag(ppm)
066L	Mankombiti	1.19	47.30	14	153	292	9.0
067L	Mankombiti	0.61	2.86	11	249	846	<2.0
068L	Mankombiti	0.33	2.55	<10	64	6510	3.6
069F	Mankombiti	1.04	5.07	15	49	200	219.0
070L	Mankombiti	0.06	0.02	10	23	2920	<2.0
071L	Mankombiti	9.73	6.93	10	253	299	168.1
072L	Kazito	4.94	2.28	50	19980	16300	6.2
073L	Kazito	1.03	0.16	114	4510	662	6.4
074L	Kazito	7.58	0.56	25	4460	11100	5.1
075L	Kazito	0.37	0.11	30	1370	3780	<2.0
076L	Kazito	0.14	0.06	70	762	1250	<2.0
077L	Kazito	0.07	0.01	30	88	2365	<2.0
078L	Kazito	<0.05	0.01	16	96	694	<2.0
079L	Kazito	0.06	0.01	16	35	1790	<2.0
080L	Kazito	0.65	0.03	24	631	3620	<2.0
081L	Kazito	<0.05	0.16	<10	955	4395	<2.0
082L	Kazito	1.98	0.13	<10	2430	4870	<2.0
083L	Kazito	3.16	0.14	16	19800	1925	<2.0
084L	Kazito	4.32	0.72	96	84200	5760	9.3
085L	Kazito	0.23	0.24	1670	43900	2805	2.7
086L	Kazito	0.66	0.09	334	2370	1910	<2.0
087L	Kazito	0.19	0.24	137	1860	3985	7.7

Note: This table includes the results of 62 samples assayed by Scientific Services Laboratories (Cape Town, S.A.).

On November 18, 2009, the Company announced that a ground magnetic survey covering an area of approximately 11 sq. km over the King Solomon Gold Project has been successfully concluded. The data has been collected, processed and a detailed interpretation has been prepared by the Geophysics Division of Remote Exploration Services ("RES") of Cape Town, S.A.. The high resolution ground magnetic survey utilizing 50 m line spacing was completed utilizing grids over the three most encouraging targets identified to date, namely the Mankombiti, Kazito and Eiland targets. The magnetic data strongly support the mapped geology and have revealed a marked coincidence between the anomalous zones delineated in the survey and the sampled areas reflected in prior strong rock sample results. RES modeled the anomalous zone at depth and concluded that the mineralized zone is essentially continuous at surface and appears to continue at depth.

These three target areas have revealed the most anomalous grab rock sample as well as gold in soil sample results, as well as exceptional anomalous base metal results. The highest values obtained from any single sample reported therein were No. 038L: 12.75 g/t Au, 4.55 % Cu, and 255.5 ppm Ag.

Recognition of an extensive skarn setting for the gold mineralization has encouraged the Company in its exploration efforts. Recent site visits by two independent geological consultants, including Dr. Peter Christopher of Vancouver who is preparing a Technical Report in accordance with N.I. 43-101, has supported this view while also demonstrating the additional importance of remobilization into structurally controlled shears.

The following briefly describes the three areas that were subject of the ground magnetic survey:

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Mankombiti Prospect. This area forms a rugged, linear mountain and extensive pits and trenches as well as a number of deep shafts have been located along a fairly narrow contact zone between granites and metamorphosed carbonate rocks. Malachite, and in places chalcocite, bearing magnetite outcrops have been found and sampled along this zone. Gold in this zone is generally associated with base metal mineralization, including zinc, silver and bismuth, as previously reported. The magnetic survey importantly demonstrates continuity of dip towards the north and under the carbonate rocks, as well as extending the strike of the zone of mapped mineralization to over 4 km. This is well illustrated by the Analytical Signal (AS) image from the magnetic survey presented below.

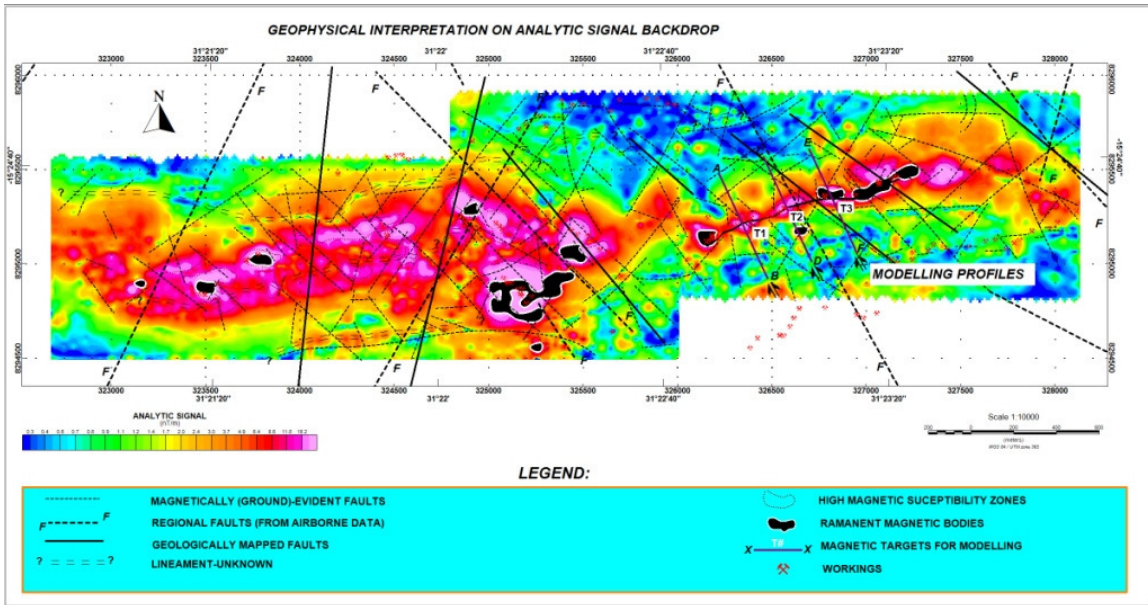


Diagram 1: Interpretation and Analytical Signal magnetic image of the Mankombiti Target.

Kazito Prospect. Mapping of this area indicates that a number of malachite and tremolite-bearing, magnetite associated shear zones occur at or near the contact of a gabbro intrusive and calcite limestones. This contact zone can be mapped in the field for over 800 meters and the magnetic interpretation shows continuity of these zones below the overlying carbonate rocks. Additionally, a number of remnant magnetic bodies are identified which are regarded to be of potential importance for the location of further mineralisation.

Eiland Prospect. This zone is essentially a continuation of the Kazito area towards the north and again represents a mineralized contact with underlying gabbro sills. Sporadic shears are also identified and some of these sampled have revealed appreciable gold as previously reported.

Results of the magnetic survey, combined with previously sampled polymetallic mineralisation identified, suggests that further detailed mapping combined with sampling should identify higher grade 'ore' shoots with the potential to be uninterrupted with depth given the continuity expressed by the geophysical data. Further geophysical depth modeling of these zones is therefore now being completed. The geophysical survey has further allowed for confirmation of the lateral extent of the mapped mineralisation as well as the dip of the mineralized zones. All of the foregoing strongly support the proposed Phase 2 core drilling program now planned for early in 2010.

On January 11, 2010 the Company announced receipt from Dr. Peter A. Christopher, P.Eng., of PAC Geological Consulting Inc. ("PAC"), of assay results of the 7 chip samples independently

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taken by PAC on its recent site visit to the project area in conjunction with preparation of its initial Technical Report on the project in accordance with N.I. 43-101. The samples, which include one gold value as high as 41 g/t au, copper values as high as 6% cu, zinc values as high as 12% zn, as well as strong silver credits, corroborate the results of the Company's own grab rock samples, and confirm prospectivity of the three main target zones at King Solomon. The assay results of the chip samples are set forth in tabular form below:

Table of Verification Chip Samples Taken by PAC Geological Consulting Inc.

Sample Id. No.	UTM E/N	Type	Width (m.)	Au g/t	Cu %	Ag g/t	Comments
<u>Eiland Prospect</u>							
178916	327241E 8298414N	Chip	0.6	41.97	1.668	50.5	Shear Z. gabbro to S. & Lms. To N. QV + cpy/mal; El. 775m
<u>Kazito Prospect</u>							
178917	329997E 8299358N	Chip	0.6	5.30	1.705	17.4	also 12.92% Zn ; Bi 142.7ppm; El. 775m
<u>Mankombiti Prospect</u>							
178911	327058E 8295433N	Chip	0.4	1.06	6.734	22.7	Magnetite + Mal. In sheared granite (East)

Sample Id. No.	UTM E/N	Type	Width (m.)	Au g/t	Cu %	Ag g/t	Comments
<u>Mankombiti Prospect (continued)</u>							
178912	326354E 8295232N	Chip	0.7	0.24	3.296	2.5	Massive Magnetite + Mal. (West)
178913	326313E 8295207N	Chip	2.0	0.46	0.670	0.5	*Trench 0-2m from N. (West)
178914	326313E 8295207N	Chip	2.0	1.16	1.291	6.5	*Trench 2-4m Bi 374.7ppm
178915	326335E 8295200N	Chip	1.0	0.33	0.518	1.2	Adjacent to decline Bi 223.7ppm

1. 17913 & 17914 adjacent samples averaging 0.981 %Cu and 0.81g/t Au over 4.0m.
2. Gold was analyzed by fire assay fusion of 30g with ICP-ES finish (Acme method 3B); >10,000ppb Au (10 g/t Au) rerun of 30g with fire assay start and gravimetric finish (Acme method G6 Grav); Copper, Silver and other analyses by Aqua Regia Digestion-ICP-MS finish (Acme method 1DX) with over limit >10,000ppm Cu and Zn by Aqua Regia Digestion-ICP-ES finish (Acme method 7AR).

In keeping with the Company's policy of meeting or exceeding industry best practice standards, PAC was retained to conduct an independent Qualified Person's site examination and prepare an N.I. 43-101 compliant Technical Report. The tabulation of PAC's samples provides verification of the high gold, copper and zinc grades as well as silver credits previously obtained and reported by the Company's exploration team at the King Solomon Project. Referee samples were collected and secured by the independent QP and submitted to a certified laboratory, Acme Analytical Laboratories Ltd. in Vancouver, B.C. Canada for analysis. Analytical quality control was assured by Acme through use of blank, standard and rerun samples.

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The three key target areas, Mankombiti, Eiland and Kazito, have revealed the most anomalous sample results as well as strong geophysical characteristics, and will be the focus of the Phase 2 core drilling program set to commence as soon as practicable.

On March 3, 2010 the Company announced receipt from Scientific Services Laboratories of Cape Town, S.A. of geochemical results from its extensive soil sampling survey over its King Solomon Project in Mozambique. After careful integration with geological mapping to date, as well as results of ground geophysics surveys and sampling programs previously completed, the current data indicate a number of linear Cu-Au-Zn enriched zones are present, with the potential to host skarnoid-type Cu-Au mineralization over the Mankombiti target as well as mesothermal shear-hosted Au-Cu-Zn mineralization over the Eiland and Kazito targets. The regional soil sampling results corroborate the strong rock and chip sample results from the three main target zones.

In excess of 7100 samples were collected and assayed as part of the soil sampling survey over the key targets in the license area, generally from relatively thin soils which reflect in situ material. Samples were collected along 100 m spaced lines with two samples collected at every 50 m. These included samples submitted for mini-BLEG gold analysis as well as samples submitted for AAS analyses for the elements Cu, Pb, Zn, Co, Ni, Mn and Fe. Applicable quality control procedures were adhered to in shipment as well as in the analytical process, with the necessary duplicates, blanks and in-house standards being submitted.

The gridded soil Au results define a number of significant soil anomalies over the Eiland, Kazito and to a lesser extent the Mankombiti and Ntumba targets. Approximately 6.5% of all samples reported had anomalous gold values in excess of 100 ppb Au. The gridded soil Cu results define a number of soil anomalies over the Kazito, Mankombiti, Ntumba and Messeca targets, with over 8% of all samples reporting Cu values in excess of 200 ppm. The gridded soil Pb results, like the soil Zn results, are typically elevated over the metacarbonates within the Kazito, Mankombiti and Ntumba areas. Over 13% of the Zn values were in excess of 200 ppm.

Preparations are now underway for a 3000 m reconnaissance core drilling program set to commence immediately upon conclusion of the rainy season when vehicular access is possible. Principal drill targets have already been selected over the key target zones discussed herein and a drilling contractor has been secured. A site visit by our team to conduct further preparatory work is scheduled to take place later this month. Weather permitting, it is hoped that drilling will commence in the first part of April.

The King Solomon Project is located within the central parts of the Mesoproterozoic Fingoe Belt in western Tete Province, Mozambique. These rocks consist of metavolcanics, metasediments and intrusive granitic and gabbroic rocks. The license is the subject of the Earn-in and Joint Venture Agreement dated July 10, 2009 (the "Agreement"), with Swiss-based Opti Metal Trading Limited ("Optimetal"), covering exploration, development and exploitation of Prospecting License No. 884L held by Optimetal's Mozambique subsidiary (the "License"). The License covers an area of approximately 230 km² in the center of the Fingoe Belt, adjacent to permits which are the subject of existing earn-in and joint venture Agreements between the Company and Manica Minerals Ltd. and African Eagle Resources plc (AIM: AFE), respectively, covering an aggregate of 1359 sq.km.

The work program at King Solomon is being conducted by Remote Exploration Services ("RES") of Cape Town, S.A. under the direction of C. Ocker on behalf of the joint venture partners. RES has been conducting field programs for the Company on the Fingoe Regional Gold Project from the initiation of the program in 2006. The Project is being managed on behalf of the Company by Senior Consulting Geologist Mr. Pete Siegfried (M.Sc., MAusIMM), a qualified person. All sample

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results presented have been analyzed by Scientific Services Laboratories (Cape Town) and submitted under the guidance of Mr. Siegfried. Overall sampling and laboratory protocols are overseen by Mr. Ardito Martohardjono, a Director, who manages the Company's laboratory services.

On March 23, 2010 the Company announced that it received the initial Technical Report in accordance with N.I. 43-101 on the King Solomon Gold Project in Mozambique (the "Report"). The Report was independently prepared by PAC Geological Consulting Inc. of Vancouver.

The Report contains a detailed overview of the history, geology and prior work programs on the Project, concluding that it is a property of merit and recommending a 3000 m reconnaissance diamond drilling program covering a number of key targets. The recommended work program comprises a first phase of 2000 m drilling together with induced polarization ground geophysics, related laboratory and other exploratory work, with a second phase of 1000 additional m of follow-up drilling on a result contingent basis.

On June 28, 2010, the Company announced that core drilling commenced on the King Solomon Project. The initial reconnaissance drill program of approximately 2000-3000 m is being conducted on a contract basis for the Company and its partner, Optimetal, by Resource Drilling Mozambique Lda. of Tete, Mozambique. Resource Drilling has been active in most parts of Africa over the past 15 years and has a fleet of some 20 drill rigs.

The drilling program began with the construction of all necessary access tracks, selection of drill sites and mobilization of the drill rig to site. Approximately 15 reconnaissance boreholes are planned for this first pass program to a depth of 150-200m. A track-mounted drilling rig has now commenced the first hole, which is on the Mankombiti target, utilizing HQ size core.

During the past few months while awaiting an end to this year's extended rainy season, the Company concluded a thorough review of all geochemical and geophysical results from the Project. In addition, it was decided to undertake an induced polarization ("IP") survey to assist in defining the final drill targets. This was successfully concluded in May and a number of conductive anomalies have been identified. Many of these are co-incident with the projected dip of the known surface mineralisation. The surface mineralisation is identified as a magnetite rich, copper bearing shear zone located on the contact zone of overlying limestone marbles and underlying granites.

The previous geochemical, magnetic and geological mapping results have now been integrated with data from the recent IP survey to target mineralisation on the Mankombiti, Eiland and Kazito zones. The drilling program planned will allow for testing of these three highly prospective zones, and review of these results will enable future drill planning for other already identified. Data obtained to date indicate a number of linear Cu-Au-Zn enriched zones are present, with the potential to host skarnoid-type Cu-Au mineralization over the Mankombiti target as well as mesothermal shear-hosted Au-Cu-Zn mineralization over the Eiland and Kazito targets.

The IP survey data were collected by the geophysical division of Remote Exploration Services of Cape Town, S.A. ("RES") and a total of 7 section lines comprising approximately 9 line km were completed. Four lines located on the Kazito Target have allowed 3-D modelling, with all sections confirming the presence of a substantial conductor at depth. In addition it was determined that much of the area underlain by the conductor is covered by alluvium. The results on the Mankombiti Target confirm the geological as well as magnetic mapping previously conducted. It is clear that the conductor is flanked by resistive and non-conductive rocks, namely the hanging wall limestones and the footwall granites, which is the expected setting of the mineralised sheared

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contact zone. Modelling has indicated that the upper levels are fairly resistive whereas at about 40 – 50 m below surface a prominent conductor is present. This conductor is located near where the interpreted water table would be, and may reflect supergene enrichment. However, the anomaly may mask continuation of this body with depth. The quality of the data is regarded as good with sufficient penetration encountered.

1.3.1.d. – Manica Minerals – Cazula Project

Pan African entered into a Joint Venture Agreement dated August 9, 2006, with Manica Minerals Ltd. (“Manica”), for exploration, development and exploitation of a prospective gold project in Mozambique presently under license to Manica in the North-West of Mozambique. Under the terms of that agreement, Pan African has the right to earn up to an 85% interest in the project in stages, by funding through to pre-feasibility. On June 27, 2008, Pan African assigned all its rights and its obligations in the Manica Minerals – Cazula Project to the Company. The Company met its US \$150,000 expenditure commitment to secure its continued participation in the joint venture for the initial two years, and as of August 8, 2008, it had earned a 51% interest in the project. The Company had the option to earn a further 24% in the project by spending US \$600,000 over three years to bring its interest to 75%.

On February 19, 2009 management decided to abandon its interest in the Cazula project, after reviewing the results of the exploration program, in order to focus on moving forward with exploration on the other programmes in Mozambique and southern Africa. Expenditures on the Cazula project totalling \$578,124 were written off during the year ended September 30, 2009.

1.3.1.e. – Braganza Properties

Pan African entered into an agreement dated August 17, 2007 and amended October 4, 2007 and May 21, 2008 with Bobcat Mining Limitada (Mozambique) (“Bobcat”) for exploration and development of the historic Braganza Mine situated at the eastern end of the Mutare - Penhalonga Greenstone Belt in Manica Province in central Mozambique. The project comprises a single exploration license (EPL 857L) and a portion of EPL 679L to the immediate south, encompassing in aggregate approximately six square km. Included in the regional project area are also the Diaz Pereira, Damp, Richmond and Marianas historic minesites, marked by pits, trenches and small adits.

Under the agreement, Pan African can earn up to a 75% interest in the property by funding development in stages. In order to earn a 25% interest in the property Pan African was required to make an initial earn-in payment of US\$125,000, which was paid upon the commencement date of the agreement, and must complete a minimum of US\$500,000 in expenditures and a work program including no less than 3,000 metres of drilling within the first twelve months. The amended agreement provides that the initial 3,000 metre drilling program may be completed on or before 24 months of the commencement date, rather than 12 months, while Pan African is still obligated to complete the specified US\$500,000 in expenditures within the initial 12 month period. Should there be a shortfall in the expenditure commitment after the initial 12 month period, Pan African agrees to pay the amount of such shortfall to Bobcat in cash. During the dry season of 2008 Pan African planned to undertake a scout drilling program of approximately 1,000 metres to delineate structure and identify drill targets for the initial 3000 metre core drill program. To earn an additional 26% interest in the property, for an aggregate interest of 51%, Pan African had to make an additional earn-in payment of US\$125,000 in cash and complete a minimum of an additional US\$500,000 in expenditures and a further work program including not less than 3,000 metres of drilling by December 31, 2009.

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On December 22, 2008 management decided to abandon its interest in the Braganza properties after reviewing the results of the exploration program. Management of the Company concluded that no further work on the properties was recommended, although some potential may exist on other parts of the regional structure, albeit with difficult access in steep and mountainous terrain. Expenditures on the Braganza properties totalling \$250,680 were written off during the year ended September 30, 2009.

1.3.2 – Botswana

1.3.2.a – Okavango Kimberlite Project

The Okavango Kimberlite Project consists of a block of three contiguous Prospecting Licences (PL's 63-65/2007), with a combined area of approximately 2,630 square km, located in the Ngamiland District of NW Botswana. It is a grassroots kimberlite exploration project being managed by Dr. Andy Moore, P.Geol. a qualified person with 30 years' experience in diamond exploration in Southern Africa, who oversees the Company's diamond exploration program.

The licences were awarded by the Ministry of Minerals, Energy and Water Resources to PAM Botswana (Pty) Ltd., a 100% owned subsidiary of Pan African, for an initial period of three years, expiring on March 31, 2010. On expiry, application may be made to renew 50% of the combined area of the licences for a further two-year period. Thereafter, application can be made to renew 50% of the retained ground (i.e., 25% of the original property area) for a further two year period (thus creating a total tenure of seven years). At the end of the seven year tenure, application may be made for mining leases, or the ground relinquished. The Government of Botswana retains a 10% royalty on the gross market value of diamonds extracted from the license area as well as the right to acquire by negotiation for cash investment an ownership interest in any mine developed. Dr. Moore, initiator of the project, has a 2% participation in the non-government share of the net profits after tax derived from the project. On June 27, 2008 Pan African transferred its ownership in PAM Botswana (Pty) Ltd., a 100% owned subsidiary to the Company.

The area covered by the Okavango licences is a flat plain at an average altitude close to 1,000 m, covered by Kalahari sand varying in thickness from approximately 0-100m. Vegetation is open woodland and grassland savanna. The climate is semi-arid, with an average annual rainfall of approximately 22 inches, falling mainly in the summer months (October - March). Access into the western corner of the property is via a tarmac road, some 390 km from Maun, which is the nearest large town and thereafter via sandy tracks. Travel within the Okavango region is by sandy tracks or cross country traverses using 4x4 vehicles. There are a number of small villages near the Okavango River in the extreme southwest of the property, but over the major portion of the property there are no villages.

Due to its remote location and sand cover, there was no record of systematic diamond exploration ever having been previously carried out over the Okavango property. High resolution aeromagnetic data covering the area, flown by the Botswana Geological Survey, was filtered on behalf of the Company by Scott Hogg and Associates of Toronto to highlight circular magnetic targets that are typically associated with kimberlite pipes. Analysis of the filtered data identified numerous bulls-eye magnetic features, consistent with the existence of a virgin sub-Kalahari kimberlite field with potentially as many as 100 or more distinct pipe targets.

Fieldwork in the Okavango Licence block included surface loam sampling and ground geophysics (magnetic and gravity surveys) over targets that were selected in-house from an aeromagnetic survey flown by the Botswana Government. A number of the targets investigated were characterized by bulls-eye magnetic magnetic highs with coincident gravity bulls-eye features,

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considered to be closely comparable to those known elsewhere to be associated with sub-Kalahari kimberlites. Kimberlitic ilmenites and rare kimberlitic garnets were found associated with several targets investigated. The recovery of kimberlitic minerals provided further encouragement that the geophysical targets could reflect the presence of sub-Kalahari kimberlites. Based on these results, a cross-section of geophysical targets was selected for a drilling programme which was scheduled to commence early in 2009.

Results of the Company's surface loam sampling program received from Mike Scott & Associates laboratory of Johannesburg, South Africa showed that several of the coincident magnetic and gravity bulls-eye targets were associated with kimberlitic garnets and ilmenites. This provided strong support for the existence of a sub-Kalahari kimberlite field on the licence area. As kimberlitic garnets tend to disintegrate quickly in the Kalahari environment and the license area is covered with a relatively thick sand cover, discovery of the kimberlitic garnets was highly significant. Of the kimberlitic garnets recovered a relatively high proportion were G10's and sodium-rich eclogitic garnets, with compositions matching inclusions in diamonds. This suggested there was a strong potential for the kimberlite targets to be diamondiferous.

Based on these results, a cross-section of geophysical targets were selected for a drilling programme which commenced early in 2009. In March 2009 the Company commenced a drilling program on the Okavango property. The drilling was carried out on behalf of the Company by Botswana-based Discovery Drilling Africa (PTY) Ltd. utilizing a custom-built Discovery 1400 rig. A tricone system was used to drill through the Kalahari sand cover, followed by core drilling of the remaining section. The drill program was being supervised by Dr. Andy Moore, P.Geol.. The Site Manager was Mr. Michael Sanders, who has experience drilling in the Ngamiland region as well as in connection with the development of De Beers' Letlhakane and Orapa diamond mines in Botswana.

A total of 10 holes were drilled on 7 different aeromagnetic anomalies, and samples despatched for chemical and petrographic analysis. Unfortunately, no kimberlites were intersected, and all holes bottomed in mafic basement lithologies at depths between 50-100m. In view of these disappointing results, a geomorphic study was carried out to determine the possible source of the kimberlitic minerals recovered within the property. This study demonstrated that the highest concentrations of kimberlitic pathfinder minerals were associated with a recently recognized ancient shoreline of a major Pleistocene lake that once covered much of northern Botswana, and that the kimberlitic minerals had most likely been transported by longshore currents from a distal primary kimberlite source.

On March 3, 2010 the Company decided to abandon its interest in the Okavango Kimberlite Project, after reviewing the results of the exploration program, in order to focus on its Tsau Diamond Project (see 1.3.2.b) and Namibian Diamond Project (see 1.3.3). Expenditures on the Okavango Kimberlite Project totalling \$552,083 were written off during the nine month period ended June 30, 2010.

1.3.2.b – Tsau Kimberlite Project

The Tsau Kimberlite Project initially consisted of a block of three contiguous Prospecting Licences (PL's 66-68/2007), with a combined area of approximately 2,890 square km, adjacent to the Botswana-Namibia border, in the Ngamiland District of NW Botswana. It is a grassroots kimberlite exploration project being managed by Dr. Andy Moore, P.Geol., who oversees the Company's diamond exploration program.

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The licences were awarded by the Ministry of Minerals, Energy and Water Resources to PAM Botswana (Pty) Ltd., a 100% owned subsidiary of Pan African, for an initial period of three years, expiring on March 31, 2010. On expiry, application may be made to renew 50% of the combined area of the licences for a further two-year period. Thereafter, application can be made to renew 50% of the retained ground (i.e., 25% of the original Property area) for a further two year period (thus creating a total tenure of seven years). At the end of the seven year tenure, application may be made for mining leases, or the ground relinquished. The Government of Botswana retains a 10% royalty on the gross market value of diamonds extracted from the license area, as well as the right to acquire by negotiation for cash investment an ownership interest in any mine developed. Dr. Moore and Dr. Margaret (Marty) McFarlane, initiators of the project, have a 1% and 4% participation, respectively, in the non-government share of the net profits after tax derived from the project. On June 27, 2008 Pan African transferred its ownership in PAM Botswana (Pty) Ltd., a 100% owned subsidiary to the Company.

The area covered by the Tsau licenses is a flat plain at an average altitude close to 1,000 m, covered by Kalahari sand varying in thickness from approximately 0-100m. Vegetation is open woodland and grassland savanna. The climate is semi-arid, with an average annual rainfall of approximately 20 inches, falling mainly in the summer months (October - March). Access into the property is via a tarmac road, some 160km from Maun, which is the nearest large town and thereafter via an approximately 150km long sandy track. Travel within the property is by sandy tracks or cross country traverses using 4x4 vehicles. There are no towns or villages within the license area.

Fieldwork in the Tsau Licence block Property to date has included surface loam sampling and ground geophysics (magnetic and gravity surveys) over targets that were selected in-house from an aeromagnetic survey flown by the Botswana Government. In addition, geophysical surveys and sampling were carried out over a number of circular photo-features. A number of the aeromagnetic targets investigated are characterized by bulls-eye magnetic magnetic highs with coincident gravity bulls-eye features, comparable to those associated with sub-Kalahari kimberlite pipes. No kimberlitic minerals were recovered, over the aeromagnetic targets, but low counts were recorded over two of the nearby photo-features, providing encouragement for the existence of sub-Kalahari kimberlites. Based on these results, a cross-section of geophysical targets were selected for a drilling programme.

A total of 6 holes were drilled on 5 different aeromagnetic and photo anomalies anomalies, and samples despatched for chemical and petrographic analysis. No kimberlites were intersected during this initial drilling phase. Follow-up drilling of further photo-features within the Tsau Property is planned during the next three-month period. Drill target selection is being finalized with Dr. Margaret McFarlane and Dr. Frank Eckardt, who both act as geomorphological consultants to the Company.

1.3.2.c – Lobatse Kimberlite Project

The Lobatse Kimberlite Project comprises three Prospecting Licences (PLs 157-159/2008), with a total area of 2983 km², located immediately to the south of Gaborone, the capital of Botswana. There are regular daily scheduled flights between Gaborone and Johannesburg, South Africa. Access to the project area is via a good tarmac road and a network of good secondary gravel roads. Cattle ranching and agriculture are the main economic activities in the area. The climate is characterised by summer wet season from November to March, with rainfall varying between 400 – 550mm per annum. The vegetation comprises grassland and open woodland savanna.

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The licences were awarded by the Ministry of Minerals, Energy and Water Resources to PAM Botswana (Pty) Ltd., a 100% owned subsidiary of Pan African, for an initial period of three years, expiring on March 31, 2011. On expiry, application may be made to renew 50% of the combined area of the licences for a further two-year period. On June 27, 2008 Pan African transferred its ownership in PAM Botswana (Pty) Ltd., a 100% owned subsidiary to the Company.

The project area is located on the Kaapvaal craton, which represents the world's most productive diamond province. It straddles a major lineament defined by early Palaeozoic (~500 Million year old) kimberlites, including several economic kimberlite mines (River Ranch in Zimbabwe, Venetia and The Oakes in South Africa, and Lerala in Botswana (see accompanying diagram). Such kimberlite lineaments are important, as they represent limited areas of the earth's crust with a higher potential for the discovery of kimberlites. The kimberlites defining the lineament are typically ilmenite-poor, and are consequently characterised by subtle garnet anomalies. The prospectivity of the Lobatse block is underlined by the recovery or unexplained garnets during the course of earlier prospecting programmes.

The Lobatse block was therefore regarded as an important grassroots exploration target. High resolution aeromagnetic data covering the ground was screened, and a number of high priority magnetic targets were selected for ground follow-up.

A surface loam sampling programme was carried out over all of the targets. Two samples, each comprising 15kg of two size fractions (300-425µm and 425-1000µm) (for a total weight of 60kg) were collected over each sample. All samples were despatched to the MSA Analytical laboratory in Johannesburg for recovery and identification of possible kimberlitic heavy minerals. No kimberlitic pathfinder minerals were recovered over any of the targets sampled, and it was accordingly decided to make application to the Botswana Geological Survey to relinquish the Lobatse project ground as of March 31, 2010.

Expenditures on the Lobatse Kimberlite Project totalling \$155,322 were written off during the nine month period ended June 30, 2010 as the Company decided to focus on its Tsau Diamond Project (see 1.3.2.b) and Namibian Diamond Project (see 1.3.3).

1.3.3 – Namibia

The Namibian Kimberlite Project consists of a block of five contiguous Exploration Prospecting Licences (EPL's 3882-3886), adjacent to the Botswana-Namibia border and two abutting licenses (EPL's 3881 and 3887) located further to the west in eastern Namibia. An additional license namely EPL 4240 was issued in January 2010 and is valid for 2 years. It is a grassroots kimberlite exploration project being managed by Dr. Andy Moore, P.Geol., who oversees Pan African's diamond exploration program together with Mr. Peter Siegfried, P.Geol.

The licences were awarded by the Ministry of Mines and Energy to PAM Namibia (Pty) Ltd., a wholly-owned subsidiary of Pan African, for an initial period of three years, expiring on December 20, 2010. On expiry, application may be made to renew 75% of the combined area of the licences for a two-year period. Thereafter, application can be made to renew 50% of the retained ground (i.e., 37.5% of the original property area) for a further two year period (thus creating a total tenure of seven years). At the end of the seven year tenure, application may be made for part of the area, if so identified, to be converted into a Mineral Deposit Retention Licence (MDRL) or Mining Licence, or the ground relinquished. The Namibian Government retains a 10% royalty on the gross market value of diamonds extracted from the license area. Dr. Moore and Dr. Margaret (Marty) McFarlane, initiators of the project, have a 1% and 4% participation, respectively, in the non-government share of the net profits after tax derived from

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the project. On June 27, 2008 Pan African transferred its ownership in PAM Minerals Namibia (Pty) Ltd., a wholly owned subsidiary to the Company.

The area covered by the Namibian licenses is contiguous to the Tsau Kimberlite Project (above) and physiographic conditions are very similar. It is a flat plain with prominent linear east west trending dunes, and is at an average altitude close to 1000 m, covered by Kalahari sand varying in thickness from approximately 0-100m. Vegetation is open woodland and grassland savanna. The climate is semi-arid, with an average annual rainfall of approximately 20 inches, falling mainly in the summer months (October - March). Access into the Property is via tarmac and secondary gravel roads, some 500 km from Windhoek, capital of Namibia and the nearest large town. Travel within the property is by sandy tracks or cross country traverses using 4x4 vehicles. There are several small villages within the license area.

Ground geophysical follow-up, both magnetic and gravity, and soil sampling has recently been carried out over selected aeromagnetic bulls-eye anomalies and photo features within the Namibia project ground. The results have been evaluated with the view to ranking targets for a drilling programme scheduled to commence in the fall of 2010.

1.3.4 – Ghana

Noyem project

On September 29, 2009 the Company entered into an Earn-in and Joint Venture Agreement (the "Akan Agreement"), with Marshall Islands' private company Akan Exploration Ltd.. ("Akan"), covering exploration, development and exploitation of the Noyem Gold Project, which is the subject of the Noyem-Nyafoman Prospecting License LVB 10244/1995 in Ghana (the "License"). Simultaneously, the Company entered into a Purchase & Sale Agreement with Newmont Ghana Gold Limited ("NGGL"), the Ghanaian subsidiary of Newmont Mining Corporation (NYSE: "NEM") ("Newmont"), under which NGGL is transferring the License directly to the Company's Ghanaian subsidiary AQ Ghana Gold Ltd. ("AQGGL"), to be held in trust for the Joint Venture partners in accordance with the Akan Agreement. The License covers an approximate area of 28.75 sq. kilometres located in the Birim North District of the Eastern Region of Ghana.

The Newmont Agreement

Under the terms of the Purchase and Sale Agreement between AQGGL and NGGL, entered into simultaneously with the Akan Agreement, NGGL has agreed to transfer the License to AQGGL, immediately upon approval of Ghana's Minister of Lands, Forestry and Mines as is customarily required. AQGGL has agreed to pay NGGL in consideration for the transfer of the License the total sum of U.S.\$850,000, \$100,000 of which was due upon execution and has been paid, \$250,000 of which is due upon final transfer of the License to AQGGL, \$250,000 of which is due one year from the date of execution, and \$250,000 of which is due on commercial production as defined. NGGL retains a 2% NSR on all production from the License, one half of which is subject to a buy-back in favor of AQGGL for US\$2,000,000 at any time within three years of the commencement of commercial production, but in no event longer than seven years following September 29, 2009. Newmont retains a right of refusal to meet third party offers to acquire the Project under certain circumstances, as well as a right to reacquire the Project upon abandonment.

The finalization of the transfer of the License from NGGL to AQGGL has been pending since November 2009 pursuant to the executed Purchase & Sale Agreement. In addition, there remain issues under discussion with the local community and local miners concerning the boundaries of

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small scale mining in the vicinity of the Project. The Company is hoping for a speedy resolution of these issues to enable field work on the Project to get underway in the near future.

The Akan Agreement

Under the terms of the Earn-In and Joint Venture Agreement with Akan, the Company may earn up to a 75% interest in the Noyem Gold Project by funding prescribed stages from exploration through feasibility. AQGGL has agreed to fund phase 1 of the exploration programme at an estimated cost of US\$250,000. Prior to the commencement of Phase 1, Akan shall pay to AQGGL the initial \$100,000 payment required upon execution of the Newmont Agreement and the \$250,000 payment required under the Newmont Agreement upon final transfer of the License from NGGL to AQGGL. Second, third and fourth phases of the programme are planned to occur over a four year period with estimated costs of US\$500,000, US\$3,500,000 and \$4,500,000, respectively. These costs are to be funded on a 60:40 pro-rata basis subject to abandonment or dilution options. Akan has the right to participate at its election pro-rata after the Company has reached 60% ownership interest by funding 40% of all costs through pre-feasibility.

The Noyem licence covers an area of approximately 28.9 km² located within the Birim North district of Ghana's eastern region, approximately 130 kilometres northwest of Accra. The Noyem project consists of two non-contiguous blocks, namely Noyem A and Noyem B. The licence is easily accessed via the main New Abirem-Nkawkaw tarred road. Several secondary laterite tracks and footpaths provide access to the remainder of the concession. The area is characterised by low relief with the exception of areas underlain by the lower Banket Formation, which forms steep-sided ridges owing to the resistive nature of the clastic sediments. The principle drainage is the southwest flowing Nwi River and its tributaries including Apropkuma, Suten and Nyanoma.

The Noyem license is located at the northeastern end of the Ashanti Belt. This portion of the belt is characterized by Tarkwaian clastic sediments, and Birimian metavolcanics and metasediments which occur in a series of NE-SW trending anticlines and synclines. Granitoids of both the Dixcove-type (hornblende-rich) and foliated Cape Coast-type (biotite-rich) have intruded the Birimian rocks. Styles of gold mineralization within the northeastern portion of the Ashanti Belt include both vein systems and palaeoplacer deposits. It is thought that the latter style is appropriate at Noyem.

Drilling of a number of diamond drill holes was completed by Bonsu Holdings in 1995, and during that time a clear understanding of the geological model - comprising gold hosted within conglomerates of the Banket Formation – was achieved through this programme. Widths of between 1 and 3 m of gold-bearing pebble conglomerates, were noted to have average grades of about 6 g/t. Exceptional values of up to 57 g/t were also noted within some of the coarsest gravel layers. The company plans to confirm historical reported grades through the relogging and drilling of a number of validation boreholes, as well as embarking upon further exploration drilling towards the east (Noyem A).

1.3.5 – Kenya

On April 12, 2010 the Company entered into an Earn-in and Joint Venture Agreement (the “Abba Agreement”) with Kenyan private company Abba Mining Company Limited (“Abba”) covering exploration, development and exploitation of the Rongo Gold Field Project which is the subject of Special License No. 287 granted to Abba by the Commissioner of Mines and Geology of the Government of the Republic of Kenya on January 22, 2010. The license grants full and exclusive rights to prospect and explore for all minerals for an initial period of two years within an area of

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approximately 112 sq. km. known as the Rongo Gold Field in the Kanango gold mining area of the Migori District of Nyanza Province in Southwest Kenya near Lake Victoria.

Under the terms of the Abba Agreement, the Company may earn up to an 85% interest in the Project by funding prescribed optional stages from exploration through feasibility. In addition, the Company is required to make three payments to Abba to secure its rights under the Abba Agreement in the sum of US \$100,000 each on the date of effectiveness of the Agreement (paid), the commencement of Phase 2 and the commencement of Phase 3, respectively. The Company is designated as manager and operator of the Rongo Gold Field Project on behalf of the joint venture partners, subject to full consultation with Abba on all material aspects of the Rongo Gold Field Project. Abba has agreed to transfer the license to the Company's Kenyan operating subsidiary, AQ Kenya Gold Limited, upon the Company's election to proceed to Phase 3 and payment of the above three rights payments. The Agreement has now been approved by the Commissioner.

The License area is comprised primarily of Archaean age metavolcanics of the Nyanzian System. This region has historically recorded gold production with Migori, one of the earliest gold mines in Kenya and well known for its Archaean lode gold production, located just SW the southern perimeter of the license. The mineral occurrences on the License were reported to have been first discovered in 1994 by an unsuspecting farmer who correctly identified a gold nugget in the soil. Subsequently, artisanal miners entered the area and have been carrying out sporadic small-scale operations to present principally geared toward recovering gold from vein quartz pebbles in the soil profile. Nonetheless, the potential hard-rock deposit is largely occluded by a layer of topsoil and overburden, with very few visible outcroppings. Only this topsoil has been worked by the local farming community and has led to the property being overlooked and underexplored, with its mineral potential largely unrecognized until now. Recent pitting, trenching and sampling has revealed a highly auriferous mineralized zone below the overburden covering an area extending at least 5 sq. km. at surface, with presence of visible gold in significant quantities.

The Company carried out a comprehensive site examination in April, 2010, as well as a due diligence review of the license and Rongo Gold Field Project. A number of rock chip samples were identified within which visible gold was seen. The rocks are generally mafic to intermediate metavolcanics (andesites) which are extensively epidotised and often silicified. These rock types host the majority of Archaean lode gold deposits in Australia, Canada, Zimbabwe and neighbouring Tanzania. The main type of mineralization in the license area comprises sheet swarms and stockworks of gold-bearing quartz veins commencing at or near surface. The gold is typically associated with pyrite, galena and other copper sulphides. Historic grab samples taken from the artisanal workings have reported grades in excess of 2 g/t au and as high as 96 g/t au.

Geological exposures were visited in the field and late stage granites can be distinguished in the western parts, while the central and eastern areas are largely underlain by mafic and felsic volcanic rocks. Large shear zone related structures are identified which are certain to have played a role in the location of the gold bearing quartz veins. Initial social awareness programmes indicate that the community is very much in support of investment through mining and is welcoming the Company's activities in the region. No areas of protected forest are noted with the entire area being used for agriculture.

On July 19, 2010, the Company announced that it has now commenced its Phase 1 Exploration Program on the Rongo Gold Field Project. All planned work programs for Phase 1 have been approved by the Commissioner of Mines and Geology of the Government of the Republic of Kenya.

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The work covering Phase I will include (i) comprehensive rock and soil sampling, trenching and pitting over the license area; (ii) geological mapping and evaluation; and (iii) airborne geophysical studies. The objective of the Phase 1 Exploration Program is to assess the overall geologic structure of the License area and the likelihood of a commercially viable gold deposit within the License area, as well as to identify discreet drill targets for a Phase 2 core drilling program. The costs for Phase 1, estimated at up to U.S. \$300,000, are being paid by the Company.

Field visits and liaisons with all the relevant local governmental bodies and responsible persons have now been completed and the detailed Phase 1 sampling, trenching and pitting program is now underway on the ground. Supervision and geological mapping and sampling of this area is being conducted by Remote Exploration Services of Cape Town, S.A. ("RES") who have been responsible for carrying out most of the preceding years' field work for the Company's projects in Mozambique and Ghana. Overall project management is being provided to the Company by Senior Consulting Geologist Pete Siegfried (M.Sc., MAusIMM), a qualified person.

It is planned to use the trenching and pitting initially for orientation and sampling of the area presently producing artisanal gold. As much of the area is covered by a few meters of recent alluvial material, detailed mapping of the geology has been hampered in the past. It is the Company's intent to identify potential gold bearing, quartz veined fault structures and drill these zones later this year in order to establish grade, thickness and depth extent of the underlying gold mineralization.

Approval has been granted by the civil aviation authorities of Kenya Civil Aviation Authorities ("KCAA") to commence a detailed airborne geophysical survey. The magnetic survey is anticipated to highlight areas of structural interest such as faults and shear zones. Terrascan Airborne GmbH & Co Kg, based in Germany, has been contracted to carry out the survey on behalf of the Company and has had extensive experience working in remote parts of Africa. Terrascan's geophysicists will be providing the necessary quality assurance with quality control being provided by Mr. Rainer Wackerle based in Windhoek, Namibia. Mr. Wackerle for many years oversaw quality control for the airborne geophysical surveys completed by the Namibian government through various SYSMIN and related grants.

On August 12, 2010, the Company announced that it has commenced the detailed airborne geophysical survey on its Rongo Gold Field Project.

Both magnetic and radiometric surveys are being carried out over the license area. Preliminary tests and orientation were carried out during the last few days and flying has now commenced. The first day of data acquisition was successful. The survey is being conducted on 100 m line spacing with lines directed at 045° and a flying height of 70 m. Approximately 2700 line kilometres are planned. Data will be supplied to the Company on a daily basis and detailed interpretation will commence within the next few weeks.

Detailed geological mapping and trench sampling of the Kamwango area is presently being carried out by Remote Exploration Services of Cape Town, S.A. ("RES") on behalf of the Company. Overall project management is being provided to the Company by Senior Consulting Geologist Pete Siegfried (M.Sc., MAusIMM), a qualified person.

Saprolite is generally encountered after 2 meters of surficial, clay-rich soils are excavated, and therefore it is believed that geochemical sampling of these trenches should reflect the mineralisation of the underlying rock. Highly silicified and epidotised mafic volcanic lithologies as well as a number of quartz veins have been encountered. Sampling is being carried out with the

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appropriate methodologies and all samples will be submitted to accredited laboratory with the necessary CRM's (certified reference material), blanks and duplicates as demanded by N.I. 43-101 reporting standards.

1.4 SELECTED ANNUAL INFORMATION

	Year ended September 30, 2009	Year ended September 30, 2008
Total revenues	\$ -	\$ -
Gain (loss) before extraordinary items		
In total	\$ (1,619,763)	\$ (634,729)
Per-share (basic and diluted)	\$ (0.04)	\$ (0.03)
Total Assets	\$ 3,955,312	\$ 4,134,346
Resource Property Costs	\$ 3,005,438	\$ 2,028,980
Working Capital	\$ 541,169	\$ 1,813,271
Common Stock	\$ 38,725,392	\$ 34,465,292

1.5 SUMMARY OF QUARTERLY RESULTS

	Quarter ended June 30, 2010	Quarter ended March 31, 2010	Quarter ended December 31, 2009	Quarter ended September 30, 2009
Total revenues	\$ -	\$ -	\$ -	\$ -
Loss before extraordinary items				
In total	\$ (267,164)	\$ (1,002,620)	\$ (298,750)	\$ (209,263)
Per-share (basic and diluted)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.01)
Net loss for the period				
In total	\$ (253,632)	\$ (998,795)	\$ (298,750)	\$ (209,263)
Per-share (basic and diluted)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.01)
Share capital:				
Common Stock				
Authorized	Unlimited	Unlimited	Unlimited	Unlimited
Outstanding	43,262,930	43,237,930	42,687,930	38,725,392
Stock Options	3,037,500	2,837,500	2,647,500	2,677,500
Warrants	3,781,961	3,806,961	4,306,963	2,130,050
Preferred stock				
Authorized	Unlimited	Unlimited	Unlimited	Unlimited
Outstanding	Nil	Nil	Nil	Nil

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	Quarter ended June 30, 2009	Quarter ended March 31, 2009	Quarter ended December 31, 2008	Quarter ended September 30, 2008
Total revenues	\$ -	\$ -	\$ -	\$ -
Loss before extraordinary items				
In total	\$ (240,529)	\$ (184,444)	\$ (994,330)	\$ (630,968)
Per-share (basic and diluted)	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)
Net loss for the period				
In total	(233,369)	\$ (182,801)	\$ (994,330)	\$ (630,968)
Per-share (basic and diluted)	(0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)
Share capital:				
Common Stock				
Authorized	Unlimited	Unlimited	Unlimited	Unlimited
Outstanding	38,725,392	34,465,292	34,465,292	34,465,292
Stock Options	2,687,500	2,687,500	2,580,000	Nil
Warrants	2,130,050	Nil	Nil	Nil
Preferred stock				
Authorized	Unlimited	Unlimited	Unlimited	Unlimited
Outstanding	Nil	Nil	Nil	Nil

1.6 RESULTS OF OPERATIONS

Nine months ended June 30, 2010

The Company's net loss for the nine months ended June 30, 2010 was \$1,551,177 as compared to \$1,410,502 for the nine months ended June 30, 2009. The difference primarily resulted from an increase in fair value of the stock options vested during the period due to higher volatility on the stock market.

The loss for the period was comprised of general and administrative expenses of \$1,568,534 (2009 - \$1,419,305), which includes stock option compensation benefit of \$264,700 (2009 - \$107,215), and resource property write-off of \$692,946 (2009 - \$828,804). Management fees incurred were \$94,500 (2009 - \$105,719), which consists of fees to non-geological officers and senior management of the Company and its subsidiaries. All expenses directly related to exploration and acquisitions of its resource properties are capitalized.

The foreign exchange gains generally arise due to the Company typically raising equity financing in the strengthening Canadian dollar and funding the bulk of its exploration and claims acquisition in US dollars.

Professional fees incurred were \$135,507 (2009 - \$125,227), which consisted of legal, audit, and other fees related to general corporate matters and corporate governance of the Company and its subsidiaries. Filing fees of \$11,087 (2009 - \$15,146) consisted of fees paid to regulatory bodies in Canada in connection with routine filings. The Company expended \$20,576 (2009 - \$29,494) for rental of its head office in Vancouver, BC. Travel costs of \$44,812 (2009 - \$31,977) were paid primarily for executive travel. Investor relations expenses of \$60,060 (2009 - \$21,639) were

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incurred and increased due to heightened activity in promoting the Company. Wages and benefits totalled \$120,238 (2009 - \$42,726) for office and administrative staff. Office costs of \$19,718 (2009 - \$19,984) were incurred. \$18,632 (2009 - \$17,281) was paid for telephone and utilities.

Expenditures on resource property costs incurred during the period totalled \$1,297,674 (2009 - \$1,145,095), net of costs written off of \$707,405 (2009 - \$828,804) and cost reimbursed of \$94,191 (2009 - \$Nil).

Total exploration costs on the Manica Minerals properties during the period were \$38,432 (2009 - \$253,233). During the period ended June 30, 2010 the Company abandoned its remaining rights to the Manica Minerals properties, and transferred costs totalling \$1,120,269 to the King Solomon Project.

Total exploration expenditures on the African Eagle project during the period were \$12,986 (2009 - \$15,772).

During the period exploration expenditures incurred on the King Solomon project totalled \$629,825 (2009 - \$Nil). Payment from Optimetal in the amount of \$94,141 (2009 - \$Nil) was received during the period as reimbursement for its portion of the Phase 1 costs incurred on the King Solomon project that were to be shared pro-rate as per the Joint Venture Agreement.

The Manica Minerals, African Eagle, King Solomon and Braganza projects are all located in Mozambique.

Total expenditures on the Lobatse properties were \$96,870 (2009 - \$35,916) for the period and costs totalling \$155,322 (2009 - \$Nil) were written off as the Company abandoned all claims to the Lobatse properties during the period. During the period \$8,857 (2009 - \$348,667) were incurred on the Okavango project and costs totalling \$552,083 (2009 - \$Nil) were written off as the Company abandoned all claims to the Okavango properties during the period. \$87,040 (2009 - \$118,400) were incurred on the Tsau project. Lobatse, Okavango and Tsau properties are all located in Botswana.

Expenditures on the Namibian properties totalled \$51,391 (2009 - \$98,299) during the period.

Expenditures on the Ghana property totalled \$226,517 (2009 - \$Nil) during the period.

Expenditures on the Kenya property totalled \$141,499 (2009 - \$Nil) during the period

Three months ended June 30, 2010

The Company's net loss for the three months ended June 30, 2010 was \$253,632 as compared to \$233,369 for the three months ended June 30, 2009. The difference primarily resulted from resource properties costs written off in 2010 and by an increase in fair value of the stock options vested during the period due to higher volatility on the stock market.

The loss for the period was comprised of general and administrative expenses of \$267,164 (2009 - \$240,529), which includes stock option compensation benefit of \$99,510 (2009 - \$59,568), and resource property write-off of \$Nil (2009 - \$24,636). Management fees incurred were \$31,500 (2009 - \$42,719), which consists of fees to non-geological officers and senior management of the Company and its subsidiaries. All expenses directly related to exploration and acquisitions of its resource properties are capitalized.

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The foreign exchange gains generally arise due to the Company typically raising equity financing in the strengthening Canadian dollar and funding the bulk of its exploration and claims acquisition in US dollars.

Professional fees incurred were \$38,845 (2009 - \$27,945), which consisted of legal, audit, and other fees related to general corporate matters and corporate governance of the Company and its subsidiaries. Filing fees of \$4,031 (2009 - \$2,164) consisted of fees paid to regulatory bodies in Canada in connection with routine filings. The Company expended \$7,356 (2009 - \$10,702) for rental of its head office in Vancouver, BC. Travel costs of \$6,790 (2009 - \$8,522) were paid primarily for executive travel. Investor relations expenses of \$16,368 (2009 - \$8,134) were incurred and increased due to heightened activity in promoting the Company. Wages and benefits totalled \$44,613 (2009 - \$14,231) for office and administrative staff. Office costs of \$3,066 (2009 - \$6,730) were incurred. \$6,405 (2009 - \$8,361) was paid for telephone and utilities.

Expenditures on resource property costs incurred during the period totalled \$663,624 (2009 - \$360,758).

Total exploration costs on the Manica Minerals properties during the period were \$(724) (2009 - \$133,890).

Total exploration expenditures on the African Eagle project during the period were \$5,836 (2009 - \$14,603).

During the period exploration expenditures incurred on the King Solomon project were \$377,078 (2009 - \$11,909). Payment from Optimetal in the amount of \$94,141 (2009 - \$Nil) was received during the period as reimbursement for its portion of the Phase 1 costs incurred on the King Solomon project that were to be shared pro-rate as per the Joint Venture Agreement.

The Manica Minerals, African Eagle, King Solomon and Braganza projects are all located in Mozambique.

Total expenditures on the Lobatse properties were \$Nil (2009 - \$3,467) for the period. During the period \$Nil (2009 - \$132,448) were incurred on the Okavango project. \$55,477 (2009 - \$74,912) were incurred on the Tsau project. Lobatse, Okavango and Tsau properties are all located in Botswana.

Expenditures on the Namibian properties totalled \$16,400 (2009 - \$11,749) during the period.

Expenditures on the Ghana property totalled \$67,831 (2009 - \$Nil) during the period.

Expenditures on the Kenya property totalled \$141,499 (2009 - \$Nil) during the period.

1.7 LIQUIDITY

As the Company does not have any cash flow from operations or any production of mineral resources, it must rely on equity financing to fund operations.

The Company's working capital position as at June 30, 2010 was \$1,324,858 (2009 - \$1,385,877). The cash position, including short term investments, at June 30, 2010 was \$1,354,397 compared to \$1,489,040 at June 30, 2009.

Future cash requirements will depend primarily on the extent of future expenditures on the Company's exploration programs. In light of the unprecedented deterioration in market conditions

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over late 2008 – early 2009 period, including the freeze in credit and capital markets, the Company has taken steps to conserve its capital resources. The most important of these steps includes a reduction in expenditures, prioritization of projects, and careful attention to costs throughout its operations, the net effect of which will be to ensure the Company has sufficient funds to maintain itself through at least until the middle of 2011.

1.8 CAPITAL RESOURCES

The total shares of common stock outstanding as of June 30, 2010 were 43,262,930.

On April 20, 2009 the Company completed a non-brokered private placement and raised gross proceeds of \$836,220. Under the terms of the offering the Company sold 2.79 million units at \$0.30 per unit. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the subscriber to purchase one additional common share of the Company for a period of two years from the closing date at \$0.45 per share. The Company paid cash finders' fees of \$36,414.

On May 15, 2009 the Company completed a non-brokered private placement and raised gross proceeds of \$441,810. Under the terms of the offering the Company sold 1.47 million units at \$0.30 per unit. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the subscriber to purchase one additional common share of the Company for a period of two years from the closing date at \$0.45 per share. The Company paid cash finders' fees of \$22,260.

On December 23, 2009, the Company completed a non-brokered private placement and raised gross proceeds of \$2,359,522. Under the terms of the offering the Company sold 3,932,538 units at \$0.60 per unit. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the subscriber to purchase one additional common share of the Company for a period of two years from the closing date at \$0.80 per share. The Company paid cash finders' fee of \$126,387, representing 5.36% of the aggregate proceeds of the offering and 210,644 finders' warrants where each finders' warrant entitles the holder to purchase one common share of the Company for a period of two years from the closing date at \$0.70 per share. The units and the finders' warrants were subject to a 4-month hold period in Canada.

During the nine month period ended June 30, 2010, 525,000 warrants were exercised for gross proceeds of \$236,250.

The total warrants outstanding at June 30, 2010 were 3,781,961.

During the nine month period ended June 30, 2010, 80,000 options were exercised for gross proceeds of \$16,999.

The total options outstanding at June 30, 2010 were 3,037,500.

Subsequent to period end, on August 19, 2010, 5,000 options were exercised for gross proceeds of \$750.

Subsequent to period end, on July 7, 2010, the Company granted incentive stock options to a consultant to purchase up to an aggregate of 100,000 common shares at a price of \$0.30 per share exercisable for a period of three years.

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Compensation benefit relating to employees, directors, officers and consultants is generally recorded as "stock option compensation" in the Company's statements of loss and deficit, however, the portion of such options which relates to compensation for geological or exploration services is capitalized as a component of resource property costs and allocated to property groups.

As of December 10, 2008 the Company commenced trading under the symbol "QM0" on the Open Market organized by Deutsche Borse on the Frankfurt Stock Exchange (FWB Frankfurter Wertpapierbörse). In addition, its common shares have been assigned the WKN Number AOJKHQ.

The Open Market represents one of three German securities market segments regulated by law. Shares, certificates and warrants from more than sixty countries are listed on the Open Market in addition to German securities. Trading in such securities is monitored by the German Federal Financial Supervisory Authority (BaFin), as well as the Market Surveillance Office (HuSt).

The Company has no capital lease obligations, or any other long term debt.

1.9 TRANSACTIONS WITH RELATED PARTIES

All related party transactions were in the normal course of operations and are were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. During the period ended June 30, 2010, the Company incurred the following transactions with related parties, representing management fees paid:

Irwin Olian, CEO, Director	\$90,000	(2009 - \$30,000)
Ardito Martohardjono, Director	\$4,500	(2009 - \$1,500)
Innocent Akwayena, Secretary of AQ Ghana Gold Limited	\$4,697	(2009 - \$Nil)

Dr. Andy Moore, Vice President of Diamond Exploration, was paid geological fees directly related to exploration activities in the amount of \$84,364 (2009 - \$84,405) which were capitalized as a component of resource properties.

The Company paid shared administrative costs to a company with common directors. Rent in the amount of \$19,906 (2009 - \$11,111) was paid to that company on a month-to-month basis during the nine month period for shared office space.

As at June 30, 2010 \$2,262 (2009 - \$509) was payable to directors and officers for reimbursable expenses, and \$Nil (2009 - \$128) was receivable from a company with common directors. The amounts were paid as at the date of this MD&A.

All of these transactions were entered into at market values provided for services rendered.

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1.10 COMMITMENTS

The Company has entered into long term arrangements with commitments for years ended September 30 as follows:

	2010	2011	2012	2013	2014
Management and consulting services – officers	\$ 346,344	\$ 73,648	\$ 6,000	\$ 6,000	\$ 6,000
Consulting services - staff	192,798	45,689	7,084	7,084	7,084
Office rent	26,138	26,138	6,535	-	-
Total	\$ 565,280	\$ 145,476	\$ 19,619	\$ 13,084	\$ 13,084

1.11 OFF-BALANCE SHEET ARRANGEMENTS

None.

1.12 FOURTH QUARTER

Not applicable.

1.13 PROPOSED TRANSACTIONS

There are no proposed assets or business acquisitions or dispositions, other than those in the ordinary course of business before the board of directors for consideration.

1.14 CRITICAL ACCOUNTING ESTIMATES

Not applicable. As at June 30, 2010, the Company was a venture issuer.

1.15 CRITICAL ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

The preparation of financial statements requires management to establish accounting policies, estimates and assumptions that affect the timing and reported amounts of assets, liabilities, revenues and expenses. These estimates are based upon historical experience and on various other assumptions that management believes to be reasonable under the circumstances, and require judgment on matters which are inherently uncertain. A summary of the Company's significant accounting policies is set out in Note 2 of the consolidated financial statements for the year ended September 30, 2009.

Effective January 1, 2010, the Company retroactively without restatement adopted the following new accounting standard issued by the Canadian Institute of Chartered Accountants ["CICA"].

Section 3064 – Goodwill and Intangible Assets

Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*, is applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The adoption of this standard required the Company to retroactively reclassify its computer software assets and

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website costs on its consolidated balance sheet from property and equipment to intangible assets. The net carrying value of computer software and website reclassified as at March 31, 2010 was \$15,693 [September 30, 2009 - \$20,321]. In addition, the amortization of computer software and website has been reclassified from amortization of property and equipment to amortization of intangible assets. The reclassification of amortization for the six months ended March 31, 2010 was \$47,546 [September 30, 2009 - \$42,415].

1.16 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Current assets and liabilities

The Company's current financial instruments are comprised of cash, amounts receivables, accounts payables and accrued liabilities. Current financial instruments are recorded at cost. The fair value of these financial instruments approximates their carrying values due to the immediate or short-term maturity of the financial instruments.

Non-current items

The Company has no non-current financial instruments.

1.17.1 ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

(a) capitalized or expensed exploration and development costs

The required disclosure is presented in the schedule of resource property costs attached to the accompanying consolidated financial statements.

(b) expensed research and development costs Not applicable.

(c) deferred development costs Not applicable.

(d) general administrative expenses

The required disclosure is presented in the Combined Statements of Operations.

(e) any material costs, whether capitalized, deferred or expensed, not referred to in (a) through (d).

None.

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1.17.2 DISCLOSURE OF OUTSTANDING SHARE DATA

The following details the share capital structure as of August 30, 2010, the date of this MD&A.

Expiry Date	Exercise Price	Number	Total
Common Shares			43,267,930
Share Purchase Options			
January 27, 2011	\$0.25	50,000	
November 18, 2011	\$0.15	1,190,000	
December 1, 2011	\$0.15	1,345,000	
March 13, 2012	\$0.30	7,500	
January 5, 2013	\$0.60	240,000	
April 12, 2013	\$0.50	100,000	
June 15, 2013	\$0.38	100,000	
July 7, 2013	\$0.30	100,000	
Total options			3,132,500
Share Purchase Warrants			
April 20, 2011	\$0.45	868,700	
May 15, 2011	\$0.45	736,350	
December 23, 2011	\$0.80	1,966,267	
December 23, 2011	\$0.70	210,644	
			3,781,961

1.17.3 RISKS AND UNCERTAINTIES

The Company's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company was only recently incorporated, has not commenced commercial operations and has no proven history of performance, earnings or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan, and the Company's Common Shares must be considered speculative, primarily due to the nature of the Company's business and early stage of development.

The Company's property interests are primarily located in Botswana, Ghana, Kenya, Namibia and Mozambique. Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability are beyond the control of the Company and may adversely affect its business. In addition, shortages of skilled labour and deficiencies in infrastructure may negatively influence costs of exploration and development.

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to explore and develop its property interests or to fulfil its obligations under applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of new projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity which will result in dilution to The Company's shareholders.

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The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects. Failure to obtain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration work, which may result in it losing its interest in the subject property.

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. Mineral prices, particularly gold and silver prices, have fluctuated widely in recent years. The marketability and price of gold and diamonds which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These other factors include delivery uncertainties related to the proximity of its reserves to processing facilities and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals and precious gems and many other aspects of the mining business. Declines in mineral prices may have a negative effect on the Company.

The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of other corporations which have greater technical or financial resources. The Company may be unable to acquire additional attractive mining properties on terms it considers to be acceptable

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. Failure to comply with such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Certain directors and officers of the Company are also directors, officers and shareholders of other natural resource or public companies, as a result of which they may find themselves in a position where their duty to another company conflicts with their duty to the Company. There is no assurance that any such conflicts will be resolved in favour of the Company. If any of such conflicts are not resolved in favour of the Company, the Company may be adversely affected.

1.18 OTHER INFORMATION

Approval

The Board of Directors of African Queen Mines Ltd. has approved the disclosure contained in the Interim MD&A. A copy of this Interim MD&A will be provided to anyone who requests it and can be located, along with additional information, on the SEDAR website at www.sedar.com.

Controls and Procedures

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is

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accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

TSX Venture listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Due to the Company's September 30 fiscal year, the transition date for the Company is October 1, 2011. Therefore, the IFRS adoption will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011.

To date, management has created a changeover plan for IFRS conversion. Hallmarks of the change over plan include, definition of the discrete tasks required for conversion, a timeline for the completion of the discrete tasks, an estimate of the effort and duration associated with the conversion, prioritization of tasks, the assignment of key personnel within the organization and an analysis of key interdependencies relating to the conversion steps.

The Company has completed the scoping and diagnostic phase. Our analysis of IFRSs and comparison with currently applied accounting principals has identified several areas relating to IFRS that could materially affect the Company. At present, the Company has no contracts, debt covenants, capital requirements, employee benefits or compensation contracts that may be affected by changes to financial reporting because of IFRS.

We believe that the impact of the conversion to IFRS on the Company's accounting systems will be minimal as the Company is still in the exploration phase. Our internal and disclosure control processes, as currently designed, will not need significant modification as a result of our conversion to IFRS. The Company's staff, in conjunction with its CFO, has adequate resources with which to carry out the conversion, as well as to carry on the day-to-day operation of the Company. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion. The actual conversion work will occur in 2010 and 2011. Further, the Company is

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currently checking if its systems can address the 2010 parallel processing requirement. The Company will update its progress in its MD&A throughout the project.

Subsequent Events

See also disclosure of properties/claims and exploration programs, and outstanding share data above.

“Irwin A. Olian”
PRESIDENT, CEO AND DIRECTOR

August 30, 2010