



Aura Minerals Inc.

AURA MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2010

Dated as of March 30, 2011

Table of Contents

1.	BACKGROUND AND CORE BUSINESS	3
2.	FOURTH QUARTER AND YEAR-END 2010 FINANCIAL AND OPERATING HIGHLIGHTS.....	4
3.	CORPORATE DEVELOPMENTS & SIGNIFICANT TRANSACTIONS AFFECTING RESULTS OF OPERATIONS	6
4.	REVIEW OF MINING OPERATIONS AND DEVELOPMENT AND EXPLORATION PROJECTS.....	9
5.	OUTLOOK	22
6.	SELECTED FINANCIAL INFORMATION.....	25
7.	RESULTS OF OPERATIONS.....	26
8.	SUMMARY OF QUARTERLY RESULTS	30
9.	LIQUIDITY AND CAPITAL RESOURCES.....	31
10.	CONTRACTUAL OBLIGATIONS	33
11.	OFF-BALANCE SHEET ARRANGEMENTS.....	35
12.	TRANSACTIONS WITH RELATED PARTIES	35
13.	FOURTH QUARTER	36
14.	PROPOSED TRANSACTIONS.....	37
15.	CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION.....	37
16.	CRITICAL ACCOUNTING ESTIMATES	38
17.	FINANCIAL INSTRUMENTS AND DERIVATIVES.....	42
18.	CORPORATE GOVERNANCE	44
19.	DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING.....	44
20.	INTERNATIONAL FINANCIAL REPORTING STANDARDS	45
21.	NON-GAAP PERFORMANCE MEASURES	48
22.	RISK FACTORS.....	49
23.	DISCLOSURE OF SHARE DATA AS AT MARCH 30, 2011.....	50
24.	CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION	51
25.	ADDITIONAL INFORMATION	52

This management's discussion and analysis ("MD&A") should be read in conjunction with Aura Minerals Inc.'s (the "Company" or "Aura Minerals") audited annual consolidated financial statements for the financial year ended December 31, 2010 and related notes thereto (the "Financial Statements") which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In addition, this MD&A should be read in conjunction with the 2010 Annual Information Form ("AIF") dated March 30, 2011, as well as other information relating to Aura Minerals as filed on SEDAR at www.sedar.com. Unless otherwise noted, references herein to "\$" are to the United States dollar. References to "C\$" are to the Canadian dollar.

This MD&A has been prepared as at March 30, 2011 and provides information that management believes is relevant to assessing and understanding the financial condition of the Company and the results of operations and cash flows for the financial year ended December 31, 2010.

The Audit Committee of the Board of Directors of the Company (the "Board"), consisting of three independent directors, has reviewed this MD&A pursuant to its charter and the Board has approved the disclosure contained herein. A copy of this MD&A will be provided to anyone who requests it.

1. BACKGROUND AND CORE BUSINESS

Aura Minerals is a Canadian mid-tier gold-copper production company focused on the acquisition, exploration, development and operation of gold and base metal projects in the Americas. The Company's operating assets include the producing San Andres gold mine in Honduras (the "San Andres Mine"), the producing Sao Francisco gold mine (the "Sao Francisco Mine") and Sao Vicente gold mine (the "Sao Vicente Mine") in Brazil (collectively, the "Brazilian Mines"), which were acquired on April 30, 2010. In addition, the Company announced the commencement of commercial production effective February 1, 2011 at the Aranzazu copper-gold-silver mine (the "Aranzazu Mine") in Zacatecas, Mexico, which ramped up to full production late in the first quarter 2011, processing open pit and underground development ore. The Company's development asset is the feasibility-stage Serrote de Laje deposit (the "Serrote Deposit") at its wholly-owned copper-gold-iron ore Arapiraca project in the State of Alagoas, Brazil (the "Arapiraca Project"). The Company also has non-core exploration land holdings in Brazil, including iron ore and nickel targets in the Carajas region, State of Para.

Aura Minerals has the objective and vision to build an intermediate gold-copper production company through responsible, sustainable growth. This will be achieved through:

- Operating to the highest environmental and safety standards and in a socially responsible manner;
- Maximizing returns on the Company's projects through cost management and operational efficiencies;
- Advancing projects through development and partnerships; and
- Acquiring and developing quality reserves.

The Company is listed on the Toronto Stock Exchange under the symbol ORA.

2. FOURTH QUARTER AND YEAR-END 2010 FINANCIAL AND OPERATING HIGHLIGHTS

- Gold production of 44,449 ounces and 137,517 ounces in the fourth quarter and full year 2010, respectively. Fourth quarter production increased over 16% from the prior quarter's production of 38,465 ounces from all three gold mines. The Company reported gold production of 18,357 ounces for the fourth quarter of 2009, but it should be noted that this was solely from the San Andres mine as the acquisition of the Brazilian Mines was completed effective April 30, 2010.
- Gold sales of 42,543 ounces and 131,688 ounces in the fourth quarter and 2010, respectively, for net sales of \$57.7 million and \$163.7 million, respectively;
- On-site average cash cost¹ of \$884 per ounce of gold produced in the fourth quarter of 2010 compared with \$1,121 per ounce of gold produced in the third quarter of 2010 and \$550 per ounce in the fourth quarter of 2009 (based on production from only the San Andres Mine), comprised of the following:

	For the three months ended December 31, 2010		For the year ended December 31, 2010	
	Ounces Produced	Cash Costs ¹	Ounces Produced	Cash Costs ¹
San Andres	19,469	\$ 562	70,640	\$ 589
Sao Francisco (from May 1, 2010)	12,922	1,189	36,277	1,338
Sao Vicente (from May 1, 2010)	12,058	1,077	30,600	1,029
Total / Average	44,449	\$ 884	137,517	\$ 885

¹ A cautionary note regarding non-GAAP measures is included in Section 21 of this MD&A.

- Realized average price of gold sold of \$1,371 per ounce and \$1,255 per ounce for the fourth quarter and 2010, respectively. These prices compare with the average market prices of \$1,367 per ounce and \$1,225 per ounce, respectively (London PM Fix);
- Mine operating profit of \$11.0 million for the fourth quarter and \$23.4 million for 2010;
- Net loss for the quarter of \$25.8 million or \$0.12 per share and \$57.0 million or \$0.28 per share for 2010, both of which include an impairment charge of \$24.3 million against the goodwill and mineral property at the Sao Vicente Mine, as further described in *"Corporate Developments and Significant Transactions Affecting Results of Operations – Long-lived Asset and Goodwill Impairment – Sao Vicente Mine"*;
- Adjusted income (loss) and adjusted income (loss) per share are as follows:

¹ A cautionary note regarding non-GAAP measures is included in Section 21 of this MD&A.

<i>(In thousands of dollars except per share amounts)</i>	For the three months ended Dec. 31, 2010	For the three months ended Dec. 31, 2009	For the year ended Dec. 31, 2010	For the year ended Dec. 31, 2009
Net loss per the Financial Statements	\$ (25,825)	\$ (5,911)	\$ (57,048)	\$ (31,337)
Unrealized foreign exchange losses	249	-	1,165	-
Stock-based compensation	1,591	931	11,456	4,586
Writedown of inventory	549	-	3,737	-
Impairment charge - Sao Vicente Mine	24,276	-	24,276	-
Impairment charge - resource properties, net of tax	681	-	681	8,167
Non-recurring transaction costs	-	-	2,335	-
Adjusted income (loss) ¹	\$ 1,521	\$ (4,980)	\$ (13,398)	\$ (18,584)
Adjusted income (loss) per share ¹	\$ 0.01	\$ (0.03)	\$ (0.07)	\$ (0.13)

¹ A cautionary note regarding non-GAAP measures is included in Section 21 of this MD&A.

- On February 4, 2010, the Company completed a joint treasury and secondary bought equity financing for gross proceeds of C\$100,800,000 of which C\$75,600,000 (\$70,476,000) was attributable to the Company;
- The Company closed the acquisition of the Brazilian Mines on April 30, 2010 and, since acquisition, the Company has focused on operational improvements at both mines, such as optimizing pit reconfigurations and improving maintenance practices in order to increase plant and equipment availability, among other things. At the Sao Francisco Mine, Aura Minerals implemented a four-month waste stripping program in late November of 2010, which will allow the mine to resume normal operations in April 2011 with a sustainable mine plan in place. These initiatives are expected to produce significant longer term benefits;
- During 2010, the Company advanced the construction and mine development at the Aranzazu Mine and restarted operations in the fourth quarter. Although delayed one quarter, commercial production for the Aranzazu Mine was declared February 1, 2011, upon the mine and mill having substantially passed mechanical completion and commissioning. Ramp up of the Aranzazu Mine to a throughput of 2,600 tonnes per day (“tpd”) on a sustained basis was achieved late in the first quarter of 2011. Planning is also in the early stages for future expansion of the operation to 4,500 - 5,000 tpd;
- Ongoing exploration at the San Andres Mine, the Sao Vicente Mine and the Aranzazu Mine continued throughout 2010, and focused on converting resources to reserves;
- During and subsequent to the fourth quarter, the Company released results from ongoing exploration and definition drilling programs at the Aranzazu Mine, with an emphasis on increasing the overall resource base along strike and at depth;
- The Company ended the year with \$36.5 million in cash and cash equivalents;

- Subsequent to year end, on March 18, 2011, the Company completed a debt restructuring of the contractual obligations owing to Yamana Gold Inc. (“Yamana”); and
- Subsequent to year end, on March 18, 2011, the Company also entered into an agreement with a major financial institution for a revolving credit facility (the “Credit Facility”) for up to \$25 million, to be used for working capital at the Aranzazu Mine and general corporate purposes.

3. CORPORATE DEVELOPMENTS & SIGNIFICANT TRANSACTIONS AFFECTING RESULTS OF OPERATIONS

Gold Mine Acquisitions

On August 25, 2009, the Company acquired a 100% interest in the San Andres Mine for total consideration of \$81,997,000 which consisted of: cash of \$35,884,000; the issuance of 8,084,728 common shares of Aura Minerals valued at \$19,583,000; two promissory notes totalling \$25,800,000; transaction costs totalling \$730,000; and deferred purchase price consideration of \$14,750,000, payable as to 50% of all net free cash flow from the San Andres Mine from and after August 25, 2009 that exceeds the cumulative net free cash flow of \$79,000,000. No amount was recorded in the purchase price for the deferred purchase price consideration.

Pursuant to an asset purchase agreement (the “Asset Purchase Agreement”) dated July 17, 2009, the Company agreed to purchase the assets and liabilities of the Brazilian Mines (the “Brazilian Mine Acquisition”). Closing of the Brazilian Mine Acquisition occurred on April 30, 2010 and consideration consisted of: cash of \$49,464,000; the issuance of 13,859,533 common shares of Aura Minerals valued at \$53,760,000; a promissory note of \$38,447,000; and deferred purchase price consideration of \$28,404,000, payable as to 50% of all net free cash flow from the Brazilian Mines from and after the date of the Asset Purchase Agreement that exceeds the cumulative net free cash flow of \$135,000,000. See “*Restructuring of Contractual Obligations*” under this section of the MD&A.

A final allocation of the purchase price to the assets and liabilities acquired is presented in note 4 to the Financial Statements. As a result of CICA Section 1582 “Business Combinations”, which was early adopted by the Company effective January 1, 2010, new standards became applicable in determining the carrying amount of the assets acquired and liabilities assumed, as well as goodwill. The new standards require that an estimate of the fair value of any deferred consideration payable be recorded as a liability and included in the purchase price of the Brazilian Mines. Under the previous business combination standards in CICA Section 1581, the value of the deferred consideration payable was not likely to have been recognized. Accordingly, the purchase price for the Brazilian Mines includes \$21,321,000 relating to the fair value of the deferred purchase price consideration described above.

The new standards also require any share consideration issued in connection with a business combination to be valued as of the date that the shares were issued, being the closing date of the transaction. Under the previous business combination standards in CICA Section 1581, share consideration was valued at the date of the announcement of the transaction. Accordingly, the value of the 13,859,533 common shares, based on the Company’s share price on the day prior to closing on April 30, 2010, was \$53,760,000. Had the Company applied the standards under CICA Section 1581, the total value of the share consideration, based on the five-day weighted average of the Company’s closing

share price on June 10, 2009, would have been approximately \$33,000,000. As a result, the Company attributes a majority of the \$24,285,000 value of accounting goodwill arising on the Brazilian Mine Acquisition to the increase in share price from the day the transaction was negotiated and announced in June 2009 to the closing date on April 30, 2010.

As described below in “Restructuring of Contractual Obligations”, subsequent to the end of the 2010 financial year the Company completed a restructuring of the promissory notes and deferred purchase price consideration payable related to the acquisitions of the San Andres Mine and Brazilian Mines.

Financings

On February 4, 2010, the Company and Zoneplan Limited closed a bought deal public offering (the “2010 Offering”) of 18,000,000 common shares from the treasury of the Company and 6,000,000 previously issued common shares of the Company from Zoneplan Limited at a price of C\$4.20 per offered common shares for aggregate gross proceeds of C\$100,800,000 (\$93,968,000) of which C\$75,600,000 (\$70,476,000) is attributable to the Company.

Restructuring of Contractual Obligations

On March 18, 2011, the Company completed the restructuring of the contractual obligations owing to Yamana pursuant to the acquisition of the San Andres Mine and the Brazilian Mine Acquisition. The Company’s contractual obligations included a total of \$64,247,000 in promissory notes and a total of \$43,154,000 in deferred purchase consideration. Under the restructuring, these contractual obligations were considered paid and satisfied in full, and related security was released, in consideration for:

- i) the issuance to Yamana of 19,056,113 common shares in the capital of the Company, at a deemed price per common share of C\$3.83 (valued at \$74,200,000 (C\$72,985,000));
- ii) the payment to Yamana of \$5,000,000, which the Company intends to make on March 31, 2011; and
- iii) the granting to Yamana of a net smelter return royalty (“NSR Royalty”) equal to 1.5% on the sales from the San Andres Mine, Sao Francisco Mine and Sao Vicente Mine, up to a cumulative royalty amount of \$16,000,000, commencing on March 1, 2013, provided that the cumulative amount will be extinguished by the payment in cash of: \$12,500,000 if paid on or before March 31, 2012; \$13,650,000 if paid after March 31, 2012, but on or before March 31, 2013; \$14,350,000 if paid after March 31, 2013, but on or before March 31, 2014; and, \$15,050,000 if paid after March 31, 2014, but on or before March 31, 2015, and adjusted by any payments made on account of the NSR Royalty.

Credit Facility

On March 18, 2011, the Company entered into an agreement with Barclays Bank PLC for a revolving Credit Facility for up to \$25,000,000 to be used for working capital purposes at the Aranzazu Mine and general corporate purposes.

The Credit Facility bears interest at LIBOR plus 2.75% and matures on June 30, 2013. The undrawn portion of the Credit Facility is also subject to a 1.0% per annum commitment fee, payable quarterly. As

of March 30, 2011, the Company had not yet drawn down under the Credit Facility. As a condition of the Credit Facility, the Company will enter into a program, within 30 days of obtaining the Credit Facility, to hedge a minimum of 6,000 tonnes of copper from the Aranzazu Mine between May 2011 and the maturity date. This hedging requirement represents approximately 25% of the Aranzazu Mine's estimated production during this period and the instruments utilized by the Company to implement the program will take the form of zero-cost put/call collars.

Dedicated Waste Stripping Program at the Sao Francisco Mine

From the date of the acquisition of the Sao Francisco Mine, mining of significantly lower than average head grades was necessary as higher-grade material scheduled for mining in 2010 was waste-bound due to delays in stripping of waste in the latter part of 2009 and into early 2010. As a result of the lower head grades, dilution of ore with waste during operations due to the existing pit layout and corresponding low levels of production, cash costs since May were adversely affected and increased to unsustainable levels. Furthermore, the waste-bound nature of the ore limited the effectiveness of other initiatives designed to optimize production and have a net benefit to recoveries and cash costs.

To allow the operation to focus solely on waste stripping and provide adequate time to complete the needed upgrades at the crushing and gravity circuits, the Company implemented a dedicated waste stripping program at the Sao Francisco Mine, effective the end of November 2010. In total, seven million tonnes of waste have been stripped to March 30, 2011 at an estimated cost of \$21 million, including \$6 million spent to December 31, 2010. The dedicated stripping program lasted approximately four months and concluded at the end of the first quarter of 2011. During this period, mining of ore was deferred, but heap leaching of the ore on the leach pads continued and resulted in \$17 million of gold sales from the drawdown of the heap inventories. Additional information regarding the Sao Francisco Mine and the dedicated stripping program can be found in "*Review of Operations and Development and Exploration Projects – Dedicated Waste Stripping Program at the Sao Francisco Mine*".

The Company has put considerable effort into improving the mine plan for longer-term, sustainable operations during the period that the capitalized waste stripping program was completed. A comprehensive review focused on all cost inputs has been completed and a new mine plan is being designed. The results of this work are expected to be announced in the second quarter of 2011.

Long-lived Asset and Goodwill Impairment – Sao Vicente Mine

Since their acquisition and to December 31, 2010, the Company experienced high operating costs at the Brazilian Mines, which according to the applicable accounting standards, is considered to be a triggering event for the purpose of assessing whether the carrying values of long-lived assets and related goodwill are impaired. The high operating costs were the result of a number of factors, including a continued and significant strengthening Brazilian Real, inflation rates in Brazil, and increased contract mining costs presented to the Company upon acquisition.

Even though the Sao Francisco Mine and Sao Vicente Mine were acquired as part of a single transaction, the Company is required to perform the asset impairment analysis at the lowest level for which separately identifiable cash flows exist. As such, the impairment analysis was performed separately for each of the Brazilian Mines.

In accordance with the applicable accounting standards, the Company conducted impairment tests on the Sao Francisco Mine and the Sao Vicente Mine whereby the carrying values of each mine's property, plant and equipment, including mineral properties, were compared to their respective fair values. In making this assessment, the Company tested for recoverability using a two-step process. The first step involves assessing the undiscounted cash flows expected from the mining assets. If the undiscounted future cash flows are less than the carrying value of the assets, the assets are impaired. When impairment is indicated by the first step, a second step is carried out to measure the impairment using discounted cash flows to estimate the fair value. Additionally, goodwill impairment is tested annually and is carried out using a discounted cashflow.

In carrying out the review of the Brazilian Mines' long-lived assets and goodwill for impairment, the Company is required to make a number of estimates or assumptions that include such factors as long-term metal prices, mine lives and mine plans, recovery rates, operating costs, capital and reclamation costs, tax rates, exchange rates, inflation rates and discount rates. In the case of the Company's analysis, these factors were based on assumptions and inputs, including mine lives based on technical reports filed on SEDAR on March 30, 2011, updating Mineral Resource and Mineral Reserve estimates as at December 31, 2010, but included consensus metal price assumptions as of December 31, 2010.

For the Sao Francisco Mine, estimated undiscounted cash flows indicated that the net cash flows are well in excess of the mine's asset carrying values at December 31, 2010 and, accordingly, the Company determined that the assets and goodwill at the Sao Francisco Mine are recoverable and no impairment was identified at this property.

However, for the Sao Vicente Mine, the Company's analysis concluded that the assets were impaired. With the current cost structure, exchange rate and application of an economic pit shell to the resource, overall reserves have increased slightly, but the resource was reduced. As a result, the Company discounted the estimated cash flows using a 6% discount rate in order to estimate the fair value of the Sao Vicente Mine. The Company also evaluated the goodwill assigned to the Sao Vicente Mine and determined that the entire goodwill, in the amount of \$6,071,000, was impaired. The remaining goodwill in the amount of \$18,214,000, included in the Company's assets, relates to the Sao Francisco Mine. Based on the results of the impairment analysis for the Sao Vicente Mine, the Company recorded an impairment charge of \$24,276,000 as of December 31, 2010, which consisted of a reduction of goodwill of \$6,071,000 and a reduction of mineral properties included in property, plant and equipment of \$18,205,000.

The Company's estimate of future cash flows is subject to risks and uncertainties and therefore could change if the underlying assumptions change. This could result in further impairments being recorded in the future. Alternatively, if circumstances improve, International Financial Reporting Standards ("IFRS") rules may allow the impairment provision to be reversed.

4. REVIEW OF MINING OPERATIONS AND DEVELOPMENT AND EXPLORATION PROJECTS

San Andres Mine

The San Andres Mine, acquired on August 25, 2009, is an open-pit heap leach gold mine located in the highlands of western Honduras, in the municipality of La Union, Department of Copan about 150

kilometres southwest of the city of San Pedro Sula. The mine has been in production since 1983 and has well developed infrastructure.

Production at the San Andres Mine in the fourth quarter was 19,469 ounces of gold, up 6% from the 18,357 ounces produced in the fourth quarter of 2009 and up 21% from the 16,133 ounces produced in the third quarter of 2010, which was negatively impacted by the early onset of the rainy season and higher than normal rainfall, and delays in discharge of treated water as discussed in further detail below. The heavy rains impacted mining operations, the crusher and conveyor systems and the grade of the heap leach solution processed and resulted in the Company undertaking a number of measures to mitigate this risk in the future. The most significant step taken in the third quarter was aimed at minimizing the impact of the rain on the clay-rich ore which included covering the conveyors and adding significant operational flexibility by having two primary crushers available during the rainy season, which eliminates the need for stockpiles and the inherent material handling issues. The Company is also now considering covering the active pit areas during heavy rains to improve mining conditions.

During the second quarter, standard testing of treated water prior to discharge revealed trace levels of cobalt, which prevented the Company from discharging excess water on a continuous basis. This delay required that the operation circulate fluids back onto the heaps which resulted in significant dilution of gold grades in solution and decreased gold production. Pilot plant testing with a resin ion exchange filtration system was conducted on site in the second quarter with excellent results. A full-scale plant was constructed and commissioned during the third quarter and was fully operational in the fourth quarter. The Company also commissioned a water treatment facility and these systems will now allow continuous treatment and discharge of excess fluids during the rainy season which will result in more efficient pregnant leach solution management.

Other key items completed in 2010 included the commissioning of a new stacking system during the third quarter. This, together with the ongoing materials handling improvements, will allow a higher rate of ore stacking, reduce ore compaction on the pads and is expected to increase gold production going forward.

The table below sets out selected operating information for the San Andres Mine for the three months and years ended December 31, 2010 and 2009:

Operating Information	Q4 2010	Q4 2009	YTD 2010	YTD 2009 ²
Ore mined (tonnes)	1,293,200	976,100	4,742,700	1,393,300
Waste mined (tonnes)	297,000	141,500	935,800	174,100
Total mined (tonnes)	1,590,200	1,117,600	5,678,500	1,567,400
Waste-to-ore ratio	0.23	0.14	0.20	0.12
Ore plant feed (tonnes)	1,303,600	959,200	4,768,800	1,379,200
Grade (g/tonne)	0.73	0.69	0.72	0.70
Production (ounces)	19,469	18,357	70,640	25,282
Sales (ounces)	19,172	18,076	69,643	25,251
Average cash cost of gold produced (\$/ounce) ¹	\$ 562	\$ 550	\$ 589	\$ 545

¹ A cautionary note regarding non-GAAP measures is included in Section 21 of this MD&A.

² Following date of acquisition on August 25, 2009.

Total waste and ore mined during the three month period ended December 31, 2010 was 1,590,200 tonnes, in line with the total tonnes mined in the third quarter, but up 42% over the same period in 2009. Ore tonnes mined in the fourth quarter of 2010 were 1,293,200, an increase of 10% over the third quarter of 2010 and 32% higher than the 976,100 tonnes of ore mined in the fourth quarter of 2009. The San Andres Mine had a waste-to-ore ratio of 0.23 to 1 in the fourth quarter, which compares with 0.35 to 1 in the third quarter and 0.14 to 1 in the same period of 2009. As a result of the higher waste-to-ore ratio in the third quarter, the ratio for 2010 was 0.20 to 1 or slightly higher than the 2010 mine plan waste-to-ore ratio of approximately 0.15 to 1.

As a result of materials handling improvements made at the operation, total plant feed during the fourth quarter of 2010 was 1,303,600 tonnes of ore, an increase of over 12% from the prior quarter and 36% higher than ore tonnes processed in the fourth quarter of 2009. During the quarter ended December 31, 2010, ore plant feed had an average grade of 0.73 grams per tonne ("g/tonne"), which compares favourably with the average grade of 0.67 g/tonne in the prior quarter and 0.69 g/tonne in the fourth quarter of 2009. Gold production is dependent upon ore grade, degree of oxidation and process recoveries, all of which can be expected to fluctuate from period to period. Although commonly reported by mining companies, recovery rates are influenced by changes to inventory levels and the fact that portions of one period's production is based on mining and processing activities of the prior period. Further, given the short time covered by any quarter, recoveries are not truly indicative of recoveries expected over a longer operating period. The recovery rate for the fourth quarter of 2010 (calculated as the number of ounces produced during the period to the number of contained ounces stacked during the period) was 64%, slightly lower than the 65% recovery rate in the prior quarter. While recovery rates in the second and third quarters of 2010 were negatively impacted by the higher than average rainfall from June to August, the lower recovery rate in the fourth quarter was attributable to the high proportion of 'mixed' ore processed, which characteristically has a lower level of oxidation and subsequent gold recovery and somewhat slower recovery rate kinetics.

In 2011, the planned mining sequence will have a higher proportion of mixed ore mined in the first half of the year. During the third quarter of 2011, the mine plan is to commence mining on the next phase of the upper benches of the Twin Hills pit which will have a greater proportion of oxide ore. Ongoing metallurgical test work at site indicates that mixed ores will have a gold recovery rate in the order of 60 – 65%, while oxide ore will have a higher gold recovery rate of approximately 80%.

Cash operating costs¹ include production costs incurred in any given period, in addition to inventory adjustments that recognize the allocation of costs to and from the Company's in-process leach pad gold inventory. The Company allocates costs incurred to the recoverable ounces stacked on the leach pad in that period, and charges each ounce of gold produced on an average cost basis. Accordingly, cash operating costs reflect cash spent in a period, as well as adjustments to reflect the increases or decreases in leach pad inventory. Cash operating costs¹ of \$562 per ounce of gold produced in the fourth quarter of 2010 were approximately 21% lower than the \$709 per ounce reported in the third quarter of 2010 and 2% higher than the \$550 per ounce reported in the fourth quarter of 2009. Cash operating costs for the year were \$589 per ounce on the total 70,640 ounces of gold produced as compared to \$545 per ounce for the 25,282 ounces produced in 2009, from the date of acquisition on August 25, 2009. As indicated in the MD&A for the second and third quarters of 2010, production and cash costs¹ in those quarters were adversely impacted by the early onset of the rainy season in May, which continued through August, and by the water management and treatment issues discussed previously.

Subsequent to year end, the Company issued an updated Mineral Resource and Mineral Reserve estimate as at December 31, 2010. The estimate is set out in the technical report dated December 31, 2010, and entitled "Resources and Reserves on the San Andres Mine in the Municipality of La Union, Department of Copan, Honduras" prepared for Aura Minerals by Rogerio Moreno, AusIMM, of MCB Servicos e Mineracao Ltda. ("MCB"). This report was filed on SEDAR on March 30, 2011.

Sao Francisco Mine

The Sao Francisco Mine is an open-pit heap leach gold mine located in the western portion of the State of Mato Grosso, Brazil, approximately 560 kilometres west of Cuiaba, the state capital. The mine has been in production since 2006 and has well developed infrastructure.

The table below sets out selected operating information for the Sao Francisco Mine for the portion of the second quarter for which the Company operated the mine, the third and fourth quarters, as well as from May 1 to December 31, 2010:

¹ A cautionary note regarding non-GAAP measures is included in Section 21 of this MD&A.

Operating Information	For the period from May 1 to June 30, 2010	Q3 2010	Q4 2010	For the period from May 1 to Dec. 31, 2010
Ore mined (tonnes)	833,800	1,224,700	886,200	2,944,700
Waste mined (tonnes)	2,314,300	2,759,800	1,093,000	6,167,100
Deferred stripping (tonnes)	-	790,500	2,717,000	3,507,500
Total mined (tonnes)	3,148,100	4,775,000	4,696,200	12,619,300
Waste-to-ore ratio ²	2.78	2.90	4.30	3.29
Ore plant feed (tonnes)	782,000	1,233,200	866,500	2,881,700
Grade (g/tonne)	0.46	0.37	0.45	0.42
Production (ounces)	10,931	12,424	12,922	36,277
Sales (ounces)	6,928	14,129	13,052	34,109
Average cash cost of gold produced (\$/ounce) ¹	\$ 1,125	\$ 1,682	\$ 1,189	\$ 1,338

¹ A cautionary note regarding non-GAAP measures is included in Section 21 of this MD&A.

² Includes deferred stripping waste.

Ore mined during the fourth quarter of 2010 totalled 886,200 tonnes compared with 1,224,700 tonnes in the prior quarter, with the difference predominantly reflecting only two months of ore mining in the fourth quarter due to the suspension of ore mining and the start of the capitalized waste stripping program at the end of November 2010. During the quarter the average ore grade was 0.45 g/tonne, an increase of 22% quarter-over-quarter, however still significantly below the life of mine plan, hence the need to commence the dedicated waste stripping program. Including the 1.7 million tonnes of waste moved in December as part of the stripping program, total waste and ore mined during the three month period ended December 31, 2010 was 4,696,200 tonnes, or marginally lower than the 4,775,000 tonnes of material mined in the third quarter of 2010. As a result, the Sao Francisco Mine had a waste-to-ore ratio of 4.30 to 1 in the fourth quarter, including all waste stripping, as compared to 2.90 to 1 in the previous quarter. Given the current pit configuration and the fact that the current contractor-operated equipment fleet at the Sao Francisco Mine is capable of moving approximately 1.6 million tonnes of material (ore and waste) per month, the total monthly average material moved was consistent throughout both periods.

During the fourth quarter of 2010, 3,810,000 tonnes of total waste stripping at the Sao Francisco Mine included 2,717,000 tonnes of deferred stripping which have been capitalized. Costs associated with this activity, of \$8,225,000 will be depleted as ore accessed by the stripping activities is mined. Approximately seven million tonnes of waste has been removed during the dedicated stripping period, enabling the operation to achieve a sustainable mine plan, as discussed below.

Gold production at the Sao Francisco Mine is dependent upon ore grade and process recoveries, both of which can be expected to fluctuate from period to period. Although fourth quarter gold production at the Sao Francisco Mine represented an increase of 4% and 18% over gold production in the third and second quarters, respectively, production continued to be affected by the inability to access higher

grade areas of the mine. This has resulted in the continued mining of lower than life-of-mine average grade material. The operation also continued to catch up on waste removal, but due to the limitations of the contractor fleet and the confined pit layout, the Company determined that a dedicated waste stripping program was the only way to achieve a sustainable mine plan on a go-forward basis. Operational improvements in the process area commenced during the third quarter and continued into the fourth quarter, resulting in better than average recovery rates in the period (calculated as the number of ounces produced during the period to the number of contained ounces stacked during the period). The calculated recovery rate was over 100% in the fourth quarter compared to 85% in the prior quarter. This is not a sustainable rate, and is primarily a result of minimal ore being stacked in December 2010 following the commencement of the dedicated waste stripping program in late November, as well as certain plant and operational improvements made since the Company's acquisition of the operation.

During the quarter, gold production was 12,922 ounces compared with 12,424 ounces in the prior quarter. The key factors that contributed to the higher gold production were the slightly higher average gold grade processed in the fourth quarter, as noted above, and the higher recovery of gold produced relative to gold stacked in the quarter. As a result of the higher gold production, lower variable costs resulting from the Company's aggressive focus on cost control and the re-negotiated contracts for fuel, cyanide and other key consumables, and due to changes in inventory levels, operating cash costs¹ of \$1,189 per ounce of gold produced in the fourth quarter of 2010 decreased by 29% from \$1,682 per ounce in the third quarter. It should also be noted that cash costs¹ during the fourth quarter were adversely impacted by a further 3% strengthening of the Brazilian Real as compared to the United States dollar. During the quarter, the Company recorded a write-down of \$119,000 for the three months ended December 31, 2010 to bring product, leach pad, and metal in circuit and gold in process inventories to their net realizable values.

The U.S. Dollar to Brazilian Real exchange rate is an important consideration affecting cash costs¹ at the Brazilian Mines, given that the Company's measurement and reporting currency and industry cash costs¹ are expressed in U.S. Dollars but operating costs at the Brazilian Mines are incurred in the local Brazilian Reais. At the time the Asset Purchase Agreement was negotiated in mid-2009, the exchange rate was 2.20 Reais to US\$1. This compares with 1.73 Reais to US\$1 on April 30, 2010 closing date of the Brazilian Mine Acquisition, and 1.66 Reais to US\$1 as at the date of this MD&A, representing a strengthening of 21% and a further 4%, respectively, of the Reais to the US Dollar over these periods. Accordingly, with respect to operating costs, the Company estimates that a 10% change in the Brazilian Real results in a 9 – 10% increase in per ounce cash costs¹ at both mines.

Subsequent to year end, the Company issued an updated Mineral Resource and Mineral Reserve estimate as at December 31, 2010. The estimate is set out in the technical report dated December 31, 2010, and entitled "Resources and Reserves on the Sao Francisco Mine in the Municipality of Vila Bela

¹ A cautionary note regarding non-GAAP measures is included in Section 21 of this MD&A.

da Santissima Trindade, State of Mato Grosso, Brazil” prepared for Aura Minerals by Rogerio Moreno, AusIMM, of MCB. This report was filed on SEDAR on March 30, 2011.

Dedicated Waste Stripping Program at the Sao Francisco Mine

As mentioned above, to allow the operation to focus solely on waste stripping, the Company implemented a dedicated waste stripping program at the Sao Francisco Mine effective at the end of November 2010. The Company estimated that up to four months would be necessary to complete the waste material movement which would allow the mine to resume normal operations with a sustainable mine plan and a pit configuration and layout that would enhance production, reduce waste dilution and improve safety. During this period, mining of ore was deferred, but heap leaching of the ore on the leach pads continued. The estimated capital cost for the four-month waste stripping program is \$21 million, of which \$15 million is attributable to the first quarter of 2011. During the stripping program, the Company has realized approximately \$17 million in sales revenues from the drawdown of the heap inventories prior to taking into account additional processing, selling and administrative costs.

The waste stripping program has also facilitated a change in waste bench configuration from the current 15 metre wide benches to 30 metre benches, which will allow for more efficient blasting, material loading and transportation. The new configuration will help to mitigate dilution, decrease handling and transportation costs, and allow more efficient loading of trucks. During this period of waste stripping the Company undertook a detailed review of all aspects of the Sao Francisco operation including input costs, supply chain management, consumable usage, productivity issues, maintenance practices and safety. This has resulted in the development of a new mine plan which the Company will commence in April 2011. Certain aspects of the plan such as the slimes re-treatment facility, as discussed below, and the “owner-operated” crushed ore transportation will be phased in as equipment is delivered and installed. The key aspects of this new plan are as follows:

- Stockpiling the low-grade Dump Leach Ore (“DLO”) nearby the primary crusher and crushing and processing it at the end of the mine life. Currently, the DLO is hauled approximately four kilometres directly to the leach pads from the pit by the mine contractor. Based on current contractor rates, current Brazilian Real to US Dollar exchange rates and fuel costs, this practice is deemed marginal. Along with longer truck cycle times, this has resulted in reduced truck availability for ore and waste movement. Crushing and processing the DLO material at the end of the mine life will result in immediate savings in haulage costs and significantly better recoveries on the DLO material when it is processed;
- Using an owner-operated fleet to transport crushed ore from the crushing/gravity plant load-out area to the leach pad, instead of the current contract fleet. This ore is currently trucked from the crusher to the leach pad, a distance of 2.2 kilometres. The use of some spare equipment already available at the Sao Francisco Mine, combined with the purchase of five to six additional 30-tonne trucks is estimated to result in cost savings of approximately \$0.40 per tonne, or \$1.9 million in operating cost savings annually. The estimated capital cost for this program is less than \$2 million. The Company is currently in the process of finalizing options for purchase of this fleet and the change from contract to owner-operated haulage of crushed ore is expected to occur in late 2011;

- Installing a 1,000 tonnes per day (“tpd”) slimes re-treatment circuit to increase overall gold recovery. Currently, the crushing/gravity circuit generates approximately 500 tpd of fine-grained slimes grading approximately 1 g/tonne gold, which are rejected. The current slimes stockpile is estimated to contain 455,000 tonnes of material grading approximately 1.0 g/tonne gold. Ongoing testwork completed by the Company on this material yielded an average recovery of 95% of the gold in a six-hour leach test. The installation of a 1,000 tpd, four-stage agitated leach circuit, is estimated to increase gold recovery at the operation by approximately 10,000 ounces per annum at expected average cash costs¹ of \$250/ounce. The estimated capital cost for the tailings retreatment circuit is approximately \$12 million. The Company has delayed engineering and construction of this facility until the overall mine plan is finalized. Design and installation are expected to be complete in the second half of 2012; and
- Improving the crushing/gravity circuit maintenance program and making basic flowsheet changes to increase plant availability. Availability of the circuit prior to the improvements was 65%, due to equipment failure and inefficient maintenance practices. During the second half of 2010, the Company hired an experienced maintenance foreman whose sole task is to execute the changes to the plant and implement and supervise a maintenance planning program. Furthermore, based on the recommendations of an independent engineering firm, the Company has also made several changes to the current gravity recovery plant that will improve recovery and overall utilization. The improvements are now complete and pre-commissioning of the circuit is in progress. Plant availability following these changes is estimated to be greater than 75%, which should result in improved plant throughput and associated cost reductions.

The changes described above, as well as the mining of higher grade ore in the mine, are expected to result in continued cash cost¹ reductions. The Company expects to resume normal operations at the Sao Francisco Mine early in the second quarter of 2011. Once the leach pads are operating on a steady state basis and full access to the higher grade ore is achieved later in the year, on site cash costs¹ are expected to be in the range of \$830 - \$900/ounce. For the full year 2011, cash costs¹ are expected to average between \$1,000-\$1,050/ounce. During the first year following the resumption of operations, the head grade is expected to be 0.8 g/tonne gold for the crusher-gravity ore, significantly higher than the average head grade mined from May 1, 2010 to November 30, 2010. With the operational changes outlined above, annualized production of approximately 100,000 ounces of gold, with cash costs¹ of between \$700 and \$800 per ounce, are expected in the first full year following the recommencement of normal operations, or in mid-2012. Thereafter, the head grade is expected to continue to improve, increasing annual gold production and further reducing cash costs¹.

Sao Vicente Mine

The Sao Vicente Mine is an open-pit heap leach gold mine, located approximately 50 kilometres to the north of the Sao Francisco Mine in the western portion of the State of Mato Grosso, Brazil. The mine has been in production since September 2009 and has well developed infrastructure.

¹ A cautionary note regarding non-GAAP measures is included in Section 21 of this MD&A.

The table below sets out selected operating information for the Sao Vicente Mine for the portion of the second quarter for which the Company operated the mine, and the third and fourth quarters of 2010, as well as from May 1 to December 31, 2010:

Operating Information	For the period from May 1 to June 30, 2010	Q3 2010	Q4 2010	For the period from May 1 to Dec 31, 2010
Ore mined (tonnes)	562,900	1,015,300	916,300	2,494,500
Waste mined (tonnes)	1,070,000	1,121,600	1,450,600	3,642,200
Deferred stripping (tonnes)	-	545,800	285,100	830,900
Total mined (tonnes)	1,632,900	2,682,700	2,652,000	6,967,600
Waste-to-ore ratio ²	1.90	1.64	1.89	1.79
Ore plant feed (tonnes)	581,000	1,008,500	921,000	2,510,500
Grade (g/tonne)	0.49	0.47	0.49	0.48
Production (ounces)	8,634	9,908	12,058	30,600
Sales (ounces)	6,622	10,995	10,319	27,936
Average cash cost of gold produced (\$/ounce) ¹	\$ 893	\$ 1,091	\$ 1,077	\$ 1,029

¹ A cautionary note regarding non-GAAP measures is included in Section 21 of this MD&A.

² Includes deferred stripping waste.

In the fourth quarter of 2010, the Company mined 916,300 tonnes of ore at an average head grade of approximately 0.49 grams per tonne. Although the gold grade was slightly higher compared with the prior quarter, ore tonnes mined was down approximately 10% from the 1,015,300 tonnes mined in the third quarter due to the onset of the rainy season in September, which continued into March 2011. Total waste and ore mined during the fourth quarter was 2,652,000 tonnes, generally in line with the prior quarter. The Sao Vicente Mine had a waste-to-ore ratio of 1.89 to 1 in the fourth quarter, including all waste stripping, compared with 1.64 to 1 in the prior quarter. Of the total 1,735,700 tonnes of waste stripping completed at the Sao Vicente Mine in the fourth quarter, 285,100 tonnes was considered to provide future benefits. Costs associated with this activity of \$683,000 have been capitalized and will be depleted as ore accessed by the stripping activities is mined.

Total plant feed during the quarter ended December 31, 2010 was 921,000 tonnes of ore, down 9% quarter-over-quarter. Ore plant feed in the fourth quarter had an average grade of 0.49 g/tonne, up slightly from the prior quarter.

Gold production is dependent upon ore grade and process recoveries, both of which can be expected to fluctuate from period to period. The recovery rate for the fourth quarter of 2010 (calculated as the number of ounces produced during the period to the number of contained ounces stacked during the period) was 83%, which compares to 65% in the prior quarter. Recovery rates are influenced by changes

to inventory levels, variations in mining and processing activities between periods and leach cycle times. Final gold recovery is determined when leach pad areas are reclaimed and production reconciled.

In the fourth quarter, gold production was 12,058 ounces, or 22% higher than the 9,908 ounces produced in the third quarter. This reflected the higher gold recovery and changes to ore stockpile and heap leach inventories as described above.

The average cash cost per ounce produced in the fourth quarter of \$1,077 was down slightly from the previous quarter, despite the impact of the strengthening in the Brazilian Real relative to the United States Dollar. During the quarter, the Company recorded a write-down of \$430,000 to bring product, leach pad, and metal in circuit and gold in process inventories to their net realizable values.

Similar to the Sao Francisco Mine, the Company's focus for the Sao Vicente Mine has been operational improvements to increase productivity, improve overall gold recovery and lower cash operating costs. Ongoing operational initiatives include:

- Upgrading the crushing and process plant to increase equipment availability and thereby improve plant throughput and reduce operating costs. Such improvements have included installation of certain critical standby equipment and improved wear materials;
- Constructing additional leach pad space, which began in the third quarter of 2010; and
- Conducting a definition and expansion drilling program to improve the mine planning and grade control and to increase the resource base.

Subsequent to year end, the Company issued an updated Mineral Resource and Mineral Reserve estimate as at December 31, 2010. The estimate is set out in the technical report dated December 31, 2010, and entitled "Resources and Reserves on the Sao Vicente Mine in the Municipality of Nova Lacerda, State of Mato Grosso, Brazil" prepared for Aura Minerals by Rogerio Moreno, AusIMM, of MCB. This report was filed on SEDAR on March 30, 2011.

Aranzazu Mine

The Aranzazu Mine is located near the town of Concepcion del Oro in the state of Zacatecas, Mexico and consists of both open-pit and underground mine operations and a recently-upgraded 2,600 tpd mill, which produces a copper-gold-silver concentrate via flotation. In addition to these assets, the Company also controls approximately 10,445 hectares of exploration concessions centred on the Arroyos Azules underground mine and the historical, past-producing El Cobre area.

Subsequent to the end of the 2010 year, the Company declared that the mine had reached commercial production, effective February 1, 2011. Accordingly, operating costs incurred during the development and commissioning period have been capitalized and any incidental product shipment revenues prior to the date of commercial production were applied as a reduction of capitalized costs. To December 31, 2010, these shipment revenues included \$545,000 from the sale of 272 dry metric tonnes from 740 dry metric tonnes of concentrate produced to that date.

During the fourth quarter, mine development and mill commissioning work was ongoing with a goal of reaching full production of 2,600 tpd by the end of the first quarter 2011. While full capacity has been

reached and sustained for an extended period, copper recoveries have varied due to the processing of underground development ore, oxide ore and transition ore from open-pits. This material was essentially used for plant commissioning purposes, but has less favourable recoveries of copper than primary sulphide mineralization in the plant flotation circuit. However, copper recoveries were generally higher than expected from the oxide mineralization and gold and silver recoveries were well above predicted levels. A saleable copper concentrate grading approximately 23% copper was produced with average gold grades of 11 g/tonne and silver grades of 595 g/tonne. Once final commissioning of the regrind and cleaner circuit is completed and processing of sulphide ore commences, the copper concentrate grade is expected to increase to approximately 30%. It is expected that the open-pit mining of the oxide mineralization will be completed during the second quarter 2011, at which time steady state mining of primary sulphide ore can be sustained. Underground mining is also being ramped up with the mining of ore currently from the Mexicana zone. The ramp up of underground mining has been much slower than expected due to the delay in delivery of mine equipment and the difficulty in hiring suitably qualified mine operations personnel. The majority of the fleet has now been delivered and the Company has also hired a mining contractor to assist in mine operations and mine development as well as the training of the Company's mine personnel. The next stages of underground mine development will be in the Mexicana zone, the high grade BW zone and the AA Sub Level Cave ("SLC"). Ore will be sourced from both open pit and underground during the remainder of 2011 and into 2012, with transition into full underground operations thereafter.

Throughout 2010, the Company continued to actively drill-test the high-grade resources within the Calcocita, Arroyos Azules, Glory Hole and BW zones. The purpose of this drill campaign was to: increase the drill density for both short and long term mining purposes; in-fill drill testing along strike to expand the database; and test the continuity of mineralization further at depth. In addition, a new zone, Zona CC, was discovered and returned high-grade drill results generally consistent with the existing resource base. As part of this program, results from 161 holes were released in 2009 and results from an additional 170 new and six historic holes were released during 2010, which continued to confirm grades and widths of the deposit. Drill results from another 20 holes were also released subsequent to the end of 2010.

The Company believes that there is strong potential at depth to increase the resources and subsequently significantly increase the size of the overall operation. In this regard, a 50,000 metre surface and underground drill program was initiated in 2010 to test the down-dip and along strike potential of the mineralized system beyond the existing resource boundaries as part of an overall plan to investigate the possibility to develop a high tonnage bulk mining operation at the Aranzazu Mine. To date, the Company has released results from 10 deep drill holes located in the "Glory Hole/Tiro Azules" zone. The results demonstrate the resource in this area is still open at depth with grades and widths consistent with the main resource.

Based on the encouraging results both at depth and along strike, the Company will commence planning of a major expansion program for the mine in 2011. Together with the extensive surface and underground drill program mentioned above, this work will include all necessary geotechnical and engineering studies. Based on the continuity of mineralized intersections and favourable ground

conditions, the Company believes that the deposit is suited to a low cost bulk mining scenario such as sub-level caving and long-hole stoping. In 2011, the Company also plans to drill the nearby El Cobre deposit, which was an operating mine for over 30 years and remains open along strike and down-dip. Several samples have been collected from historic dumps at El Cobre with average grades above 2% Cu and 2 g/tonne Au. The total 2011 expenditures associated with the above exploration program are estimated to be \$3.2 million.

On September 20, 2010, the Company issued updated resource estimates using 0.5% and 0.8% copper cut-offs and based on all drilling completed to July 2010 (the “2010 Aranzazu Resource”). The cut-offs are based on copper values only. The 2010 Aranzazu Resource was included in the National Instrument 43-101 (“NI 43-101”) compliant report dated October 25, 2010, and entitled “NI 43-101 Technical Report and Resource Estimate on the Aranzazu Property, Zacatecas State, Mexico” prepared for Aura Minerals by William J. Lewis, B.Sc., P.Geol of Micon International Limited (“Micon”). This report was filed on SEDAR on November 4, 2010.

Aranzazu Resource Estimate – 0.5% Cu only cut-off

Resource Category	Tonnes (000)	Cu %	Au g/t	Ag g/t
Measured	6,461	1.12	0.62	11.0
Indicated	18,523	1.13	0.53	14.1
Measured and Indicated	24,984	1.12	0.55	13.3
Inferred	8,130	1.19	0.46	15.6

Aranzazu Resource Estimate – 0.8% Cu only cut-off

Resource Category	Tonnes (000)	Cu %	Au g/t	Ag g/t
Measured	3,810	1.46	0.75	13.5
Indicated	10,362	1.51	0.67	18.0
Measured and Indicated	14,172	1.50	0.69	16.8
Inferred	4,940	1.54	0.59	20.3

The copper grades of the measured and indicated resources for the 0.5% Cu cut-off and the 0.8% Cu cut-off estimates have improved by 11% and 12% respectively over the previous resource estimate. Furthermore, most of the historical (pre-2007) drilling on the Aranzazu Mine was not assayed for precious metals. Up to the cut-off date for the new resource estimate, Aura Minerals had completed a total of 50,208 metres of drilling, all of which has been assayed for precious metals. In the compilation of this most recent resource estimate, approximately 54% of the holes comprising the resource were assayed for gold, and approximately 64% of the holes comprising the resource were assayed for silver. As compared to the previous resource estimate issued on November 2, 2009 (the “2009 Aranzazu Resource”), the gold grade of measured and indicated resources at a 0.8% Cu cut-off has increased 38%, and the silver grade of measured & indicated resources at a 0.8% Cu cut-off has increased 41%. As drilling continues on the project, precious metals grades in future resource estimates are expected to continue to improve. The 2009 Aranzazu Resource was included in the NI 43-101 compliant report

dated December 7, 2009, and entitled “NI 43-101 Technical Report and Resource Estimate on the Aranzazu Project, Zacatecas State, Mexico” prepared for Aura Minerals by William J. Lewis, B.Sc., P.Geo. of Micon.

The 0.8% Cu cut-off will be used for reserve definition of the Arroyos Azules, BW, and Mexicana zones, which are the first areas scheduled for mining. The 0.5% Cu cut-off will be used to continue to assess the potential of the project to be ramped up to a bulk underground operation, as results from the ongoing deep drilling program continue to demonstrate intercepts at depths significantly below the current resource. The September 2010 resource estimate was based on in-fill drilling of the deposit to increase the confidence level for the overall system, and ensure a minimum of 25 metre centres for ongoing reserve calculations.

Drilling is ongoing, with an additional 285 drill holes completed subsequent to the cut-off date for the 2010 Aranzazu Resource, many of which are outside of the current resource envelope, and two drills are currently operating on site. Since taking over the Aranzazu Mine in June 2008, the Company has completed 113,607 metres of drilling. Aura Minerals expects to complete another updated resource estimate in the second quarter of 2011.

Arapiraca Project

The Arapiraca Project is located in the central-southern part of the State of Alagoas, Brazil, approximately 15 kilometres northwest of the city of Arapiraca and currently consists of 95 exploration licences totalling 164,583 hectares and one application for a mining concession of 392 hectares.

In August 2009, the Company announced that it had been granted the Installation Licence (“LI”) issued by the Alagoas State Environmental Agency for the Serrote Deposit. The LI allows the Serrote Deposit to proceed to the construction stage. In connection with the Serrote Deposit, the Company announced results from the Preliminary Economic Assessment Study dated September 30, 2009, and entitled “Preliminary Economic Assessment, Serrote da Laje Deposit of the Arapiraca Copper-Gold-Iron Ore Project, State of Alagoas, Brazil” prepared for Aura Minerals by Gordon Zurowski, P. Eng. of PEG Mining Consultants Inc. in conjunction with Ronald G. Simpson, P. Geo of GeoSim Services inc. and Brian Kennedy, P.Eng. (the “PEA Study”). This report was filed on SEDAR on September 30, 2009. The Company announced its intention to proceed to full feasibility following the release of the PEA Study.

Based on the positive results of the PEA Study, the Company has now completed the final variability testwork, grinding simulation testwork and finalized the process flowsheet. The contract to complete a feasibility study is expected to be awarded later in the second quarter of 2011, with full completion of this study expected late in the fourth quarter of 2011. As part of the feasibility study, and based on the evolution of the geological interpretation of the deposit, an additional drill program is planned to better define Measured and Indicated ore blocks at the margins of the deposit and define the life of mine waste-to-ore strip ratio. A new resource estimate will be completed on conclusion of the drill program. With all essential permits in place, and with the excellent infrastructure nearby the project, the Company expects to commence negotiations for project financing and development during 2011, with a construction decision later in the year or early 2012.

Non-Core Exploration Properties

The Company's non-core exploration land holdings consist of the Cumaru project, the Inaja Greenstone Belt (the "Inaja Project") and the North Carajas Belt claims, located in the State of Para, Brazil (collectively, the "Para Properties"). In light of their early exploration stage, the Company has placed little focus on the Para Properties and incurs minimal holding costs thereon. The Company is considering options on these properties, such as joint venture agreements or outright sales thereof. In 2009, the Company granted an option to Vale S.A. to earn up to a 70% interest in the Inaja Project (the "Inaja Option").

In connection with the Inaja Option, Vale S.A. has conducted extensive exploration work across the entire area (about 100,000 hectares) of the Inaja Project, including an airborne magnetic survey, detailed geological mapping of iron formations and ultramafic rocks, sampling of stream sediments, and a detailed ground magnetic-radiometric survey. Drilling of prospective targets is underway.

5. OUTLOOK

In the fourth quarter of 2010, the gold price exhibited increased volatility but overall continued its upward trend, rising over 4% to \$1,405 per ounce at calendar year-end. From the end of 2010 to the date of this MD&A, volatility increased further, with a correction that saw a low of \$1,319 per ounce in late January and a subsequent recovery to \$1,420 – \$1,430 per ounce, for an overall increase of just under 2%. Since the beginning of the fourth quarter 2010, gold has essentially been trading in a \$1,320 - \$1,420 per ounce band, with the lower level supported by continued investment demand and uncertainty surrounding the timing of the global economic recovery and the upper level capped by more favourable economic data implying possible lower demand for gold as a safe haven investment. Against this backdrop, the gold price in the first quarter of 2011 has increased with oil prices due to the political and social upheaval in the Middle East and northern Africa and the tragic earthquake and tsunami in Japan. Taking into consideration these market fundamentals, the Company expects near and mid-term gold prices to remain well supported, albeit with a high degree of volatility.

The price of copper also strengthened in the fourth quarter of 2010, rising 21% to \$4.42 per pound at calendar year-end. Since the end of 2010, prices have held in a relatively narrow trading band but have decreased slightly since the end of 2010, to \$4.30 - \$4.35 per pound as of the date of this MD&A. However, despite some recent volatility in copper prices, partly caused by recent events in Japan, strong physical and investment demand, declining physical stocks and a weaker United States dollar have continued to support near and mid-term copper prices.

The price of commodities, namely gold and copper, is one of the largest factors affecting Aura Minerals' profitability and operating cash flows and the current and future financial performance of the Company is closely related to the prevailing prices of these metals. Other key factors affecting the Company's profitability and operating cash flows are: the levels of production, which are impacted by grades, strip ratios, plant and equipment availabilities, and process recoveries; and costs, which are impacted by production levels, fixed and variable costs, prices of key consumables, labour, inflation, and exchange rates, among other things.

Since acquiring the San Andres Mine, the Company has focused on several important capital projects and operational improvements aimed at optimizing gold recovery and reducing cash costs¹. These include the completion of the new primary crusher-conveyor system in the second quarter of 2010 followed by the completion of the leach pad expansion, the water treatment plant and installation of a new stacker system during the third quarter. The impact of these projects on production and cash costs¹ were seen late in the third quarter and throughout the fourth quarter of 2010. In 2011, the Company expects annualized production of between 80,000 and 90,000 ounces of gold with cash costs¹ in the range of \$550 – \$650 per ounce, reflecting the benefit of the operational improvements against a backdrop of continued rising industry cost pressures. It should be noted that the cash cost profile will also favour the second half of 2011 due to mine sequencing, with mining and processing of ‘mixed’ ore (60 – 70% gold recovery factor) in the first half and more heavily oxidized ore (80% gold recovery factor) in the second half of 2011.

From the date of acquisition, the waste-bound nature of the ore at the Sao Francisco Mine resulted in higher waste dilution and lower average head grades, and consequently lower gold ounce production and higher unit cash costs¹. Furthermore, the continued strengthening of the Brazilian Real has adversely impacted mine site cash costs¹. As discussed in *“Review of Mining Operations and Development and Exploration Projects – Dedicated Waste Stripping Program at the Sao Francisco Mine”*, the waste stripping program which began in late November 2010 is substantially complete, and normal operations are expected to resume early in the second quarter of 2011. Concurrent with this waste stripping program, other necessary operational improvements were completed to improve plant availability and ore throughput. On resumption of normal operations, the head grade for the crusher-gravity ore is expected to be approximately double the average head grade processed in the period that the Company operated the mine prior to the temporary shutdown of mining operations. Approximately one year after the re-start of operations, or mid-2012, annualized production is expected to be 100,000 ounces of gold per year at estimated cash costs¹ of between \$700 and \$800 per ounce. However, for the full year 2011, cash costs¹ are expected to average between \$1,000 and \$1,050 per ounce. After mid-2012, the grades are expected to continue to improve which should increase annual gold production. Taking into consideration the April start-up and the typical leach cycle, the Company’s guidance for 2011 is 55,000 – 60,000 ounces of gold production for this operation.

Like the Sao Francisco Mine, the Sao Vicente Mine faces the same exposure to the Brazilian Real currency and also has numerous opportunities to improve operational performance. Several of the operational initiatives noted above (see *“Review of Mining Operations and Development and Exploration Projects – Sao Vicente Mine”*) were started in the second half of 2010 and certain others will continue to be implemented in 2011, such as modifying the heap leach stacking system to improve recoveries and reviewing the current process plant to upgrade plant availability and increase recoveries. Additionally, definition and expansion drilling will continue in an effort to increase the resource base. The Company expects production of approximately 45,000 – 50,000 ounces of gold in 2011 at estimated cash costs¹ of

¹ A cautionary note regarding non-GAAP measures is included in Section 21 of this MD&A.

between \$1,000 and \$1,100 per ounce, with further decreases in cash costs¹ when other operational improvements take effect.

Estimated 2011 gold production guidance per mine, based on the restart of operations at the Sao Francisco Mine in early April, is summarized in the table below:

Gold Production Estimates	
San Andres Mine	80,000 - 90,000 oz
Sao Francisco Mine	55,000 - 60,000 oz
Sao Vicente Mine	45,000 - 50,000 oz
Total	180,000 - 200,000 oz

Plant commissioning at the Aranzazu Mine was substantially completed in January and commercial production was declared effective February 1, 2011, with ramp-up to the targeted throughput of 2,600 tpd having been achieved late in the first quarter. As announced during the first quarter, the Aranzazu Mine is expected to produce approximately 16.5 million pounds of copper, 10,000 ounces of gold, and 200,000 ounces of silver in 2011. Cash costs¹ are estimated at \$1.25 – 1.35 per pound of copper, net of by-product credits from gold and silver, once steady state production is achieved.

Capital expenditure guidance for 2011 is approximately \$52.7 million, of which \$21.0 million relates to the completion of the dedicated stripping program and other projects at the Sao Francisco Mine, \$14.3 million relates to the underground development and \$5.4 million relates to other machinery and equipment at the Aranzazu Mine. The Company also expects to spend approximately \$6 million at each of the San Andres Mine and the Sao Vicente Mine.

Organic growth continues to be a significant focus for Aura Minerals. Exploration expenses are forecast to be approximately \$6.2 million for 2011, of which \$3.2 million is allocated to the Aranzazu Mine to drill test the El Cobre area northwest of the Arroyos Azules mine area, \$2.0 million is allocated to San Andres to convert Measured and Indicated resource ounces to reserve categories, and approximately \$1.0 million is to be spent at expanding the resource base at Sao Vicente.

The Company believes that the commodity price environment and prospects for its business remain favourable and it expects that the San Andres Mine, the Aranzazu Mine, and the Brazilian Mines will generate positive operating cash flows in 2011. As a result, based on the Company's current expectations from its operating mines, combined with strong metal prices, cash on hand, and the recently announced \$25 million revolving Credit Facility, the Company believes it is fully financed to achieve its near-term growth objectives.

On March 25, 2011, it was announced that Patrick Downey, President and Chief Executive Officer, would be leaving the Company. To give the Company the opportunity to find a suitable replacement and allow a smooth transition, Mr. Downey has agreed to remain as President and Chief Executive Officer up to June 30, 2011. The Board has commenced a search for Mr. Downey's successor.

6. SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information for the Company for the three recently completed financial years:

(In thousands of US dollars, except per share information)	Year Ended		
	December 31, 2010 (audited)	December 31, 2009 (audited)	December 31, 2008 (audited, restated)
Revenue	\$ 163,652	\$ 26,491	\$ 2,931
Net Loss	57,048	31,337	55,122
Net Loss per Share (basic and diluted)	0.28	0.23	0.49
Total Assets	503,857	315,738	143,971
Future Income Tax Liabilities	36,204	34,793	23,122
Other Long-term Financial Liabilities	98,953	33,642	1,154
Cash Dividends Declared per Share	Nil	Nil	Nil

The above financial data and the Financial Statements have been prepared in accordance with accounting principles generally accepted in Canada and the Financial Statements are measured and expressed in United States dollars. The significant accounting policies followed by the Company are outlined in note 2 to the Financial Statements and the impact of the Company's change in reporting currency from the Canadian dollar to the United States dollar, effective October 1, 2009, is outlined in note 3(a). Factors that have caused period to period variations include: several significant financings over the three year period; the Aranzazu Acquisition on June 5, 2008; the acquisition of the San Andres Mine on August 25, 2009; and the acquisition of the Sao Francisco and Sao Vicente Mines on April 30, 2010. Certain of these significant factors are outlined in the section entitled "*Corporate Developments and Significant Transactions and Factors Affecting Results of Operations*". The allocation of total assets, as shown above, between the operating segments is outlined in note 25 to the Financial Statements.

As a result of the Aranzazu Acquisition on June 5, 2008, all of the revenue shown in the above table for the year ended December 31, 2008 is attributable to the sale of copper concentrates derived from the Aranzazu Mine. As a result of weakening commodity and capital markets in the second half of 2008, all mining activities at the Aranzazu Mine were suspended in December 2008. Ongoing operating costs at the Aranzazu Mine are reflected as costs of operations in care and maintenance in the results for the 2009 year. As a result of the acquisition of the San Andres Mine on August 25, 2009, all but \$35,000 of the revenue shown in the above table for the year ended December 31, 2009 is attributable to the sale of gold from the San Andres Mine. For the year ended December 31, 2010, \$84,471,000 of the revenue is attributable to the sale of gold from the San Andres Mine for the full year of operation, and \$43,648,000 and \$35,533,000 are attributable to the sale of gold from the Sao Francisco Mine and the Sao Vicente Mine, respectively, after the date of the acquisition of these mines on April 30, 2010.

The net loss for 2010 includes an impairment charge of \$24,276,000 on the goodwill and mineral property assets at the Sao Vicente Mine, as described in “*Corporate Developments and Significant Transactions Affecting Results of Operations – Long-lived Asset and Goodwill Impairment – Sao Vicente Mine*”. As a result of certain non-core property claims being abandoned during the first quarter of 2009, the net loss for 2009 includes an impairment charge of \$8,167,000, net of a related future income tax recovery of \$2,777,000. Similarly, as a result of certain non-core property claims being abandoned during 2008, the net loss for 2008 includes an impairment charge of \$4,159,000, net of a related future income tax recovery of \$1,414,000.

7. RESULTS OF OPERATIONS

Sales, Cost of Goods Sold and Mine Operating Profit

Revenue from the sale of gold and metals in concentrate is recognized in the financial statements when title to the product transfers and the rights and obligations of ownership pass to the customer. Incidental revenues from the sale of silver by-products as part of the Company’s gold sales are classified within cost of sales. Revenues from sale of metals in concentrate are recorded in the statement of income net of treatment and refining costs paid to counterparties under the terms of the off-take arrangements and are recognized based on quoted market prices in periods subsequent to the date of sale. In accordance with industry practice, the estimated revenue is recorded based on forward metal prices for the expected date of final settlement. As a result, revenues for concentrate sales include estimated prices for sales in the period, adjusted at period-end based on expected copper prices for final settlement, as well as pricing adjustments for sales that occurred in previous quarters, based on actual prices received. These adjustments also reflect changes in quantities arising from final weight and assay calculations.

Details of sales, cost of goods sold and mine operating profit are presented below:

<i>(In thousands of dollars)</i>	For the year ended December 31, 2010	For the year ended December 31, 2009
Sales	\$ 163,652	\$ 26,491
Cost of goods sold ¹	140,270	21,359
Mine operating profit	\$ 23,382	\$ 5,132

¹ Cost of goods sold includes the fair value impact for the acquisitions of the San Andres Mine in 2009 and the Brazilian Mines in 2010.

Total net sales for the year ended December 31, 2010 were \$163,652,000, inclusive of local sales taxes paid of \$1,670,000. The Company’s gross revenue is comprised of sales of \$85,327,000 from the San Andres Mine, \$44,093,000 from the Sao Francisco Mine and \$35,902,000 from the Sao Vicente Mine. For the year ended December 31, 2010, the Company sold 131,688 gold ounces at an average realized price of \$1,255 per gold ounce, which is \$30 per ounce higher than the market average price for the same period of \$1,225 per ounce (London PM Fix).

Total net sales for the year ended December 31, 2009 were \$26,491,000 and consisted of 25,251 gold ounces from the San Andres Mine at an average realized price of \$1,048 per ounce and 41 dry metric tonnes of copper concentrate from the Aranzazu Mine having a total value of \$35,000.

For the year ended December 31, 2010, cash costs of gold sold totalled \$117,938,000 or \$895 per ounce and included a write-down of \$3,737,000 to bring inventory to its net realizable value and a net smelter return royalty of \$221,000 or \$2 per ounce. The net smelter return royalty relates to a 0.5% underlying royalty associated with the gold sold from the San Andres Mine to a maximum of \$1,500,000, which was reached in the second quarter of 2010. Together with the non-cash depletion, amortization and accretion charges for the year of \$22,332,000 or \$170 per ounce, cost of goods sold was \$140,270,000 or \$1,065 per ounce.

Cost of goods sold for the year ended December 31, 2009 includes \$21,336,000 related to sales from the San Andres Mine, or \$845 per ounce sold, and \$23,000 related to the final sale of copper concentrate from the Aranzazu Mine early in the year. Cost of goods sold for the year includes mine operating expenses of \$18,276,000 or \$724 per ounce, which includes the impact of the fair value adjustment to the acquisition date inventory, which was subsequently sold, of \$4,910,000 or \$194 per ounce, and a net smelter return royalty of \$135,000 or \$5 per ounce. Total non-cash depletion, amortization and accretion charges for the year totalled \$3,060,000 or \$121 per ounce.

For the year ended December 31, 2010, the Company recorded a mine operating profit of \$23,382,000, as compared to a mine operating profit of \$5,132,000 for the year ended December 31, 2009.

Other Expenses and Operating Loss

Other expenses for the year ended December 31, 2010 include exploration expenses of \$24,157,000, stock-based compensation of \$11,456,000, general and administrative expenses of \$14,637,000, an impairment charge on the assets of the Sao Vicente Mine of \$24,276,000, an impairment charge to resource properties of \$681,000, transaction costs related to the Brazilian Mine Acquisition of \$2,335,000 and amortization and accretion of \$2,051,000. For the year ended December 31, 2009, other expenses included exploration expense of \$10,699,000, stock-based compensation of \$4,586,000, general and administrative expenses of \$7,753,000, costs of operations in care and maintenance of \$1,664,000, an impairment charge on resource properties of \$8,167,000 and amortization of \$367,000.

For the year ended December 31, 2010, the Company incurred an impairment charge related to the goodwill and mineral properties of the Sao Vicente Mine to bring them to their estimated fair values as of that date (see *“Corporate Developments and Significant Factors Affecting Results of Operations – Long-lived Asset and Goodwill Impairment – Sao Vicente Mine”*). In addition, the Company recorded an impairment charge against certain land assets at the Arapiraca Project of \$681,000 when it was determined that these lands had no value to the Project.

For the year ended December 31, 2010, the Company incurred \$24,157,000 in exploration costs, including expenditures of \$7,441,000 related to the Arapiraca Project, comprising mostly of: consulting costs of \$1,578,000; drilling costs of \$2,049,000; and salaries and benefits of \$1,797,000. Exploration expenses on the Aranzazu Mine during the year totalled \$11,554,000 and primarily included: drilling costs of \$8,979,000, geological and assay related costs of \$1,039,000, and consulting costs of \$490,000.

Exploration expenditures for the year also includes \$4,443,000 on the Brazilian Mines comprising primarily drilling costs of \$2,258,000, geological and assay related costs of \$385,000, and salaries and benefits of \$690,000. Exploration expenditures at the San Andres Mine totalled \$338,000 for the year and exploration at the Company's non-core projects totalled \$381,000.

For the year ended December 31, 2009, the Company incurred \$10,699,000 in exploration costs, primarily representing exploration and development work conducted on the Company's Arapiraca Project and Aranzazu Mine. Of the expenditures for the year, \$6,137,000 related to the Preliminary Economic Assessment ("PEA") at the Arapiraca Project, \$3,270,000 in exploration expenditures related to the Aranzazu Mine, and \$1,292,000 was incurred at the Company's non-core projects.

The stock-based compensation expense for the year ended December 31, 2010 of \$11,456,000 (2009: \$4,586,000) relates to the vesting in the year of previously granted options and of new options granted during the year.

General and administrative expenses for the year ended December 31, 2010 of \$14,637,000 relate primarily to the running of the Company's corporate offices in Canada and Brazil and include: salaries and benefits of \$7,596,000; professional fees of \$1,447,000 which consist of legal, consulting and other accounting fees; general and office expenditures of \$1,641,000; travel costs of \$1,200,000; consulting fees of \$1,153,000; investor relations and filing fees of \$733,000; occupancy costs of \$510,000; and directors' fees of \$357,000.

General and administrative expenses for the year ended December 31, 2009 of \$7,753,000 include only costs associated with the corporate offices in Canada and comprise: salaries and benefits of \$4,684,000; professional fees of \$547,000; general and office expenditures of \$538,000; travel costs of \$453,000; consulting fees of \$435,000; investor relations and filing fees of \$500,000; occupancy costs of \$327,000; and directors' fees of \$269,000.

To September 30, 2009, cost of operations in care and maintenance totalled \$1,664,000 and related to the Aranzazu Mine. These costs included salaries and wages, professional fees and general maintenance and administration costs of the operation while in care and maintenance. Effective October 1, 2009, the Aranzazu Mine ceased to be in care and maintenance, as the Company began mine development and upgrade work. As a result, substantially all operating costs at the Aranzazu Mine for the year ended December 31, 2010 are capitalized into property, plant and equipment as assets under construction.

Amortization and accretion for the year ended December 31, 2010 of \$2,051,000 (2009: \$367,000) relates to the Company's corporate and Brazil office locations, as well as amortization on the equipment in use at the Aranzazu Mine during the period in which the operation was in care and maintenance. The amortization of \$1,060,000 in 2010 (2009: 367,000) reflects the depreciation taken on the property, plant and equipment at these locations, which primarily consists of computer equipment and software, leasehold improvements, and office furniture and fixtures. Accretion for the year ended December 31, 2010 also includes \$991,000 related to the deferred purchase price consideration payable in connection with the Brazilian Mine Acquisition.

For the year ended December 31, 2010, the Company recorded an operating loss of \$56,211,000, which compares to an operating loss of \$28,104,000 for the year ended December 31, 2009.

Other Income and Expenses, Taxes, and Net Loss

Interest expense for the year ended December 31, 2010, of \$1,898,000, relates primarily to interest paid on the promissory notes payable in connection with the acquisitions of the San Andres Mine and the Brazilian Mines. Interest expense for the year ended December 31, 2009, of \$319,000, relates primarily to the interest paid on the promissory notes payable in connection with the acquisition of the San Andres Mine on August 25, 2009.

Other income for the year ended December 31, 2010 of \$3,411,000 includes: income generated on invested funds of \$701,000; a gain of \$1,895,000 recorded upon marking the portion of the Company's forward currency contracts not designated as hedges to their market value; and a gain of \$815,000 on marketable securities. Other income for the year ended December 31, 2009 relates to income generated on investment funds totalling \$781,000.

The foreign exchange gain of \$3,369,000 recorded during the year ended December 31, 2010 reflects the effects of the Company's assets and liabilities held in foreign currencies, primarily Canadian Dollars, Brazilian Reals and Mexican Pesos, and the fluctuation of those currencies against the United States Dollar during the period. In comparison, the Company recorded a foreign exchange loss of \$1,175,000 for the year ended December 31, 2009.

For the year ended December 31, 2010, the Company recorded an income tax expense of \$5,719,000, comprising current income tax expense of \$12,618,000 relating to income tax payable on earnings at the San Andres Mine, offset by a future income tax recovery of \$6,899,000. The future income tax recovery is comprised of: a recovery of \$7,100,000 relating to the recognition of a future income tax asset for losses carried forward in Mexico which as at December 31, 2010, were considered to be more likely than not to be realized in future years; a recovery of \$849,000 relating to the tax effect of the Company's hedging gains in other comprehensive income; and a future tax expense of \$1,050,000 for adjustments due to changes in the temporary differences between tax and accounting values of assets and liabilities during the year. For the year ended December 31, 2009, the Company recorded income tax expense of \$743,000, comprising current income tax expense of \$2,584,000 relating to earnings at the San Andres Mine, offset by a future income tax recovery of \$1,841,000.

For the year ended December 31, 2010, the Company recorded a net loss of \$57,048,000. This compares to a loss of \$31,337,000 for the year ended December 31, 2009.

Other comprehensive income for the year ended December 31, 2010 of \$2,132,000 consists of the recognition of a gain on the effective portion of cash flow hedges of \$2,981,000, net of related future income taxes of \$849,000, relating to the Company's forward currency contracts which have been designated as hedges and have been accounted for as cash flow hedges. Other comprehensive income for the year ended December 31, 2009 comprises a gain of \$11,560,000 resulting from the Company's change in measurement and reporting currency as further described in note 3(a) of the Financial Statements.

8. SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited interim consolidated financial information for the Company for each of the eight most recently completed quarters.

For the Quarters Ended: (In thousands of US dollars, except per share information)	December 31, 2010 (unaudited)	September 30, 2010 (unaudited)	June 30, 2010 (unaudited)	March 31, 2010 (unaudited)	December 31, 2009 (unaudited)	September 30, 2009 ⁴ (unaudited) (restated)	June 30, 2009 ⁴ (unaudited) (restated)	March 31, 2009 ⁴ (unaudited) (restated)
Sales Revenue	57,735	47,550	38,576	19,791	19,601	6,855	Nil	35
Working Capital ⁽⁵⁾	50,201	81,906	105,218	153,249	40,526	57,780	30,642	31,450
Property, plant and equipment	348,440	360,504	351,970	187,095	182,627	169,173	89,345	83,241
Resource Properties ⁽¹⁾	14,427	15,108	15,108	15,108	14,427	14,427	12,349	10,132
Net Loss ⁽²⁾	25,825	16,625	13,328	1,270	5,911	13,173	3,556	8,697
Net Loss per Share (basic and diluted) ⁽³⁾	\$ 0.12	\$ 0.08	\$ 0.07	\$ 0.01	\$ 0.04	\$ 0.09	\$ 0.03	\$ 0.07

(1) Net of impairment charges of \$681,000, \$8,167,000 and \$4,159,000 taken in the quarters ended December 31, 2010, and March 31, 2009, respectively. Balance of resource properties as at March 31, 2009 is also net of the Inaja Project option payment received of \$3,000,000.

(2) For the quarter ended December 31, 2010, net of impairment charges of \$24,957,000. For the quarter ended March 31, 2009, net of an impairment charge of \$8,167,000 and a related future income tax recovery of \$2,777,000.

(3) Net loss per share on a diluted basis is the same as net loss per share on an undiluted basis, as all factors, which were considered in the calculation, are anti-dilutive.

(4) Effective October 1, 2009, the Company changed its reporting currency from the Canadian dollar to the United States dollar. Accordingly, all comparative quarterly information in the above table, up to and including September 30, 2009, has been restated to reflect the Company's results as if they had been historically reported in United States dollars.

(5) Working capital as at March 31, 2010 includes restricted cash of \$56,866,000.

The factors that have caused period to period variations include: several significant financings over the periods presented; the acquisition of the Aranzazu Mine on June 5, 2008; the acquisition of the San Andres Mine on August 25, 2009; and the acquisition of the Brazilian Mines on April 30, 2010. Quarterly results for the quarters ended December 31, 2008 and March 31, 2009 reflect revenues and operating expenses of the Aranzazu Mine, acquired on June 5, 2008. Results for the quarters commencing with the quarter ended September 30, 2009 include revenues and operating expenses of the San Andres Mine acquired on August 25, 2009. Quarterly results for the quarters commencing with the quarter ended June 30, 2010 include revenues and operating expenses of the Brazilian Mines acquired on April 30, 2010. The Aranzazu Mine was placed in care and maintenance in mid-December 2008 due to the prevailing market conditions and commodity price environment. Ongoing operating costs at the Aranzazu Mine from January 1, 2009 to September 30, 2009 are reflected as costs of operations in care and maintenance, after which these costs were capitalized into assets under construction within property, plant and equipment.

For further explanation of period to period variations, see "Review of Mining Operations and Development and Exploration Projects" and "Results of Operations".

9. LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents used in operating activities during the year ended December 31, 2010 were \$10,001,000. Cash and cash equivalents used in investing activities during the year ended December 31, 2010 were \$62,247,000, and included \$70,149,000 of property, plant and equipment acquired for cash, \$49,464,000 in cash paid for the acquisition of the Sao Francisco and Sao Vicente Mines, \$681,000 paid for the acquisition of resource properties related to the Arapiraca Project, \$586,000 in cash paid for marketable securities acquired in the year, and are net of the release of the \$56,866,000 in restricted cash from escrow just prior to the Brazilian Mine Acquisition and \$1,767,000 generated from the sale of marketable securities during the year.

Cash and cash equivalents generated from financing activities during the year ended December 31, 2010 were \$71,747,000, and included \$66,478,000 related to the net proceeds from the 2010 Offering. Cash generated from financing activities for the year ended December 31, 2010 also includes \$1,025,000 from the exercise of options during the periods and \$4,244,000 from the exercise of warrants. As a result, the decrease in cash and cash equivalents for the year ended December 31, 2010 was \$501,000. As at December 31, 2010, the Company had working capital of \$50,201,000. Year-end working capital includes cash and cash equivalents of \$36,477,000 and is net of the current portion of the promissory notes, \$23,048,000, which were restructured subsequent to year-end. Cash and cash equivalents at December 31, 2010 consist primarily of interest-bearing cash deposit accounts held with major financial institutions. The Company believes that it is not exposed to significant credit risk on these financial instruments.

Included in cash and cash equivalents at December 31, 2010 are \$19,987,000 denominated in Canadian Dollars, \$3,057,000 denominated in Brazilian Reals, \$3,796,000 denominated in Honduran Lempiras and \$645,000 denominated in Mexican Pesos, which are subject to foreign currency rate fluctuations. The Company's remaining cash and cash equivalents are denominated in United States Dollars and are not subject to foreign currency rate fluctuations. In conducting operations, the Company makes payments as appropriate from time to time in each of the above currencies and all proceeds of gold and concentrate sales are received in United States Dollars. Accordingly, depending upon the planned spending levels on its Brazilian properties, and depending upon the timing of expenditures and receipts at the San Andres Mine, the Brazilian Mines, and the Aranzazu Mine operations, the Company will be subject to foreign currency rate fluctuations between these currencies and the United States Dollar.

During 2010, the Company made significant progress towards completion of the plant and infrastructure upgrades at the Aranzazu Mine as part of the planned re-start of operations. Commissioning of the plant and start-up of the mine occurred subsequent to the year end, on February 1, 2011. Total capital expenditures associated with the restart of the Aranzazu Mine, including underground development work, mill upgrades and capitalized operating costs prior to the declaration of commercial production on February 1, 2011, are estimated to be \$35 million. Of this, \$32.5 million was incurred to December 31, 2010, and the remaining \$2.5 million is forecast for the first quarter of 2011. In addition, the Company is forecasting further capital expenditures at the Aranzazu Mine for 2011 of \$17.2 million, of which \$14.3 million relates to underground mine development and \$2.9 million relates to additional equipment and infrastructure at the mine.

During 2010, the Company completed the construction of a new crusher-conveyor system, a new water treatment plan and ion exchange system, a new stacking system and the Phase 4 leach pad expansion at the San Andres Mine. In total, the Company incurred \$17.9 million in capital expenditures during 2010, primarily related to these capital projects, and a further \$0.7 million is forecast for the first quarter of 2011. In addition, the Company expects to incur \$5.2 million in capital expenditures at the San Andres Mine for 2011, including \$3.1 million on buildings and infrastructure and \$2.1 million on other machinery and equipment.

From acquisition on May 1 to December 31, 2010, \$15.6 million in capital expenditures was incurred at the Brazilian Mines, of which \$11.8 million related to deferred stripping costs. Additionally, the Company expects to incur further capital expenditures at the Sao Francisco Mine of approximately \$21 million including approximately \$15 million related to the dedicated waste stripping program and approximately \$6 million related to capital improvements through the second quarter of 2011. See *“Review of Mining Operations and Development and Exploration Projects – Sao Francisco Mine and Dedicated Waste Stripping Program at the Sao Francisco Mine”*. Capital expenditures at the Sao Vicente Mine for 2011 are expected to be approximately \$6.0 million, and primarily relate to capital improvements in the mine infrastructure and additional equipment.

As described under the heading *“Review of Mining Operations and Development and Exploration Projects – Aranzazu Mine,”* most of the Company’s 2010 exploration spending has focused on the Aranzazu Mine, where the Company continues its large underground drill program to delineate resources to support a bulk-tonnage underground operation. For the year ended December 31, 2010, \$24.2 million in exploration costs was incurred, of which \$11.6 million related to surface drilling and development of underground drilling stations as part of the underground drill program as well as a regional program at the Aranzazu Mine. Also included in the exploration spending for 2010 was \$4.4 million at the Brazilian Mines, the majority of which was at the Sao Vicente Mine, to complete exploration and definition drilling in order to upgrade and expand the resource base. Exploration expense for 2011 is expected to be \$6.2 million, with \$3.2 million forecast at the Aranzazu Mine, \$1.0 million forecast at the Sao Vicente Mine and the remaining \$2.0 million at the San Andres Mine.

The Company also has a number of new financial commitments as a result of the restructuring of the Company’s contractual obligations and the Credit Facility (see *“Contractual Obligations”*).

As a result of the acquisition of the San Andres Mine and the Brazilian Mines, the Company had significant debt servicing and other financial obligations owing under the promissory notes and deferred purchase price consideration. Specifically, these obligations included a total of \$64,247,000 in promissory notes, of which \$23,048,000 was due and payable in 2011, and a total of \$43,154,000 in deferred purchase consideration payable as to 50% of net free cash flows once certain thresholds had been achieved. Based on the operating difficulties encountered at the Brazilian Mines since acquisition, the lack of cash flow generated by those operations, the amounts due in 2011 under the promissory notes, and the fact that 50% of cash flows from the San Andres Mine would commence being applied to deferred purchase consideration in late-2012 at the earliest, the Company determined that it was in its best interest to restructure these obligations. Details of the Debt Restructuring are outlined in *“Corporate Developments and Significant Transactions Affecting Results of Operations – Restructuring of*

Contractual Obligations". Additionally, with the ramp-up of the Aranzazu Mine and the continuing stripping program at the Sao Francisco Mine during the first quarter of 2011, combined with a significant portion of the San Andres Mine capital required to be spent during the first half of 2011, prior to the start of the rainy season, the Company sought and obtained the Credit Facility in order to ensure added flexibility and liquidity during this period of increased spending.

The Company's liquidity needs will be funded from current cash and cash equivalents, funds available under the Credit Facility, and cash flows generated from the San Andres Mine and from the Aranzazu Mine once steady state production is achieved with open pit and underground sulphide ore early in the second quarter of 2011. Following the recommencement of normal operations at the Sao Francisco Mine, with the operational improvements being made and a new mine plan based on significantly higher head grades and increased production levels, the Company also expects stronger operating cash flows to be generated from this unit. As a result, based on the Company's current expectations from its operating mines, combined with strong metal prices and currently available cash resources, the Company believes it is fully financed to achieve its near-term growth objectives. Should operating cash flows be insufficient to cover its planned expenditures, the Company may be required to defer or cancel certain capital expenditures, exploration programs and development projects.

It should be noted that the profitability of the Company's operations is highly correlated to the market prices of precious and base metals, as is the ability of the Company to develop other existing properties. If metal prices were to decline for a prolonged period below the cost of production of the Company's mines, it may not be feasible to continue operations. In addition to commodity price risk, the Company is exposed to liquidity risks in the event cash positions decline or become inaccessible, for any reason, or additional financing is required and is unavailable. Any of these factors may impact the ability of the Company to obtain further equity or debt financing in the future or, if obtained, on terms favourable to the Company. Although there have been numerous indications of economic recovery, increased levels of volatility and market turmoil could adversely impact the Company's results of operations and planned growth.

10. CONTRACTUAL OBLIGATIONS

For the year ended December 31, 2010 and as of March 30, 2011, except as described under "*Corporate Developments and Significant Transactions and Factors Affecting Results of Operations – Gold Mine Acquisitions*," the Company has not entered into any contractual obligations that are outside of the ordinary course of business.

The Company's contractual obligations included the following as at December 31, 2010:

<i>(In thousands of US dollars)</i>	Total	2011	2012-2013	2014-2015	After 2015
Promissory notes payable ¹	\$ 64,247	\$ 23,048	\$ 41,199	\$ Nil	\$ Nil
Operating leases (premises and other)	863	502	361	Nil	Nil
Capital lease obligations	17	12	5	Nil	Nil
Commitments related to capital projects ongoing	3,272	3,272	Nil	Nil	Nil
Reclamation obligations	38,103	1,402	3,521	24,149	9,031
Total contractual obligations	\$106,502	\$ 28,236	\$ 45,086	\$ 24,149	\$ 9,031

⁽¹⁾ Prior to Debt Restructuring.

The above table includes the Company's estimated obligation to reclaim the San Andres Mine, the Brazilian Mines, and the Aranzazu Mine following completion of mining activities at those sites. The Company has engaged specialized environmental consultants familiar with the Company's operations to provide estimates of the costs necessary to comply with existing reclamation standards in Brazil, Mexico and Honduras and to estimate the Company's asset retirement obligations at each location. Based on the specialists' conclusions, the undiscounted amounts of the estimated obligations for restoration and closure of the operations, adjusted by an estimated annual inflation and by a market risk premium at each location, are approximately \$38,103,000. While Canadian GAAP requires the Company to recognize the fair value for the asset retirement obligation using a credit adjusted risk-free discount rate, the amount reflected in the above table represents the undiscounted amounts estimated at the time of payment. Ongoing reclamation costs incurred as part of normal mining operations are expensed as incurred.

As a result of the acquisitions of the San Andres Mine and the Brazilian Mines, the Company had issued to Yamana promissory notes of \$25,800,000 in connection with the San Andres Mine and \$38,447,000 in connection with the Brazilian Mines. These promissory notes bore interest at six-month LIBOR plus 3%, and scheduled repayment terms included \$10,000,000 due on February 25, 2011, \$13,048,000 due on October 31, 2011, \$15,800,000 due on August 25, 2012, and \$25,399,000 due on April 30, 2013. The promissory notes are reflected in the above table based on the Company's contractual obligations as at December 31, 2010. The February 25, 2011 payment was extended by the promissory note holder, pending the Debt Restructuring that was completed on March 18, 2011.

The purchase consideration for the San Andres Mine and the Brazilian Mines included deferred purchase price consideration in the amounts of \$14,750,000 and \$28,404,000, respectively, which were outstanding as of December 31, 2010 but not included in the above table. Such consideration was payable as to 50% of all net free cash flow from the San Andres Mine and Brazilian Mines, once net free cash flows exceed \$79,000,000 and \$135,000,000, respectively.

On March 18, 2011, the Company completed a restructuring of its contractual obligations under the promissory notes and deferred purchase price consideration, as further described in "Corporate Developments and Significant Transactions Affecting Results of Operations – Restructuring of Contractual Obligations". Accordingly, following the restructuring, the Company's contractual

commitments in respect of these obligations included a \$5,000,000 payment, which the Company intends to make on March 31, 2011, and the NSR Royalty.

Other contractual obligations include an underlying 1% NSR royalty on copper production from the Aranzazu Mine, when during any calendar month, the monthly average copper price as quoted by the London Metal Exchange equals or exceeds \$2.00 per pound, and underlying NSR's of 1.0% on gold, 0.75% on copper and 4% on all other mineral production agreement from the Arapiraca Project. NSR's on the Company's non-core projects are described in note 12 to the Financial Statements.

11. OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2010, off-balance sheet arrangements included the deferred purchase price consideration for the San Andres Mine and the Brazilian Mines as described in "Contractual Obligations" and in notes 4 and 5 to the Financial Statements. The fair value of the deferred consideration payable in connection with the Brazilian Mines Acquisition, which closed on April 30, 2010, and accretion to December 31, 2010, is reflected in the Company's consolidated balance sheet in accordance with CICA Section 1582 "Business Combinations". However, as the acquisition of the San Andres Mine closed on August 25, 2009, this transaction was accounted for under CICA Section 1581, and under this standard the deferred purchase consideration payable did not meet the criteria for recognition on the Company's consolidated balance sheet. As described in "Corporate Developments and Significant Transactions Affecting Results of Operations – Restructuring of Contractual Obligations", these obligations have been considered paid and satisfied in full, following completion of the Debt Restructuring on March 18, 2011. Accordingly, the only remaining off-balance sheet arrangement associated with these obligations is the NSR Royalty.

As described in "Contractual Obligations", the Company has certain royalty obligations in respect of the Aranzazu Mine, the Arapiraca Project and certain other non-core projects.

12. TRANSACTIONS WITH RELATED PARTIES

During the financial year ended December 31, 2010, the Company was not party to any transactions with related parties as defined by the CICA Handbook, except as follows:

- (a) On April 30, 2010, the Company completed the purchase of the assets and liabilities from Yamana of the Brazilian Mines, as described under the heading "*Corporate Developments and Significant Transactions and Factors Affecting Results of Operations – Gold Mine Acquisitions.*" In addition, on August 25, 2009, the Company completed the acquisition of the San Andres Mine, also acquired from Yamana. The Company and Yamana currently have one common director, but had two common directors at the date of the acquisition agreements, both of whom recused themselves from participating in the decisions and voting matters with respect to the transaction. Subsequent to the close of the Brazilian Mine Acquisition, Yamana held approximately 11.3% of the then outstanding common shares of the Company.
- (b) As described in "*Corporate Developments and Significant Transactions Affecting Results of Operations – Restructuring of Contractual Obligations*", on March 18, 2011, the Company completed the Debt Restructuring of certain obligations arising from the San Andres Acquisition

and the Brazilian Mine Acquisition. This restructuring was considered a related party transaction given that the Company and Yamana have one common director, who recused himself from participating in the decisions and voting matters with respect to the transaction, and that Yamana beneficially owned and exercised control over 23,344,261 common shares of the Company, representing approximately 11.2% of the common shares outstanding prior to the Debt Restructuring. Following the Debt Restructuring, Yamana owns and exercises control over 42,400,374 common shares of the Company, representing approximately 18.7% of the common shares outstanding.

In addition, on February 4, 2010, the Company and Zoneplan, a subsidiary of Cyprus River Holdings Ltd. ("Cyprus River"), which is a majority shareholder in the Company, closed the 2010 Offering, as described in "Corporate Developments and Significant Transactions and Factors Affecting Results of Operations – Financings". As of the date of this MD&A, Cyprus Holdings beneficially owns, controls or directs, directly or indirectly, common shares, representing approximately 23% of the outstanding common shares of the Company.

13. FOURTH QUARTER

The Company's net sales for the quarter ended December 31, 2010 were \$57,735,000, inclusive of local sales taxes of \$592,000. The Company's gross revenue is comprised of sales of \$26,275,000 from the San Andres Mine, \$17,988,000 from the Sao Francisco Mine, and \$14,064,000 from the Sao Vicente Mine. For the quarter ended December 31, 2010, the Company sold 42,543 gold ounces at an average realized price of \$1,371 per ounce, which compares to an average market price for the same period of \$1,367 per ounce (London PM Fix).

The Company's revenue for the quarter ended December 31, 2009 relates solely to the sale of gold from the San Andres Mine, and consisted of 18,076 gold ounces at an average realized price of \$1,081 per gold ounce, which compares to an average price for the same period of \$1,100 per ounce (London PM Fix) for the same period. Details of sales, cost of goods sold and mine operating earnings are presented below:

<i>(In thousands of dollars)</i>	For the three months ended Dec. 31, 2010	For the three months ended Dec. 31, 2009
Sales	\$ 57,735	\$ 19,601
Cost of goods sold ¹	46,720	14,607
Mine operating profit	\$ 11,015	\$ 4,994

¹ Cost of goods sold includes the fair value impact for the acquisitions of the San Andres Mine in 2009.

For the fourth quarter of 2010, cash costs of gold sold totalled \$40,159,000 or \$944 per ounce. Together with the non-cash depletion, amortization and accretion charges for the quarter of \$6,561,000 or \$154 per ounce, total cost of goods sold were \$46,720,000 or \$1,098 per ounce.

For the fourth quarter of 2009, cash costs of gold sold totalled \$11,595,000 or \$641 per ounce and include \$1,338,000 or \$74 per ounce related to the fair value adjustment to inventory acquired on the acquisition date. Together with the non-cash depletion, amortization and accretion charges for the quarter of \$3,012,000 or \$167 per ounce, total cost of goods sold were \$14,607,000 or \$808 per ounce.

Other expense items for the fourth quarter of 2010 include exploration expenses of \$5,811,000 (2009: \$3,862,000), stock-based compensation of \$1,591,000 (2009: \$931,000), an impairment charge of \$24,276,000 related to the assets and goodwill of the Sao Vicente Mine (see *Corporate Developments and Significant Transactions Affecting Results of Operations – Long-lived Asset and Goodwill Impairment – Sao Vicente Mine*) and general and administrative expenses of \$5,135,000 (2009: \$4,170,000). The fourth quarter exploration primarily consists of expenditures at the Aranzazu Mine of \$2,990,000 (2009: \$1,275,000), Arapiraca Project costs of \$833,000 (2009: \$2,160,000), and expenditures at the Brazilian Mines of \$1,720,000 (2009: nil).

Additionally, for the fourth quarter of 2010, the Company recorded interest expense of \$633,000 (2009: \$229,000) on the outstanding promissory notes, other income of \$1,064,000 (2009: \$512,000), and a foreign exchange gain of \$1,046,000 (2009: \$1,932,000). Loss before income taxes for the fourth quarter of 2010 was \$25,784,000 (2009: \$2,014,000).

For the quarter ended December 31, 2010, the Company recorded income tax expense of \$41,000 comprising a current income tax expense of \$6,221,000 (2009: \$1,995,000) relating to income tax payable on earnings at the San Andres Mine, offset by a future income tax recovery of \$6,180,000 (2009: expense of \$1,902,000). The future income tax recovery for the quarter consisted primarily of the recognition of a future income tax asset of \$7,100,000 relating to losses carried forward at the Aranzazu Mine in Mexico, a future income tax recovery of \$849,000 relating to the gain on the Company's cash flow hedges included in other comprehensive income, offset by a future income tax expense of \$1,769,000 due to changes in the temporary differences between tax and accounting values of assets and liabilities. For the fourth quarter of 2010, the Company recorded a net loss of \$25,825,000 or \$0.12 per share. This compares to a loss of \$5,911,000 or \$0.04 per share for the fourth quarter 2009.

14. PROPOSED TRANSACTIONS

There are no proposed asset or business acquisitions or dispositions before the Board for consideration.

15. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Changes in accounting policy

Hedge Accounting

Effective May 1, 2010, the Company elected to adopt CICA Section 3865, "Hedges", which establishes the accounting treatment of derivative financial instruments designated as hedges. The Company adopted this standard in anticipation of entering into forward currency contracts during the second quarter of 2010. The Company has applied this standard on a prospective basis from May 1, 2010. The Company's accounting policy for financial instruments, including hedge accounting, is included in note 2(j) to the Financial Statements.

Goodwill

As a result of the Brazilian Mines Acquisition, the Company has recognized goodwill, and has updated its accounting policies to include a policy on goodwill. The Company's accounting policy for goodwill is included in note 2(h) to the Financial Statements.

Business Combinations and Related Sections

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests," which replace Section 1600 "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations."

The Company has elected to adopt CICA Sections 1582, 1601 and 1602 on a prospective basis, effective January 1, 2010. As a result of the application of these new standards, the Company expensed \$1,000,000 in deferred transaction costs in the first quarter of 2010 that were included in the Company's consolidated balance sheet as of December 31, 2009. Additionally, the Company expensed \$1,335,000 in transaction costs for the year ended December 31, 2010. All such transaction costs related to the Brazilian Mine Acquisition.

New accounting pronouncements

Multiple deliverable revenue arrangements

During 2009, the CICA issued EIC-175, "Multiple Deliverable Revenue Arrangements", which addresses some aspects of accounting for arrangements which include multiple revenue-generating activities. The EIC is effective January 1, 2011, with early adoption permitted. The Company does not anticipate a significant change in its consolidated financial statements as a result of the application of this standard.

16. CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities as well as the reported revenues and expenses during the reporting period. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. The Company's accounting policies relating to work-in-process inventory valuation, depreciation and depletion of mineral property, plant and equipment and site

reclamation and closure accruals are critical accounting policies that are subject to estimates and assumptions regarding reserves, recoveries, future metal prices and future mining activities. All estimates used are subject to periodic review and are adjusted as appropriate. Life of mine plans are prepared each year, so all estimates relating to mining activities, reserves, recoveries and gold prices are re-assessed annually, or more frequently as determined by management. Different assumptions would result in different estimates and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the unaudited interim consolidated financial statements materially and involve a significant level of judgment by management.

The Company's accounting policies are described in note 2 to the Company's annual audited consolidated financial statements for the year ended December 31, 2010. Management's critical accounting estimates are applied in the accounting for inventories, asset retirement obligations, allocation of the purchase price for the San Andres Mine and the Brazilian Mines, including any related goodwill, the impairment of long-lived assets and goodwill, the determination of useful lives of property, plant and equipment, determination of proven and probable reserves, the determination of the fair value of warrants and stock-based compensation and accounting for income taxes.

Revenue recognition

The Company's sales of concentrates made by the Aranzazu Mine are sold under pricing arrangements where the final prices are determined by quoted market prices in a period subsequent to the date of sale. As a result, the estimated revenue for a given period is recorded based on forward metal prices for the expected date of final settlement, resulting in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value recorded as adjustments to revenue as they occur. These adjustments also reflect changes in quantities arising from final weight and assay calculations. In periods of unusual price volatility, the effect of market-to-market price adjustments related to the quantity of metal in concentrates which remains to be settled with independent smelters could be significant.

Inventories

Product inventory, in-process inventory and ore stockpiles are valued at the lower of average production costs or net realizable value.

The Company records the cost of mining ore stacked on its leach pads, in stockpiles and in process at its mines as in-process inventory, and values in-process inventory at the lower of cost or estimated net realizable value. These costs are included in cost of sales on the basis of metals recovered and sold. The assumptions used in the valuation of in-process inventories include estimates of metal contained in the ore stacked on leach pads and in stockpiles, assumptions of the amount of metal stacked that is expected to be recovered from the leach pads, the amount of metal in circuit at its process plants, and an assumption of the metal price expected to be realized when the metal is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its in-process inventories, which would reduce the Company's earnings and working capital.

Asset retirement obligations

The amounts recorded for asset retirement obligations are based on estimates prepared by third party environmental specialists, if available, in the jurisdictions in which the Company operates or by environmental specialists within the Company. These estimates are based on remediation activities that are required by environmental laws, the expected timing of cash flows, and the credit-adjusted risk-free interest rate on which the estimated cash flows have been discounted. These estimates also include an assumption on the rate at which costs may inflate in future periods. Actual results could differ from these estimates. The estimates on which these fair values are calculated require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws, and regulations and remediation practices.

Allocation of the purchase price to assets and liabilities acquired

Canadian GAAP requires the Company to record the identifiable assets and liabilities acquired as part of a business combination at their fair values. The determination of these fair values requires extensive judgment, and is prepared based on information available at the reporting date. The Company makes these determinations with the assistance of independent third party valuers, who provide fair values by property class as well as for the mineral interests and intangible assets.

Impairment of long-lived assets

Management of the Company reviews and evaluates the carrying value of each mineral property for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is measured and assets are written down to fair value, which is normally the discounted value of future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired, it is written down to its estimated fair value in accordance with the CICA Handbook Section 3063 "Impairment of Long-Lived Assets."

As of December 31, 2009, management reviewed and updated the Aranzazu Mine impairment analysis performed at December 31, 2008, which was based on: third party consensus forecasts of metal prices and exchange rates; current resources, ore grades and mine plans; expected throughput capacities and processing yields; operating and capital cost estimates; expected reclamation costs; and applicable tax rates in Mexico. As a result of this review, the Company determined that no impairment in the carrying value of the Aranzazu Mine was required as of December 31, 2009, and no further information has come to the Company's attention that would change management's conclusion as of December 31, 2010. Management also reviewed the status of the Company's development-stage projects and San Andres Mine, and expects that their carrying values are recoverable.

During the year ended December 31, 2010, the Company determined that some indicators of impairment existed at the Brazilian Mines as a result of high costs of production and low production levels, as further described in "*Corporate Development and Significant Transactions Affecting Results of Operations – Long-lived Asset and Goodwill Impairment – Sao Vicente Mine*". As such, the Company

performed an impairment analysis on the value of the long-lived assets and goodwill amounts related to the Sao Francisco Mine and the Sao Vicente Mine. The analysis consisted of the use of both an undiscounted cash flow model to evaluate the recoverability of each mine's assets, and a discounted cash flow model to evaluate the recoverability of goodwill. The Company's analysis determined that, as of December 31, 2010, the goodwill and mineral property at the Sao Vicente Mine were impairment and as such, the Company recorded an impairment charge of \$24,276,000, of which \$6,071,000 related to goodwill and \$18,205,000 related to mineral property to bring these assets to their estimated fair values as of this date. The Company determined that the assets and goodwill at the Sao Francisco Mine were recoverable, and as such no impairment was identified at this property. The estimated future cash flows utilized in the cash flow model incorporated the Company's best estimates of future gold production, long-term gold price and estimates of operating costs and fluctuations in the exchange rates between the United States dollar and the Brazilian real. The Company discounted these cash flows using a 6% discount rate in order to obtain the estimated fair values of the mines.

Management's estimates of mineral prices, mineral resources, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of deferred mineral property costs. Although management has made its best estimate of these factors, it is possible that material changes could occur, which may adversely affect management's estimate of the net cash flows expected to be generated from its properties.

Stock-based compensation and warrants

Management is required to make significant estimates about future volatility and the period in which stock options and warrants will be exercised. The selection of the volatility factor and the estimate of the period in which a stock option or a warrant will be exercised will have a significant impact on the cost recognized for stock-based compensation and share issue costs, respectively. The estimates concerning volatility are based on various factors, including reference to historical volatility and a review of volatilities used by peer companies. The Company does not solely depend on its past share price history as an indicator of volatility due to the limited period that the Company's common shares have been publicly traded. This estimate is not necessarily an accurate indicator of volatility, which will be experienced in the future. Management assumes that stock options and warrants will remain unexercised until immediately prior to their expiry date, which may not be the case.

Future income tax assets and liabilities

The determination of the Company's tax expense for the period and future tax liabilities and assets involves significant estimation and judgment by management involving a number of assumptions. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of future tax assets and liabilities. Management also makes estimates of the future earnings which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret tax legislation differently. These differences may affect the final amount or the timing of the payment of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

17. FINANCIAL INSTRUMENTS AND DERIVATIVES

Financial instruments

Financial instruments that potentially subject the Company to interest rate and credit risk consist of cash and cash equivalents, accounts receivable, restricted cash and promissory notes payable. In order to manage credit risk, the Company deposits cash and cash equivalents with high credit quality financial institutions.

In connection with the acquisition of the San Andres Mine during 2009 and the Brazilian Mine Acquisition on April 30, 2010, the Company's capital structure at December 31, 2010 includes promissory notes payable as well as equity attributable to common shareholders. The interest rate on the promissory notes payable is fixed at the six-month LIBOR plus 3% and the Company was therefore subject to fluctuations in LIBOR during the year ended December 31, 2010. During the year ended December 31, 2010, the Company did not enter into any financial instruments to hedge against unfavourable changes in interest rates, and in March 2011 the Company restructured its contractual obligations, including the promissory notes payable, as discussed in *"Corporate Developments and Significant Transactions Affecting Results of Operations – Restructuring of Contractual Obligations"*. Based on the current level of debt and cash and cash equivalents, for the year ended December 31, 2010, an increase in interest rates of 100 basis points (1 percent) would have decreased net loss and comprehensive loss for the period by approximately \$14,000. Additionally, other than requirements to maintain and prudently operate its business and pay interest and principal as per the terms of the promissory notes, the Company had no externally imposed financial covenants as of December 31, 2010. Subsequent to the year end, the Company entered into a Credit Facility, as described in *"Corporate Developments and Significant Transactions Affecting Results of Operations – Credit Facility"*, pursuant to which the Company will be required to maintain a total debt/EBIDTA ratio of not more than 1 to 1 for each reporting period as determined under the Credit Facility.

As at December 31, 2010, the Company's credit risk is primarily related to the recovery of value added taxes. There were no trade receivables outstanding as of December 31, 2010 from the sale of gold, however the Company did have a trade receivable due on its first sale of copper concentrate from the Aranzazu Mine totalling \$545,000, which was due from a single customer. Of the \$9,586,000 in value added taxes receivable at December 31, 2010, \$1,891,000 is due in Honduras, \$7,575,000 is due in Mexico, and \$120,000 is due in Canada.

The sale of gold is at spot prices in world markets. Also, as cash receipts following the gold sales are usually at same-day value, the Company does not consider credit risk associated with gold sales to be a significant risk. Further, the Company maintains separate and sufficient insurance and requires the transporters of its gold doré and the refiners to carry sufficient insurance to prevent loss during transportation or the refining process.

The Company is subject to credit risk related to trade receivables from the sale of metal in concentrate as its sale of concentrate to date has generally been made to a single customer. The Company believes that, when operations at the Aranzazu Mine fully resume, its credit risk exposure on sales of concentrate

will be limited as the Company sells its product to a large, international purchaser with high credit rating whose historical level of default is minimal.

The Company is subject to price risk from fluctuations in market prices of gold, copper and other metals. In addition, in respect of metals in concentrate, there is a time lag between the time of initial payment on shipment and final settlement pricing, and changes in the price of gold, copper and other metals during this period impact the Company's revenues and working capital position. During the quarter and as at December 31, 2010, the Company had not entered into any derivative contracts for the sale of any future concentrate or metal production. A 10% change in the average gold price for the period, with all other variables held constant, would have impacted the Company's loss for the three months and the year ended December 31, 2010 by \$5,200,000 and \$14,300,000, respectively. As the operations of the Aranzazu Mine had not reached commercial production during the year ended December 31, 2010, fluctuations in copper prices would not have materially affected the Company's results of operations.

As a condition of the Credit Facility, the Company will be required to enter into a program, within 30 days of obtaining the Credit Facility, to hedge a minimum of 6,000 tonnes of copper from the Aranzazu Mine, between May 2011 and the maturity date on June 30, 2013. This hedging requirement represents approximately 25% of the Aranzazu Mine's estimated production during this period and the instruments utilized by the Company to implement the program will take the form of zero-cost put/call collars.

Foreign exchange

As the Company's primary operating activities are in Honduras, Mexico and Brazil, foreign exchange risk exposures arise from transactions denominated in foreign currencies. Financial instruments that impact the Company's net loss or other comprehensive loss due to currency fluctuations include: cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities denominated in Canadian Dollars, Honduran Lempiras, Brazilian Reais or Mexican Pesos. The Company's net revenues from its Honduran, Brazilian and Mexican operations, including treatment charges and royalties are substantially denominated in United States Dollars, however, the majority of all other operating expenses are in Honduran Lempiras, Brazilian Reais and Mexican Pesos, respectively. At December 31, 2010, the Company had cash and cash equivalents of \$36,477,000, of which \$19,987,000 was held in Canadian Dollars, \$8,992,000 in United States Dollars, \$3,057,000 in Brazilian Reais, \$3,796,000 in Honduran Lempiras, and \$645,000 in Mexican Pesos. The Company has limited exposure to fluctuations of the Honduran Lempira, as this currency is pegged to the United States Dollar; however, significant fluctuations in the Mexican Peso, Brazilian Real, or Canadian Dollar could expose the Company to currency risk.

Derivatives

In light of the Brazilian Mine Acquisition, the Company established a hedging facility during the first quarter of 2010, such that it will be able to enter into financial instruments to hedge against the risk of an increase in the value of the Brazilian Real against the United States Dollar. During the second quarter of 2010, the Company entered into several forward contracts to hedge against the risk of an increase in the value of the Brazilian Real versus the United States Dollar, with respect to a portion of the expected

Real-denominated operating expenditures at the Brazilian Mines. The contracts which remain unsettled as of December 31, 2010 are as follows:

Year of Settlement	Brazilian Real Notional Amount	Contract Fixed Rate
	<i>(In thousands)</i>	
2011	R\$ 34,676	2.03970
2012	R\$ 11,006	2.20120
	R\$ 45,682	2.06101

The Company's forward currency contracts have been designated as hedges and have been accounted for as cash flow hedges. For the three months and the year ended December 31, 2010, the Company recognized gains on the effective portion of cash flow hedges of \$109,000 and \$2,981,000, respectively, which were recorded in other comprehensive income, net of a future income tax impact for the year ended December 31, 2010 of \$849,000. The Company recorded realized gains on effective cash flow hedges of \$514,000 and \$571,000, in mine operating expenses during the three months and the year ended December 31, 2010, respectively. The Company also recorded gains on the undesignated portion of the cash flow hedges for the three months and the year ended December 31, 2010 of \$634,000 and \$1,875,000, respectively, which were recorded in the statement of operations.

18. CORPORATE GOVERNANCE

The Company's Board and its committees substantially follow the recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The current Board is comprised of six individuals, five of whom are neither executive officers nor employees of the Company and are unrelated in that they are independent of management. The Audit Committee is currently comprised of three directors who are independent of management.

The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited annual consolidated financial statements prior to their submission to the Board for approval. The Audit Committee meets with management quarterly to review the consolidated financial statements including the MD&A and to discuss other financial, operating and internal control matters. The Company also retains external auditors to perform quarterly reviews of its interim consolidated financial statements and audit its annual consolidated financial statements.

19. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting

The Company's management is responsible for designing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with Canadian GAAP. Based on a review of the internal control procedures as of December 31, 2010, management of the Company believes its internal controls and procedures are appropriately designed and operate effectively in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Changes to internal control over financial reporting

Other than changes to ICFR as a result of the acquisition of the Brazilian Mines on April 30, 2010, there have been no changes in ICFR during the year ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, ICFR.

Disclosure controls and procedures

The Company's management is also responsible for the design and effectiveness of disclosure controls and procedures ("DC&P") to provide reasonable assurance that material information related to the Company is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2010 and have concluded that these procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them.

Limitation of scope

In preparing their certifications of interim filings, as permitted under *National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Company's certifying officers have limited the scope of their assessment of DC&P and ICFR to exclude controls, policies and procedures of the Brazilian Mines. Management considers these acquisitions material to the Company's overall results of operations, financial position and cash flows and believes that the internal controls and procedures at the Brazilian Mines have a material effect on overall ICFR. Management's review of the internal controls and procedures at the Brazilian Mines is ongoing.

20. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company will be required to adopt IFRS for its interim and annual consolidated financial statements effective January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of all quarterly results reported by the Company for the year ended December 31, 2010, as well as an opening IFRS balance sheet as of January 1, 2010. The Company's first interim report in 2011 will provide detailed reconciliations and explanations of the significant changes arising from the transition to IFRS affecting the balance sheet, statement of operations and cash flows.

The Company continues to progress on its transition to IFRS, including assessing the impact on its accounting systems and financial statements. To date, the Company has completed an initial draft of the financial statement presentation and note disclosures required for the conversion to IFRS, prepared its accounting policies under IFRS, determined which of the IFRS 1 elections it intends to avail itself of, and has substantially completed work on the preparation of the opening balance sheet as of January 1, 2010 and re-stating the first three quarters of 2010, including a review of the adjustments by the Company's auditors. During the first half of 2011, the Company will complete the opening balance sheet as of January 1, 2010 and the comparative 2010 quarterly information and will continue to assess the impact of IFRS on the Company's information systems and internal controls. In addition, the Company will be consulting with the subsidiary locations to allow for a smooth transition and obtain appropriate training for the Company's staff where necessary.

IFRS 1, *First-time Adoption of IFRS*, requires that companies apply all IFRS standards on a retrospective basis. However, the standard allows for certain mandatory and optional exemptions in specific areas which will not require full retrospective application. The Company will apply all of the mandatory exemptions, and will apply the following significant optional exemptions to its first consolidated financial statements under IFRS:

- IFRS 3(R), *Business Combinations*, will not be applied to business combinations that occurred before the date of transition to IFRS;
- The Company will deem all cumulative translation differences for foreign operations to be zero at the date of transition, and any translation differences which exist on the transition date will be transferred to retained earnings (deficit) on transition to IFRS. Any gains or losses on subsequent disposals of foreign operations will not include translation differences arising prior to the transition date;
- IFRS 2, *Share-based Payments*, will only be applied to all share-based payments which had not vested at January 1, 2010; and
- IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities* will not be applied to the Company's environmental restoration provisions.

The Company has identified the following key areas which could result in significant differences to the Company's financial statements on the transition to IFRS. The information below represents adjustments that management is aware of and includes preliminary estimates where available. However, the Company is still in the process of identifying and quantifying adjustments, including refining initial estimates, and as such the information below could change and further adjustments may be identified before the Company's first IFRS financial statements are presented.

i. Impairment of assets:

The Company will be required under IFRS to perform an annual assessment of impairment for all long-lived assets, whether or not there are indicators of impairment. If the assessment is done using a cash flow model, the use of discounted cash flows is required in order to calculate the asset's recoverable amount for comparison with the asset's carrying value. IFRS also permits the reversal of impairments for long-lived assets in certain circumstances, which could lead to increased volatility in the recognition of impairments as compared with Canadian GAAP. The Company is still working on the quantification of the impact, if any, of this requirement on the Company's financial statements.

ii. Foreign currency transactions

The Company currently translates its integrated foreign subsidiaries using the temporal method, whereby monetary assets and liabilities are translated using the current exchange rate, non-monetary assets are translated at historical exchange rates, with resulting foreign exchange differences shown in earnings. Under IFRS, all assets and liabilities of foreign subsidiaries will be translated using the current rate method, and all resulting foreign exchange differences will be shown as a separate component of equity. The Company estimates that the impact of this

adjustment will result in an increase to the Company's property, plant and equipment at January 1, 2010 of approximately \$3,000,000, with a corresponding decrease to deficit.

iii. **Asset retirement obligations**

Under Canadian GAAP, the Company had been recognizing its asset retirement obligations based on the legal requirements in the countries in which the Company operates. Under IFRS, the Company will also have to consider constructive obligations where such obligations are probable (defined as 'more likely than not', or greater than 50%). The IFRS standard also contains some specific measurement differences that could affect the Company's obligations, such as the discount rate used and the values placed on the expected future costs. The Company has revised its asset retirement obligations based on measurement differences and estimates that as of the opening balance sheet date, the Company's asset retirement obligations will decrease by approximately \$350,000, the value of the related mineral property asset will decrease by \$550,000, and deficit will increase by approximately \$200,000.

iv. **Provisions and contingencies**

Under IFRS, contingent assets and liabilities must be assessed in legal and constructive terms and are required to be recognized if they are probable (defined as 'more likely than not' or greater than 50%). The Company continues to assess its provisions and contingencies under the terms of this standard. The Company has determined that the deferred purchase price consideration payable in relation to its acquisition of the San Andres Mine, which was not recognized as a liability under the Canadian business combination rules of Section 1581 of the CICA Handbook, will be required to be recognized as a liability under IFRS. The Company expects the liability will be valued at approximately \$11,500,000, its estimated fair value as of the date of transition to IFRS, with a corresponding increase in deficit. In the first quarter of 2011, however, and subsequent to the Debt Restructuring as described in *"Corporate Developments and Significant Transactions Affecting Results of Operations – Restructuring of Contractual Obligations"*, the deferred purchase price consideration will be considered satisfied and paid in full. Accordingly, the portion of the total deferred purchase price consideration settled in common shares of the Company will be transferred to capital stock. In addition, the Company expects to reduce its long-term liabilities as of the opening balance sheet by approximately \$1,400,000, with a corresponding decrease to deficit, to apply fair value accounting to certain of the Company's long-term liabilities.

v. **Property, plant and equipment**

Under IFRS, the Company will be required to apply componentization concepts to its property, plant and equipment, and will be required to perform an annual review of the estimates of useful life, residual value, and depreciation methods, in addition to the annual review for impairment. The Company expects to use only the historical cost accounting method to value its assets under IFRS. The Company does not expect a significant impact of this standard on the opening balance sheet, but continues to evaluate this standard as it pertains to re-stating the 2010 quarterly results.

vi. **Share-based compensation and warrants:**

Under IFRS, the Company will be required to estimate the percentage of options that are expected to vest, which could alter the expense that is to be applied over the vesting period. At the end of each period, the Company will then assess the actual number vested as compared to the estimated number vested and adjust the expense as required. In addition, the Company has evaluated some small measurement differences under IFRS that will need to be considered. The Company expects the impact of this standard on the opening balance sheet to be relatively minor, and currently estimates the impact as approximately \$150,000 decrease in other reserves in equity and a \$150,000 corresponding decrease in the deficit.

The Company issues warrants in Canadian dollars, but has a functional currency of the United States dollar, and as a result, any warrants outstanding as of the transition date to IFRS will be treated as embedded derivatives. Under the IFRS accounting rules, the warrants will be recorded at their fair value as of each reporting date, and will be presented as a liability on the Company's balance sheet. As of the opening balance sheet date, the Company expects that it will record a liability of approximately \$5,500,000, a decrease in other reserves in equity of \$4,200,000, and an increase to deficit of \$1,300,000.

vii. **Presentation and disclosure**

The overall presentation and disclosure of the Company's financial statements will change under IFRS, as a result of implementing the IFRS presentation and disclosure requirements. These changes could result in significant differences in the presentation of the Company's statement of cash flows, balance sheet and statement of operations. In addition, it is expected that the Company will have additional disclosures in the notes to the consolidated financial statements in order to comply with the requirements of IFRS. The Company is still evaluating the impact of the presentation requirements under IFRS.

viii. **Taxes**

The Company expects the accounting for income taxes to differ in some areas and continues to assess the impact of accounting for income taxes under IFRS.

The Audit Committee has been kept informed of management's plans and decisions to date, and the Company plans to continue to provide the Audit Committee with updates through the first half of 2011 as the conversion project progresses.

21. NON-GAAP PERFORMANCE MEASURES

The Company has included in this document certain non-GAAP performance measures, including the total cash costs of gold per ounce and of copper per pound, and adjusted earnings or loss and adjusted earnings or loss per share. These non-GAAP measures do not have any standardized meaning within Canadian GAAP and therefore may not be comparable to similar measures presented by other companies. The Company believes that these measures provide investors with additional information which is useful in evaluating the Company's performance. The data presented is intended to provide

additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP.

Cash costs per ounce

Cash costs are presented as they represent an industry standard method of comparing certain costs on a per unit basis. Total cash costs include on-site mining, processing and, administration costs, off-site refining and royalty charges, reduced by silver by-product credits, but exclude amortization, reclamation, and exploration costs, as well as capital expenditures. Total cash costs are divided by ounces to arrive at per ounce cash costs.

The following table provides a reconciliation from the Financial Statements to total cash cost per ounce of gold produced:

<i>(In thousands of dollars except for ounces of gold and total cash cost per ounce)</i>	For the three months ended Dec 31, 2010	For the three months ended Dec 31, 2009	For the year ended Dec 31, 2010	For the year ended Dec 31, 2009
Mine operating expenses ¹	\$ 40,159	\$ 11,494	\$ 117,717	\$ 18,141
Net smelter return royalties	-	101	221	135
Writedown of inventory	(549)	-	(3,737)	-
Inventory movements and adjustments	(335)	(1,499)	7,472	(4,497)
Total cash cost	\$ 39,275	\$ 10,096	\$ 121,673	\$ 13,779
Gold ounces produced	44,449	18,357	137,517	25,282
Total cash cost per ounce of gold produced	\$ 884	\$ 550	\$ 885	\$ 545

¹ Excludes deferred stripping costs of \$8.9 million and \$11.8 million for the three month period and year ended December 31, 2010, respectively. Excludes \$23,000 related to the sale of copper for the year ended December 31, 2009.

Adjusted earnings or loss and adjusted earnings or loss per share

Adjusted earnings or loss and adjusted earnings or loss per share are calculated by taking the Company's net earnings, excluding (a) non-recurring revenue and expense items; (b) stock-based compensation; (c) unrealized foreign exchange gains and losses; (d) unrealized gains and losses on derivative financial instruments; and (e) impairment losses. A reconciliation of net earnings or loss to adjusted earnings or loss and adjusted earnings or loss per share is included under the heading "Fourth Quarter and Year-End 2010 Financial and Operating Highlights".

22. RISK FACTORS

The operations of the Company are speculative due to the high-risk nature of its business which is the acquisition, financing, exploration, development and operation of mineral properties. The risk factors set forth in the Company's annual information form ("AIF") dated March 30, 2011, a copy of which is filed on SEDAR at www.sedar.com, could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

23. DISCLOSURE OF SHARE DATA AS AT MARCH 30, 2011

- (a) shares authorized: an unlimited number of common shares without par value.
- (b) shares issued and outstanding: 227,331,039 common shares.
- (c) stock options outstanding as at March 30, 2011:

April 30, 2011	3.64	6,250
May 3, 2011	3.16	34,600
July 23, 2011	3.23	10,000
July 25, 2011	2.50	240,000
August 15, 2011	5.80	47,500
August 20, 2011	3.16	37,500
August 22, 2011	3.75	16,000
August 22, 2011	0.775	7,500
August 22, 2011	3.50	1,250
August 31, 2011	3.84	25,000
October 31, 2011	3.16	50,000
December 31, 2011	4.95	360,000
December 31, 2011	3.50	100,000
March 30, 2012	3.85	360,000
March 30, 2012	3.75	916,000
May 17, 2012	5.90	400,000
June 26, 2012	7.10	100,000
July 16, 2012	6.90	50,000
July 19, 2012	7.85	460,000
August 23, 2012	5.90	30,000
September 25, 2012	6.60	30,000
December 6, 2012	5.80	12,400
January 28, 2013	4.95	420,000
January 29, 2013	4.95	120,000
February 8, 2013	5.30	140,000
May 13, 2013	7.50	900,000
August 14, 2013	5.35	183,000
December 30, 2013	0.775	2,572,665
September 11, 2014	3.16	780,000
October 19, 2014	3.26	20,000
November 2, 2014	3.23	760,000
December 14, 2014	4.19	80,000
January 5, 2015	4.63	300,000

February 8, 2015	3.63	90,000
February 17, 2015	3.91	90,000
March 15, 2015	4.00	200,000
March 29, 2015	3.84	131,250
April 9, 2015	3.50	2,050,000
April 12, 2015	3.52	60,000
April 19, 2015	3.34	100,000
May 28, 2015	4.24	90,000
June 7, 2015	4.25	250,000
August 20, 2015	3.70	240,000
September 7, 2015	3.70	270,000
November 19, 2015	3.74	70,000
December 1, 2015	3.84	80,000
December 10, 2015	3.98	400,000
December 13, 2015	3.98	100,000
January 10, 2016	3.68	320,000
	Total:	14,110,915

(d) as of March 30, 2011, there were no warrants outstanding.

24. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains or incorporates by reference “forward-looking information” under applicable Canadian securities legislation. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking statements, including any information as to the Company’s strategy, plans or future financial or operating performance. Forward-looking statements are characterized by words such as “plan,” “expect”, “budget”, “target”, “project”, “intend”, “believe”, “anticipate”, “estimate” and other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to, the impact of general business and economic conditions, global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future conditions, fluctuating metal prices (such as gold, copper, silver, nickel and iron ore), currency exchange rates (such as the Canadian Dollar, Brazilian Real, Mexican Peso and the Honduran Lempira versus the United States Dollar), possible variations in ore grade or recovery rates, changes in accounting policies, changes in the Company’s corporate resources, changes in project parameters as plans continue to be refined, changes in project development and production time frames, the possibility of project cost overruns

or unanticipated costs and expenses, higher prices for fuel, steel, power, labour and other consumables contributing to higher costs and general risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, unexpected changes in mine life, final pricing for concentrate sales, unanticipated results of future studies, seasonality and unanticipated weather changes, costs and timing of the development of new deposits, success of exploration activities, successful completion of proposed acquisitions, permitting time lines, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation and labour disputes, as well as those risk factors discussed or referred to in the Company's AIF under the heading "*Item 4 – Risk Factors*". Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and results as at and for the periods ended on the dates presented in the Company's plans and objectives and may not be appropriate for other purposes.

25. ADDITIONAL INFORMATION

Additional information relating to the Company including, the Company's AIF, is available for viewing on SEDAR at www.sedar.com and the Company's website at www.auraminerals.com