



Aura Minerals Inc.

AURA MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010

Dated as of November 9, 2010

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This management's discussion and analysis ("MD&A") should be read in conjunction with Aura Minerals Inc.'s (the "Company" or "Aura Minerals") unaudited interim consolidated financial statements for the three and nine months ended September 30, 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 2009 audited annual consolidated financial statements, the related management discussion and analysis and the 2009 Annual Information Form ("AIF") dated March 26, 2010, 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 November 9, 2010 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 three and nine months ended September 30, 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 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"), and 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. Other significant assets include the copper-gold-silver Aranzazu project in Zacatecas, Mexico (the "Aranzazu Project"), which began commissioning in the third quarter of 2010 and is expected to ramp up to full production in the first quarter of 2011, and 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 producing 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. THIRD QUARTER 2010 FINANCIAL AND OPERATING HIGHLIGHTS

- Gold production of 38,465 ounces for the quarter, up 9% from 35,304 ounces in the second quarter of 2010;
- Gold sales of 39,087 ounces for the quarter for net sales of \$47.6 million;

- On-site average cash cost¹ of \$1,121 per ounce of gold produced in the third quarter of 2010 (based on production from the San Andres Mine and the Brazilian Mines) compared to \$534 per ounce in the same quarter in 2009 (based on production from just the San Andres Mine), comprised of the following;

	For the three months ended September 30, 2010		For the nine months ended September 30, 2010	
	Ounces Produced	Cash Costs ¹	Ounces Produced	Cash Costs ¹
San Andres	16,133	\$ 709	51,171	\$ 606
Sao Francisco (from May 1, 2010)	12,424	\$ 1,682	23,355	1,421
Sao Vicente (from May 1, 2010)	9,908	\$ 1,091	18,542	998
Total / Average	38,465	\$ 1,121	93,068	\$ 889

¹ A cautionary note regarding non-GAAP measures is included in Section 20 of this MD&A.

- Realized average price of gold sold of \$1,229 per ounce for the quarter, compared to a market average price of \$1,227 per ounce (London PM Fix);
- Mine operating loss of \$6.2 million for the quarter;
- Net loss for the quarter of \$16.6 million or \$0.08 per share;
- Adjusted loss and adjusted loss per share are as follows:

<i>(In thousands of dollars except per share amounts)</i>	For the three months ended Sept. 30, 2010	For the three months ended Sept. 30, 2009	For the nine months ended Sept. 30, 2010	For the nine months ended Sept. 30, 2009
Net loss per the Financial Statements	\$ (16,625)	\$ (13,173)	\$ (31,223)	\$ (25,425)
Unrealized foreign exchange losses	310	-	916	-
Stock-based compensation	2,218	1,286	9,865	3,655
Writedown of inventory	3,188	-	3,188	-
Impairment charge - resource properties, net of tax	-	-	-	5,390
Non-recurring transaction costs	(376)	-	2,335	-
Adjusted loss ¹	\$ (11,285)	\$ (11,887)	\$ (14,919)	\$ (16,380)
Adjusted loss per share ¹	\$ (0.05)	\$ (0.08)	\$ (0.08)	\$ (0.13)

¹ A cautionary note regarding non-GAAP measures is included in Section 20 of this MD&A.

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- With the commissioning of the water treatment plant in August and rainfall returning to normal levels in September, production and cash costs¹ at the San Andres Mine for the month of September were 7,532 ounces and approximately \$500 per ounce, respectively, which is a return to those levels experienced prior to the heavier than normal rainfall from June to August;
- During and subsequent to the quarter, commissioning of the plant and mine development at the Aranzazu Project advanced in line with the planned ramp-up to full production of 2,600 tonnes per day (“tpd”) in the first quarter of 2011;
- During and subsequent to the quarter, released results from ongoing exploration and definition drilling programs at the Aranzazu Project, including the second batch of drill holes from the deep drilling program, with an emphasis on increasing the overall resource base along strike and at depth; and
- Ended the quarter with \$57.8 million in cash and cash equivalents.

3. CORPORATE DEVELOPMENTS & SIGNIFICANT TRANSACTIONS AFFECTING RESULTS OF OPERATIONS

Brazilian Mine Acquisition

The Company entered into an asset purchase agreement (the “Asset Purchase Agreement”) on July 17, 2009 to purchase the assets and liabilities of the Brazilian Mines (the “Brazilian Mine Acquisition”). The Brazilian Mine Acquisition closed on April 30, 2010. Consideration paid to Yamana Gold Inc. (“Yamana”) pursuant to the Asset Purchase Agreement included: 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 note 5 to the Financial Statements and “*Contractual Obligations*”).

A preliminary allocation of the purchase price to the assets and liabilities acquired is presented in note 5 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 \$24,949,000 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

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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 \$21,168,000 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.

Dedicated Waste Stripping Program at the Sao Francisco Mine

Since its acquisition, mining of significantly lower than average head grades at the Sao Francisco Mine has been necessary due to the fact that the higher-grade material scheduled for mining in 2010 is waste-bound. The Company has put considerable effort into improving the mine plan for longer-term, sustainable operations. This has necessitated the mining of lower than average grade and rescheduling of waste movement. As a result, primarily due to the low head grades, dilution of ore with waste during operations due to the current pit layout and corresponding low levels of production, cash costs since May have been adversely affected and have increased to unsustainable levels. Furthermore, it has not allowed the Company to focus on additional process and optimization upgrades that will 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 will be implementing a dedicated waste stripping program at the Sao Francisco Mine, effective at or around November month end. The dedicated stripping program is expected to last approximately three to four months. During this period, mining of ore will be deferred, but heap leaching of the ore on the leach pads will continue. Additional information regarding the Sao Francisco Mine and the dedicated stripping program can be found in section 4 of this MD&A, "*Operations Review – Dedicated Waste Stripping Program at the Sao Francisco Mine*".

Change in Measurement and Reporting Currency

Effective October 1, 2009, the Company changed its measurement and reporting currency from the Canadian dollar to the United States dollar as disclosed in note 2 to the Financial Statements. Accordingly, all comparative financial information in this MD&A has been restated to reflect the Company's results as if they had been historically reported in United States dollars.

4. OPERATIONS REVIEW

San Andres Mine

The San Andres Mine, acquired on August 25, 2009, is an open-pit heap leach gold mine, which is 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 during the quarter was 16,133 ounces of gold, an increase of 2.5% over the second quarter of 2010, but a decrease of 12% from production in the third quarter of 2009 of 18,338 ounces, of which 6,925 ounces were attributable to the Company. Lower than expected gold production from June to August was a result of the early onset of the rainy season, combined with higher than normal rainfall, which impacted mining operations, the crusher and conveyor systems, and the grade of the heap leach solution. As disclosed in the Company's MD&A for the three and six months ended June 30, 2010, the Company undertook a number of measures to deal with the excessive rainfalls and the resulting operating issues. In addition, during the second quarter, standard testing of treated water prior to discharge revealed trace levels of cobalt. This prevented the Company from discharging excess water on a continuous basis. 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. Until the commissioning and operation of this system, pregnant leach solution gold grades continued to be diluted due to high amounts of rainfall and the inability of the operation to discharge water on a continuous basis. During September, with the water treatment plant fully operational and the plant moving from batch to continuous discharge of water, gold production increased to 7,532 ounces for the month, or a targeted run rate of approximately 90,000 ounces per annum.

In addition to the commissioning of the water treatment plant, the new stacking system was commissioned 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 and nine months ended September 30, 2010 and 2009:

Operating Information	Q3 2010	Q3 2009²	YTD 2010	YTD 2009²
Ore mined (tonnes)	1,172,695	417,244	3,449,453	417,244
Waste mined (tonnes)	406,868	32,580	638,894	32,580
Total mined (tonnes)	1,579,563	449,824	4,088,347	449,824
Waste-to-ore ratio	0.35	0.08	0.19	0.08
Ore plant feed (tonnes)	1,158,555	420,009	3,465,144	420,009
Grade (g/tonne)	0.67	0.71	0.72	0.71
Production (ounces)	16,133	6,925	51,171	6,925
Sales (ounces)	13,963	7,175	50,471	7,175
Average cash cost of gold produced (\$/ounce) ¹	\$ 709	\$ 534	\$ 606	\$ 534

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² Following date of acquisition on August 25, 2009.

Total waste and ore mined during the three month period ended September 30, 2010 was 1,579,563 tonnes, an increase of 25% over the previous quarter in 2010 and an increase of 38% over the third (full) quarter in 2009. Ore tonnes mined in the third quarter of 2010 were 1,172,695, an 11% increase over the previous quarter in 2010 and an increase of 38% over the third (full) quarter in 2009. The San Andres Mine had a waste-to-ore ratio of 0.35 to 1 in the third quarter, as compared to 0.19 to 1 in the previous quarter of 2010 and 0.08 to 1 in the third (full) quarter of 2009. The year-to-date waste-to-ore ratio of 0.19 to 1 approximates 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 quarter ended September 30, 2010 was 1,158,555 tonnes of ore, an increase of 9% from the previous quarter in 2010 and from the same quarter in 2009. For the quarter ended September 30, 2010, ore plant feed had an average grade of 0.67 g/tonne, which compares to the Company's 2010 mine plan of 0.75 g/tonne and to the previous quarter's ore plant feed of 0.73 g/tonne. Gold production is dependent upon ore grade and process recoveries, both 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 third quarter of 2010 (calculated as the number of ounces produced during the period to the number of contained ounces stacked during the period) was 65%, consistent with the recovery for the previous quarter of 2010. Recoveries for both quarters were impacted by the higher than average rainfall from June to August. Final gold recovery is determined when leach pad areas are reclaimed and production reconciled. Initial lab column testwork indicates that gold recoveries at the San Andres Mine are in the range of 75-85% between mixed oxide-sulphide ore and oxidized ore. With the new stacking system now in place and the expanded leach pad almost complete, the Company expects to see improvements in the gold recovery going forward.

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 \$709 per ounce of gold produced in the third quarter of 2010 were approximately 11% higher than the \$638 per ounce reported for the second quarter of 2010 and 33% higher than the \$534 per ounce reported for the third quarter of 2009. Production and cash costs¹ during the second and third quarters of 2010 were adversely impacted by the early onset of the rainy season in June, which continued through August. Cash costs¹ during the quarter were also impacted by the increased waste movement during the quarter, up 100% from approximately 200,000 tonnes in the

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second quarter to approximately 407,000 tonnes in the third quarter of 2010. With the water treatment plant fully operational in early September and the heavy rains having eased, production for the month increased to over 7,500 ounces, which brought the month's cash costs¹ back down to approximately \$500 per ounce.

Sao Francisco Mine

The Sao Francisco Mine is an open-pit heap leach gold mine, which is located in the western portion of the State of Mato Grosso, Brazil, approximately 560 kilometres west of Cuiaba, the state capital city. 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 and the third quarter of 2010, as well as from May 1 to September 30, 2010:

Operating Information	For the period from May 1 to June 30, 2010	Q3 2010	For the period from May 1 to Sept. 30, 2010
Ore mined (tonnes)	833,813	1,224,708	2,058,521
Waste mined (tonnes)	2,314,340	2,759,751	5,074,091
Deferred stripping (tonnes)	-	790,515	790,515
Total mined (tonnes)	3,148,153	4,774,974	7,923,127
Waste-to-ore ratio ²	2.78	2.90	2.85
Ore plant feed (tonnes)	781,977	1,233,212	2,015,189
Grade (g/tonne)	0.46	0.37	0.40
Production (ounces)	10,931	12,424	23,355
Sales (ounces)	6,928	14,129	21,057
Average cash cost of gold produced (\$/ounce) ¹	\$ 1,125	\$ 1,682	\$ 1,421

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² Includes deferred stripping waste.

Ore tonnes mined during the quarter were 1,224,708 at an average head grade of approximately 0.37 grams per tonne. This was 20% lower than the head grade of 0.46 grams per tonne in the prior two-month period and 34% lower than the grades from January to April 2010. Total waste and ore mined during the three month period ended September 30, 2010 was 4,774,974 tonnes, compared to 3,148,153 tonnes mined in the two month period ended June 30, 2010. As a result, the Sao Francisco Mine had a waste-to-ore ratio of 2.90 to 1 in the third quarter, including all waste stripping, as

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compared to 2.78 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 current quarter, waste stripping at the Sao Francisco Mine included 790,515 tonnes of the 3,550,266 total waste tonnes mined which was considered to provide future benefits. Costs associated with this activity, of \$1,474,000, have been capitalized and will be depleted as ore accessed by the stripping activities is mined. The Company estimates that between four and five million tonnes of waste are required to be removed to achieve a sustainable mine plan, and the Company plans to implement a dedicated program to complete this stripping 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. Lower average monthly production at the Sao Francisco Mine in the third quarter was a direct result of the mining of lower-grade material and the continuing need to focus on waste stripping at the operation. As a result of lower grades, the recovery rate for the third quarter of 2010 (calculated as the number of ounces produced during the period to the number of contained ounces stacked during the period) was 85%, which compares to 95% for the two months ended June 30, 2010.

During the quarter, gold production was 12,424 ounces compared to 10,931 ounces for the two-month period ended June 30, 2010, which on an average monthly production basis was a decrease of 24%, a direct result of lower ore grades as described above. Accordingly, operating cash costs¹ of \$1,682 per ounce of gold produced in the third quarter of 2010 were approximately 50% higher than the \$1,125 per ounce reported for the second quarter of 2010. Cash costs¹ during the third quarter of 2010 were adversely impacted by a 5% increase in the Brazilian Reais as compared to the United States dollar, and increased maintenance to the crushing and gravity circuit and other plant areas. As a result of the high cash costs¹ during the quarter, the Company recorded an impairment charge of \$2,903,000 to bring product, leach pad, and metal in circuit and gold in process inventories to their net realizable value at September 30, 2010.

Dedicated Waste Stripping Program at the Sao Francisco Mine

To allow the operation to focus solely on waste stripping, the Company will be implementing a dedicated waste stripping program at the Sao Francisco Mine effective at or around November month-end. The Company estimates that approximately three to four months will be necessary to complete the waste material movement and allow the mine to resume normal operations with a sustainable mine plan and pit configuration in place. During this period, mining of ore will be deferred, but heap leaching of the ore on the leach pads will continue. The estimated cost for the dedicated waste stripping program is \$12 million. The waste stripping will also allow a change in waste bench configuration from the current 15 metre wide benches to 30 metre benches. This will allow for more efficient blasting, material loading and transportation. The new configuration will help to mitigate dilution, decrease handling and

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transportation costs, and allow more efficient loading of trucks. The dedicated stripping program will also allow the Company to implement certain initiatives that are expected to increase operational productivity, improve overall gold recovery and significantly lower cash operating costs. These initiatives include:

- 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 two or three 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 \$1 million, and the change from contract to owner-operated haulage of crushed ore is expected to occur on recommencement of normal operations;
- Installing of a 1,000 tpd tailings retreatment circuit to increase overall gold recovery. Currently, the crushing/gravity circuit generates approximately 500 tpd of fine-grained tails grading approximately 1 g/t gold, which are rejected. The tails stockpile is estimated to contain 455,000 tonnes of material grading approximately 1.0 g/t gold. Recent testwork completed by the Company on the tails fraction 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. The estimated capital cost for the tailings retreatment circuit is \$12-\$16 million, and design and installation are expected to take approximately six months; and
- Improving the crushing/gravity circuit maintenance program and making basic flowsheet changes to increase availability. Availability of the circuit is currently 65%, due to equipment failure and inefficient maintenance practices. The Company has now hired an experienced maintenance foreman whose sole task will be to execute the changes to the plant and implement and supervise an agreed maintenance planning program. Furthermore, based on the recommendations of an independent engineering firm, the Company will also make several changes to the current gravity recovery plant that will also improve recovery and overall utilization. These changes have already been implemented at the nearby Sao Vicente Mine with success. The Company estimates that the recommended changes can be made for an investment of approximately \$2.0 million, and the implementation of the changes will be completed during the period of the dedicated stripping program. Plant availability following these changes is estimated to be greater than 75%, resulting in cost savings of approximately \$0.50 per tonne, or \$2.4 million per year.

The changes described above, as well as cost savings that will be realized from new contracts for cyanide and fuel recently signed for the Sao Francisco Mine, are expected to result in annual operating cost savings of approximately \$8-10 million.

The Company expects to resume normal operations at the Sao Francisco Mine by the end of the first quarter of 2011. During the first year of operations thereafter, the head grade is expected to be 0.8 g/t gold for the crusher-gravity ore, approximately 100% higher than the average head grade mined from

May 1, 2010 to September 30, 2010. Therefore, achieving a sustainable mine plan through the dedicated waste stripping program, combined with the operational changes outlined above, is expected to allow production of approximately 100,000 ounces of gold at estimated cash costs¹ of between \$700 and \$800 per ounce in the first full year following the recommencement of normal operations. Thereafter, the headgrade is expected to continue to improve, increasing annual gold production.

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.

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 quarter of 2010, as well as from May 1 to September 30, 2010:

Operating Information	For the period from May 1 to June 30, 2010	Q3 2010	For the period from May 1 to Sept. 30, 2010
Ore mined (tonnes)	562,899	1,015,253	1,578,152
Waste mined (tonnes)	1,070,009	1,121,601	2,191,610
Deferred stripping (tonnes)	-	545,848	545,848
Total mined (tonnes)	1,632,908	2,682,702	4,315,610
Waste-to-ore ratio ²	1.90	1.64	1.73
Ore plant feed (tonnes)	580,952	1,008,527	1,589,478
Grade (g/tonne)	0.49	0.47	0.47
Production (ounces)	8,634	9,908	18,542
Sales (ounces)	6,622	10,995	17,617
Average cash cost of gold produced (\$/ounce) ¹	\$ 893	\$ 1,091	\$ 998

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² Includes deferred stripping waste.

Ore tonnes mined during the quarter were 1,015,253 at an average head grade of approximately 0.47 grams per tonne, comparable to the prior two-month period. Total waste and ore mined during the three month period ended September 30, 2010 was 2,682,702 tonnes, compared to 1,632,908 tonnes

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mined in the two month period ended June 30, 2010. This represents an average increase in the total monthly material movement of approximately 10%. The Sao Vicente Mine had a waste-to-ore ratio of 1.64 to 1 in the third quarter, including all waste stripping, as compared to 1.90 to 1 in the previous quarter. During the current quarter, waste stripping at the Sao Vicente Mine included 545,848 tonnes of the 1,667,449 total waste tonnes mined which was considered to provide future benefits. Costs associated with this activity of \$1,382,000 have been capitalized and will be depleted as ore accessed by the stripping activities is mined.

Total plant feed during the quarter ended September 30, 2010 was 1,008,527 tonnes of ore, as compared to 580,952 for the two month period ended June 30, 2010. This represents an average increase in the total monthly ore processed of approximately 16%. For the quarter ended September 30, 2010, ore plant feed had an average grade of 0.47 g/tonne. However, the mine saw higher grades in September, averaging 0.61 g/tonne and this has continued into the fourth quarter with production for the month of October already at 43% of the total third quarter production.

Gold production is dependent upon ore grade and process recoveries, both of which can be expected to fluctuate from period to period. Lower average monthly production at Sao Vicente in the third quarter resulted from lower ore stacking levels in the prior quarter and changes to ore stockpile inventories. As a result, the recovery rate for the third quarter of 2010 (calculated as the number of ounces produced during the period to the number of contained ounces stacked during the period) was 65%, which compares to 94% for the two months ended June 30, 2010. 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.

During the quarter, gold production was 9,908 ounces compared to 8,634 ounces for the two-month period ended June 30, 2010, which on a monthly average production basis was a decrease of 23%, a result of lower ore stacking levels in the prior quarter and changes to ore stockpile inventories as described above. As a result, while overall monthly cash spending at the Sao Vicente mine remained consistent throughout the five month period ended September 30, 2010, operating cash costs¹ of \$1,091 per ounce of gold produced in the third quarter of 2010 were approximately 25% higher than the \$893 per ounce reported for the second quarter of 2010. Cash costs¹ during the third quarter of 2010 were also impacted by a 5% increase in the Brazilian Reals as compared to the United States dollar. As a result of the high cash costs¹ during the quarter, the Company recorded an impairment charge of \$285,000 to bring product, leach pad, and metal in circuit and gold in process inventories to their net realizable value at September 30, 2010.

Like 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:

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- Upgrading the crushing and process plant to increase equipment availability and thereby improve plant throughput and reduce operating costs. Such improvements will include installation of certain critical standby equipment;
- Installing of a second train of carbon columns to improve gold extraction from solution;
- 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.

Due to the size of the operation, implementation of these initiatives at the Sao Vicente Mine has already begun to yield benefits, with gold production in September increasing 26% over the monthly average gold production in July and August and as stated production in the month of October already having reached 43% of the total third quarter's production.

5. DEVELOPMENT AND EXPLORATION REVIEW

Aranzazu Project

The Aranzazu Project consists of approximately 10,445 hectares of exploration concessions centred on the Arroyos Azules underground mine. The operation consists of a mine and a recently-upgraded 2,600 tpd mill and is designed to produce a copper-gold-silver concentrate via flotation.

Development work is ongoing and commissioning of the plant commenced during the third quarter of 2010. Commissioning of the crushing circuit has been completed. Commissioning of the mills is ongoing and the mine will be ramping up towards full production of 2,600 tpd during the first quarter of 2011. To date, copper recoveries during commissioning are averaging 90%, with a concentrate grade of approximately 23% copper. Once final commissioning of the cleaner circuit is completed, the concentrate grade is expected to increase to approximately 30%. The total capital expenditures associated with the restart of the Aranzazu Project, to the completion of commissioning, are estimated to be \$30 million.

The Company is also continuing to drill the high-grade resources within the Calcocita, Arroyos Azules, Glory Hole and BW zones for conversion of resources into proven and probable reserves as part of the restart of operations. As part of this program, results from 161 holes were released in 2009, and from 91 new and six historic holes during the first nine months of 2010. An additional 58 in-fill and definition drill holes were released after the quarter-end which continue to confirm grades and widths of the deposit.

The Company also believes there is significant 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 is underway to test the down-dip and along strike potential of the mineralized system beyond the current resource boundaries as part of an overall plan to investigate the possibility to develop a high tonnage bulk mining operation at the Aranzazu Project. 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. Ongoing deep drilling will test the other zones along strike. If successful, the

Company will immediately commence planning of a major expansion program for the mine. Together with the extensive surface and underground drill program mentioned above, this work will include all necessary geotechnical and engineering studies. With the wide mineralization and favourable ground conditions, the Company believes that the deposit is suited to a low cost bulk mining scenario such as sub-level caving. 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 2g/tonne Au. The total expenditures associated with the above exploration program are estimated to be \$24 million, of which \$8.6 million has been incurred to September 30, 2010.

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 Project Resource”). The cut-offs are based on copper values only. The 2010 Aranzazu Project 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.Geo 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 Project 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 Project 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 Project 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 upon start-up of the operation in the fourth quarter. 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 new resource estimate is 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 244 drill holes completed subsequent to the cut-off date for the 2010 Aranzazu Project Resource, many of which are outside of the current resource envelope, and five drills are currently operating on site. Since taking over the Aranzazu Project in June 2008, the Company has completed 113,607 metres of drilling. Aura Minerals expects to complete another updated resource estimate in the first 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 continued with final variability testwork to finalize the process flowsheet prior to awarding a feasibility study contract. Grinding simulation testwork was completed subsequent to the quarter end. The Company intends to complete design criteria in November 2010 and award the feasibility contract before year-end. The feasibility study is expected to be completed in the third quarter of 2011. As part of the feasibility work, and based on the evolution of the geological understanding of the deposit, and based on the ongoing 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.

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 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.

6. OUTLOOK

In the third quarter of 2010, the gold price continued its strong rise, up 6% to \$1,307 at the end of the quarter, followed by a further increase of approximately 7% to new highs breaking through \$1,400 as of the date of this MD&A. During this period, strong investment demand, together with a weakening United States dollar and continuing uncertainties surrounding a global recovery have continued to underpin higher gold prices. The Company expects mid to near-term gold prices to remain well supported, albeit with a high degree of volatility. The price of copper has also continued to strengthen over the quarter, having increased 27% to \$3.63 per pound at the end of September 2010, followed by a further increase of approximately 10% to the \$4.00 per pound level as of the date of this MD&A, approaching the levels of mid-2008. Strong demand, declining physical stocks and a weaker United States dollar continue to support mid to near-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 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 operation saw an immediate return to the higher

production and lower cost levels in September as the rainfalls eased and the new water treatment system was commissioned. The Company expects annualized production of between 85,000 and 90,000 ounces of gold in 2011 with cash costs¹ at or below \$500 per ounce due to the higher throughput and increased recoveries resulting from the improvements completed in 2009 and 2010. The Company is lowering 2010 production guidance for the San Andres Mine to approximately 73,000 – 75,000 ounces of gold with per ounce cash costs¹ for the fourth quarter production in the \$480 – 520 range.

Since its acquisition, mining of significantly lower than the average head grades at the Sao Francisco Mine has been required as higher-grade material is still somewhat waste-bound. As a result of the lower head grades and dilution of ore with waste, the Sao Francisco Mine has experienced correspondingly low production and high cash costs¹. The Company has therefore determined that a dedicated waste stripping program is necessary, as discussed further in “*Operations Review – Sao Francisco Mine*”, to allow the Company to accelerate waste stripping and complete the necessary operational improvements so that plant availability and throughput can be achieved. The waste stripping is expected to be complete by the end of the first quarter of 2011 and normal operations at the Sao Francisco Mine will resume at a head grade for the crusher-gravity ore of approximately double the average head grade processed to date. Upon re-start of operations, production is expected to be approximately 100,000 ounces of gold at estimated cash costs² of between \$700 and \$800 per ounce in the first full year. Thereafter, the grades are expected to continue to improve which should increase annual gold production.

The Sao Vicente Mine faced similar ore grade and operational challenges as the Sao Francisco Mine. However, several operational initiatives have begun to take effect at the Sao Vicente Mine and certain others will continue to be implemented (see “*Operations Review – Sao Vicente Mine*”). Additionally, beginning in September, the mine achieved 30% higher ore grades, which, combined with improved recoveries, resulted in September production increasing 26% over the monthly average gold production in the two prior months, and October’s production being 43% of the total for the whole of the third quarter. The higher ore grades are expected to continue into the fourth quarter and into 2011 and beyond. The Company expects annualized production of approximately 50,000 ounces of gold at estimated cash costs¹ of between \$800 and \$900 per ounce in 2011, with further decreases in cash costs¹ when other operational improvements take effect.

Estimated 2010 gold production guidance per mine, based on eight months of production from the Brazilian Mines, and including the impact of the dedicated waste stripping campaign at the Sao Francisco Mine commencing at November month-end, is summarized in the table below:

Gold Production Estimates	
San Andres Mine	73,000 - 75,000oz
Sao Francisco Mine	32,000 - 34,000 oz
Sao Vicente Mine	25,000 - 30,000 oz
Total	130,000 - 139,000 oz

¹ A cautionary note regarding non-GAAP measures is included in Section 20 of this MD&A.

Plant commissioning at the Aranzazu Project is almost complete, and this operation is expected to achieve commercial production in the fourth quarter of 2010, ramping up towards full production of 2,600 tpd during the first quarter of 2011. The Aranzazu Project is expected to produce approximately 20 million pounds of copper, 12,000 ounces of gold, and 140,000 ounces of silver on an annualized basis once targeted capacity is achieved.

Capital expenditure guidance for the fourth quarter of 2010 is approximately \$11 million, related primarily to the completion of projects at the Aranzazu Project and the San Andres Mine. Additionally, the Company expects to commence incurring further capital expenditures at the Sao Francisco Mine of between \$21 - \$25 million, including: approximately \$15 - \$19 million related to capital improvements through the second quarter of 2011 and approximately \$12 million through the first quarter of 2011 related to the dedicated waste stripping program, less net residual revenues earned during that period.

Organic growth continues to be a significant focus for Aura Minerals. Exploration expenses are forecast to be approximately \$3.2 million for the fourth quarter of 2010, of which \$2.2 million will be at the Aranzazu Project, where the Company has commenced a large underground and deep drilling program to delineate resources to potentially support a bulk-tonnage underground operation.

The Company believes that the long term environment and prospects for its business remain favourable and it expects strong cash flows to be generated from the San Andres Mine, from the Sao Vicente Mine beginning in the fourth quarter of 2010, and from the Aranzazu Project, once it reaches full production in the first quarter 2011. Additionally, following the completion of the dedicated stripping campaign at the Sao Francisco Mine, the Company also expects strong 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 of \$50 million as of November 9, 2010, the Company believes it is fully financed to achieve its growth objectives.

7. RESULTS OF OPERATIONS

Comparing the three months ended September 30, 2010 to the three months ended September 30, 2009

Sales, Cost of Goods Sold and Mine Operating Profit (Loss)

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 (loss) are presented below:

<i>(In thousands of dollars)</i>	For the three months ended Sept. 30, 2010	For the three months ended Sept. 30, 2009
Financial information		
Sales	\$ 47,550	\$ 6,855
Cost of goods sold	53,751	6,729
Mine operating profit (loss)	\$ (6,201)	\$ 126

Total net sales for the quarter ended September 30, 2010 were \$47,550,000, inclusive of local sales taxes paid of \$487,000. The Company's gross revenue is comprised of sales of \$17,062,000 from the San Andres Mine, \$17,430,000 from the Sao Francisco Mine and \$13,545,000 from the Sao Vicente Mine. For the quarter ended September 30, 2010, the Company sold 39,087 gold ounces at an average realized price of \$1,229 per gold ounce, which compares to a market average price for the same period of \$1,227 per ounce (London PM Fix).

For the three months ended September 30, 2009, net sales of \$6,855,000 were solely from the sale of gold from the San Andres Mine following its acquisition on August 25, 2009 and were inclusive of local sales taxes paid of \$59,000. From August 26 to September 30, 2009, gross revenues of \$6,914,000 were the result of 7,175 gold ounces sold by the Company at an average realized price of \$964 per gold ounce, which compares to a market average price for the same period of \$991 per ounce (London PM Fix).

During both quarters ended September 30, 2009 and 2010, the Company recorded no sales of copper concentrate from the Aranzazu Project.

For the three months ended September 30, 2010, cash costs of gold sold totalled \$45,452,000 or \$1,163 per ounce and included a write-down of \$3,188,000 to bring inventory to its net realizable value. Together with the non-cash depletion, amortization and accretion charges for the period of \$8,299,000 or \$212 per ounce, cost of goods sold was \$53,751,000 or \$1,375 per ounce.

Cost of goods sold for the period from August 26 to September 30, 2009, related solely to sales from the San Andres Mine, totalled \$6,729,000, or approximately \$938 per ounce sold. Cost of goods sold for the period includes mine operating expenses of \$6,647,000 or \$926 per ounce, which includes the impact of the fair value adjustment to the acquisition date inventory which was subsequently sold. Of the \$5,062,000 added to gold inventory at August 25, 2009 to adjust such inventories to fair value, \$3,572,000 or \$497 per ounce was allocated to gold ounces sold during the period, and \$1,490,000 was attributed to the gold ounces remaining in inventory at September 30, 2009. Total non-cash accretion charges for the period totalled \$48,000 or \$7 per ounce. The net smelter return royalty ("NSR") of \$34,000, or \$5 per ounce, relates to a 0.5% underlying royalty associated with the gold sold from the San Andres Mine to a maximum of US\$1,500,000 (reached in the second quarter of 2010). No depletion or

amortization was attributed to gold ounces sold during the period as the ounces were all purchased inventory on the acquisition date.

For the three months ended September 30, 2010, the Company recorded a mine operating loss of \$6,201,000, as compared to a mine operating profit of \$126,000 for the same quarter in 2009.

Other Expenses and Operating Loss

Other expenses for the three months ended September 30, 2010 include exploration expenses of \$6,655,000, stock-based compensation of \$2,218,000, general and administrative expenses of \$3,449,000, and amortization and accretion of \$826,000, which were offset by a net reclassification of previously recorded transaction costs related to the Brazilian Mine Acquisition of \$376,000. For the three months ended September 30, 2009, other expenses included exploration expense of \$2,735,000, stock-based compensation of \$1,286,000, general and administrative expenses of \$1,424,000, costs of operations in care and maintenance of \$464,000, and amortization of \$100,000.

For the three months ended September 30, 2010, the Company incurred \$6,655,000 in exploration costs, including expenditures of \$1,308,000 related to the Arapiraca Project, comprising mostly of: consulting costs of \$273,000; drilling costs of \$258,000; and salaries and benefits of \$403,000. Exploration expenses on the Aranzazu Project during the quarter totalled \$3,753,000 and primarily included: drilling costs of \$3,051,000, geological and assay related costs of \$307,000, and consulting costs of \$142,000. Exploration expenditures for the quarter also include \$1,491,000 on the Brazilian Mines, mostly at the Sao Vicente mine and comprising primarily drilling costs of \$621,000; geological and assay related costs of \$140,000; and salaries and benefits of \$378,000.

For the three months ended September 30, 2009, the Company incurred \$2,735,000 in exploration costs, primarily representing exploration and development work conducted on the Company's Arapiraca Project and Aranzazu Project. Of the expenditures for the quarter, \$1,674,000 related to the Preliminary Economic Assessment ("PEA") at the Arapiraca Project. A further \$1,079,000 in exploration expenditures were incurred on the Aranzazu Project during the quarter, with \$852,000 of this amount being drilling costs.

The stock-based compensation expense for the three months ended September 30, 2010 of \$2,218,000 (2009: \$1,286,000) relates to the vesting in the year of previously granted options and of new options granted during the quarter.

General and administrative expenses for the three months ended September 30, 2010 of \$3,449,000 relate to the running of the Company's corporate offices in Canada and Brazil and include: salaries and benefits of \$1,912,000; professional fees of \$195,000 which consist of legal, consulting and other accounting fees; general and office expenditures of \$382,000; travel costs of \$314,000; consulting fees of \$359,000; investor relations and filing fees of \$83,000; occupancy costs of \$135,000; and directors' fees of \$69,000.

General and administrative expenses for the three months ended September 30, 2009 of \$1,424,000 include only costs associated with the corporate offices in Canada and comprise: salaries and benefits of \$751,000; professional fees of \$64,000; general and office expenditures of \$157,000; travel costs of

\$142,000; consulting fees of \$106,000; investor relations and filing fees of \$85,000; occupancy costs of \$72,000; and directors' fees of \$47,000.

For the three months ended September 30, 2009, cost of operations in care and maintenance total \$464,000 and relate to the Aranzazu Project. 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 Project 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 Project for the three months ended September 30, 2010 are capitalized into projects in process.

Amortization and accretion for the three months ended September 30, 2010 of \$826,000 (2009: \$100,000) relates to the Company's corporate and Brazil locations, as well as amortization on the equipment in use at the Aranzazu Project. The amortization 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 quarter ended September 30, 2010 includes \$513,000 related to the deferred purchase price consideration payable in connection with the Brazilian Mine Acquisition.

For the three months ended September 30, 2010, the Company recorded an operating loss of \$18,973,000, which compares to an operating loss of \$5,883,000 for the same quarter in 2009.

Other Income and Expenses, Taxes, and Net Loss

Interest expense for the three months ended September 30, 2010, of \$517,000, relates primarily to interest paid on the two promissory notes payable in connection with the acquisitions of the San Andres Mine and the Brazilian Mines. Interest expense for the three months ended September 30, 2009, of \$90,000, 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 three months ended September 30, 2010 of \$2,070,000 includes: income generated on invested funds of \$381,000; a gain of \$959,000 recorded upon marking the portion of the Company's forward currency contracts not designated as hedges to their market value; and a gain of \$730,000 on marketable securities. Other income for the three months ended September 30, 2009 relates solely to income generated on investment funds totalling \$169,000.

The foreign exchange gain of \$2,202,000 recorded during the three months ended September 30, 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 \$5,973,000 for the three months ended September 30, 2009.

For the three months ended September 30, 2010, the Company recorded a future income tax expense of \$122,000 and a current income tax expense of \$1,285,000 relating to income tax payable on earnings at the San Andres Mine. For the three months ended September 30, 2009, the Company recorded a current income tax expense of \$641,000 relating to earnings at the San Andres Mine and a future

income tax recovery of \$1,022,000, reflecting a partial reversal of the future income tax liability set up on the acquisition of the San Andres Mine, as well as fluctuations in the temporary differences between tax and accounting values of assets and liabilities.

For the quarter ended September 30, 2010, the Company recorded a net loss of \$16,625,000. This compares to a loss of \$13,173,000 for the three months ended September 30, 2009.

Other comprehensive income for the third quarter 2010 consists of the recognition of a gain on the effective portion of cash flow hedges of \$1,711,000 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 quarter ended September 30, 2009 comprises a gain of \$6,841,000 resulting from the Company's change in measurement and reporting currency as further described in note 2 to the Financial Statements.

Comparing the nine months ended September 30, 2010 to the nine months ended September 30, 2009

Sales, Cost of Goods Sold and Mine Operating Profit

Total net sales for the nine months ended September 30, 2010 were \$105,917,000, inclusive of local sales taxes paid of \$1,078,000. The Company's gross revenue for the nine months ended September 30, 2010 comprised of sales of \$59,052,000 from the San Andres Mine, \$26,105,000 from the Sao Francisco Mine and \$21,838,000 from the Sao Vicente Mine. For the nine months ended September 30, 2010, the Company sold 89,145 gold ounces at an average realized price of \$1,200 per gold ounce, which compares to a market average price for the same period of \$1,178 per ounce (London PM Fix).

For the nine months ended September 30, 2009, net sales of \$6,890,000 included: \$6,855,000 from the sale of 7,175 gold ounces sold from the San Andres Mine for the period August 26 to September 30, 2009 (as described under "*Results of Operations - Comparing the three months ended September 30, 2010 to the three months ended September 30, 2009*"); and \$35,000 from the sale of 41 dry metric tonnes ("DMT") of copper concentrate from the Aranzazu Project in January 2009 after operations at the project were suspended in late 2008.

For the nine months ended September 30, 2010, cash costs of gold sold totalled \$77,558,000 or \$870 per ounce and included NSR royalties of \$221,000 or \$2.50 per ounce and an impairment charge of \$3,188,000 to bring inventory to its net realizable value. The maximum NSR royalty was reached in the second quarter of 2010 and the impairment charge to bring inventory to its net realizable value was recorded in the third quarter of 2010. Together with the non-cash depletion, amortization and accretion charges for the period of \$15,771,000 or \$177 per ounce, cost of goods sold was \$93,550,000 or \$1,049 per ounce.

For the nine months ended September 30, 2009, cost of goods sold included: \$6,729,000 related to the sale of 7,175 gold ounces sold from the San Andres Mine for the period August 26 to September 30, 2009 (as described under "*Results of Operations - Comparing the three months ended September 30, 2010 to the three months ended September 30, 2009*"), and \$23,000 related to the sale of 41 DMT of copper concentrate from the Aranzazu Project in early 2009.

For the nine months ended September 30, 2010 and 2009, the Company recorded a mine operating profit of \$12,367,000 and \$138,000, respectively.

Other Expenses and Operating Loss

Other expenses for the nine months ended September 30, 2010 include exploration expenses of \$18,346,000, stock-based compensation of \$9,865,000, general and administrative expenses of \$9,502,000, transaction costs related to the Brazilian Mine Acquisition of \$2,335,000, and amortization and accretion of \$1,269,000. Of the \$2,335,000 in transaction costs expensed during the six month period, \$1,000,000 represents deferred transactions costs which were included in the Company's consolidated balance sheet as of December 31, 2009. As a result of the adoption of CICA Sections 1582, 1601 and 1602 on Business Combinations, the Company expensed the deferred transaction costs effective January 1, 2010.

For the nine months ended September 30, 2009, other expenses included exploration expense of \$6,837,000, stock-based compensation of \$3,655,000, general and administrative expenses of \$3,583,000, costs of operations in care and maintenance of \$1,511,000, amortization of \$260,000, and an impairment charge on resource properties of \$8,167,000.

Exploration costs incurred in the nine months ended September 30, 2010 of \$18,346,000 include \$6,608,000 related to the Arapiraca Project, mostly comprising consulting costs of \$1,343,000, drilling costs of \$2,049,000, geological and assay related costs of \$264,000, and salaries and benefits of \$1,461,000. Exploration expenses on the Aranzazu Project during the period totalled \$8,564,000 and mostly include drilling costs of \$6,857,000, geological and assay related costs of \$737,000, and consulting costs of \$338,000. Exploration expenditures for the quarter ended September 30, 2010 also include \$312,000 on the Company's non-core projects in Brazil, \$139,000 on the San Andres Mine, and \$2,723,000 on Brazilian Mines, most of which relates to exploration at the Sao Vicente Mine.

For the nine months ended September 30, 2009, the Company incurred \$6,837,000 in exploration costs, including expenditures of \$3,977,000 related to the Arapiraca Project, comprising mainly of: drilling costs of \$419,000; consulting costs of \$1,106,000; geological and assay costs of \$208,000; and salaries and benefits of \$1,128,000. The Company incurred \$2,043,000 in exploration expenses on the Aranzazu Project during the nine months ended September 30, 2009, which related primarily to drilling, geological and assay costs, and consulting costs. In addition, the Company incurred \$817,000 in exploration expenses on the non-core projects in Brazil.

The stock-based compensation expense for the nine months ended September 30, 2010 of \$9,865,000 (2009: \$3,655,000) relates to the vesting in the year of previously granted options and of new options granted during the period.

General and administrative expenses for the nine months ended September 30, 2010 of \$9,502,000 relate to the running of the Company's corporate offices in Canada and Brazil and primarily include: salaries and benefits of \$4,932,000; professional fees of \$657,000; general and office expenditures of \$1,329,000; travel costs of \$917,000; consulting fees of \$579,000; investor relations and filing fees of \$481,000; occupancy costs of \$380,000; and directors' fees of \$227,000.

General and administrative expenses for the nine months ended September 30, 2009 of \$3,583,000 include only costs associated with the corporate offices in Canada and comprise: salaries and benefits of \$1,898,000; professional fees of \$183,000; general and office expenditures of \$275,000; travel costs of \$248,000; consulting fees of \$212,000; investor relations and filing fees of \$359,000; occupancy costs of \$206,000; and directors' fees of \$202,000.

For the nine month period ended September 30, 2009, cost of operations in care and maintenance total \$1,511,000 and relate to the Aranzazu Project. Included in the costs of operations in care and maintenance are amortization of \$166,000 and accretion of \$41,000.

Amortization and accretion for the nine months ended September 30, 2010 of \$1,269,000 includes amortization of \$687,000 relating to the Company's corporate and Brazil locations, amortization on the equipment in use at the Aranzazu Project, accretion of \$69,000 related to the asset retirement obligation at the Aranzazu Project, and accretion of \$513,000 relating to the deferred purchase price consideration payable in connection with the Brazilian Mines Acquisition. For the same period in 2009, there was no accretion and amortization amounted to \$260,000.

For the nine months ended September 30, 2010, the Company recorded an operating loss of \$28,950,000, which compares to an operating loss of \$23,875,000 for the nine months ended September 30, 2009.

Other Income and Expenses, Taxes, and Net Loss

Interest expense for the nine months ended September 30, 2010 amounted to \$1,265,000, and relates primarily to interest paid on the two promissory notes payable in connection with the acquisitions of the San Andres Mine and the Brazilian Mines. Year-to-date interest expense for 2009 of \$90,000, related to the promissory notes payable in connection with the acquisition of the San Andres Mine, issued on August 25, 2009.

Other income for the nine months ended September 30, 2010 of \$2,347,000 includes: income generated on invested funds of \$708,000; a gain of \$1,241,000 recorded upon marking the undesignated portion of the Company's forward currency contracts to their market value; and a gain of \$398,000 on marketable securities. Other income for the nine months ended September 30, 2009 relates solely to income generated on investment funds totalling \$269,000.

The foreign exchange gain of \$2,323,000 recorded during the nine months ended September 30, 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 \$3,107,000 for the same quarter in 2009.

For the nine months ended September 30, 2010, the Company recorded a future income tax recovery of \$719,000, reflecting the reversal of a portion of the future income tax liability set up on the acquisitions of the San Andres Mine and the Aranzazu Project, as well as adjustments due to changes in the temporary differences between tax and accounting values of assets and liabilities. For the current quarter, the Company also recorded a current income tax expense of \$6,397,000 relating to income tax

payable on earnings at the San Andres Mine. For the nine months ended September 30, 2009, the Company recorded a current income tax expense of \$641,000 relating to earnings at the San Andres Mine and a future income tax recovery of \$3,796,000, reflecting the reversal of a portion of the future income tax liabilities related to the San Andres Mine and the Aranzazu project as described above, as well as a future income tax recovery on the impairment charge to resource properties.

For the nine months ended September 30, 2010, the Company recorded a net loss of \$31,223,000. This compares to a loss of \$25,425,000 recorded for the same period in 2009.

Other comprehensive income for the nine months ended September 30, 2010 consists of the recognition of a gain on the effective portion of cash flow hedges of \$2,872,000 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 nine months ended September 30, 2009 includes a gain of \$11,560,000 resulting from the Company's change in measurement and reporting currency as further described in note 2 to 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)	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)	December 31, 2008 ⁴ (unaudited) (restated)
Sales Revenue	47,550	38,576	19,791	19,601	6,855	Nil	35	1,056
Working Capital ⁽⁵⁾	81,906	105,218	153,249	40,526	57,780	30,642	31,450	33,339
Property, plant and equipment	360,504	351,970	187,095	182,627	169,173	89,345	83,241	85,416
Resource Properties ⁽¹⁾	15,108	15,108	15,108	14,427	14,427	12,349	10,132	21,684
Net Loss ⁽²⁾	16,625	13,328	1,270	5,911	13,173	3,556	8,697	16,825
Net Loss per Share (basic and diluted) ⁽³⁾	\$ 0.08	\$ 0.07	\$ 0.01	\$ 0.04	\$ 0.09	\$ 0.03	\$ 0.07	\$ 0.14

⁽¹⁾ Net of impairment charges of \$8,167,000 and \$4,159,000 taken in the quarters ended March 31, 2009 and December 31, 2008, 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 March 31, 2009, net of an impairment charge of \$8,167,000 and a related future income tax recovery of \$2,777,000. For the quarter ended December 31, 2008, net of an impairment charge of \$4,159,000 and a future income tax recovery of \$1,414,000.

⁽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 eight quarter period; the acquisition of the Aranzazu Project 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 Project, acquired on June 5, 2008. Results for the quarters ended September 30, 2009, December 31, 2009, March 31, 2010, June 30, 2010 and September 30, 2010 include revenues and operating expenses of the San Andres Mine, acquired on August 25, 2009. Quarterly results for the quarter ended June 30, 2010 and September 30, 2010 include revenues and operating expenses of the Brazilian Mines acquired on April 30, 2010. The Aranzazu Project 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 Project are reflected as costs of operations in care and maintenance for the three quarters ended September 30, 2009, after which these costs were capitalized into projects in process.

For further explanation of period to period variations, see *“Operations Review,” “Development and Exploration Review” and “Results of Operations”*.

9. LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents used in operating activities during the three and nine months ended September 30, 2010 were \$6,610,000 and \$15,972,000, respectively. Cash and cash equivalents used in investing activities during the three and nine months ended September 30, 2010 were \$21,782,000 and \$34,533,000, respectively, and included \$23,176,000 and \$40,668,000 of property, plant and equipment acquired for cash. For the nine month period ended September 30, 2010, investing activities also included \$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 acquired related to the Arapiraca Project, and are net of the release of the \$56,866,000 in restricted cash from escrow just prior to the Brazilian Mine Acquisition.

Cash and cash equivalents generated from financing activities during the three and nine months ended September 30, 2010 were \$1,008,000 and \$71,321,000, respectively. Of the \$71,321,000, \$66,478,000 related to the net proceeds from the public offering of 18,000,000 common shares completed in February 2010 (“2010 Offering”). Cash generated from financing activities for the three and nine months ended September 30, 2010 also includes \$260,000 and \$966,000, respectively, from the exercise of options during the periods and \$748,000 and \$3,877,000, respectively, from the exercise of warrants. As a result, the decrease in cash and cash equivalents for the three months ended September 30, 2010 was \$27,384,000, and the increase in cash and cash equivalents for the nine months ended September 30, 2010 was \$20,816,000. As at September 30, 2010, the Company had working capital of \$81,906,000, which includes cash and cash equivalents of \$57,794,000. Cash and cash equivalents at September 30, 2010 consist primarily of interest-bearing cash deposit accounts held with Canadian chartered banks. The Company believes that it is not exposed to significant credit risk on these financial instruments.

Included in cash and cash equivalents at September 30, 2010 are \$44,214,000 denominated in Canadian dollars, \$10,444,000 denominated in Brazilian Reals, \$1,118,000 denominated in Honduran Lempiras and \$219,000 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 Project 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 Project as part of the planned re-start of operations. Commissioning of the plant and start-up of the mine has now commenced with commercial production expected by year-end.. Total capital expenditures associated with the restart of the Aranzazu Project, including underground development work, mill upgrades and capitalized operating costs prior to recommencing operations, are estimated to be \$30 million, as described under the heading *“Development and Exploration Review – Aranzazu Project.”* Of this, \$22.4 million was incurred to September 30, 2010, \$6 million is forecast for the fourth quarter of 2010 and the balance is expected to be spent in early 2011. During the first quarter of 2010, the Company also completed the construction of a new crusher-conveyor system at the San Andres Mine. Other capital expenditures associated with the San Andres Mine include the new water treatment plant and ion exchange system, new stacking system and completion of the Phase 4 leach pad expansion, and, along with the cost of completing the crusher-conveyor system, are estimated to be \$18 million, of which \$13.8 million was incurred to September 30, 2010, \$2.9 million is forecast for the fourth quarter of 2010 and the balance is expected to be spent in early 2011. From acquisition on May 1 to September 30, 2010, \$4.6 million in capital expenditures was incurred at the Brazilian Mines, of which \$2.9 million related to deferred stripping costs. Additionally, the Company expects to incur further capital expenditures at the Sao Francisco Mine of approximately \$21 - \$25 million as follows: approximately \$12 million related to the dedicated waste stripping program, less net residual revenues earned during that period; and between \$15 and \$19 million related to capital improvements through the second quarter of 2011. See *“Operations Review – Sao Francisco Mine and Dedicated Waste Stripping Program at the Sao Francisco Mine”*.

As described under the heading *“Development and Exploration Review – Aranzazu Project,”* most of the Company’s 2010 exploration spending has focused on the Aranzazu Project, where the Company continues its large underground drill program to delineate resources to support a bulk-tonnage underground operation. To September 30, 2010, \$18.3 million in exploration costs had been incurred, approximately one-half of which 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 Project. Also included in the exploration spending to September 30, 2010 was \$2.7 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. Fourth quarter exploration is expected to be \$3.2 million, with \$2.2 million forecast at the Aranzazu Project and the balance at the Sao Vicente Mine.

The Company also has a number of new financial commitments as a result of the acquisition of the San Andres Mine and the Brazilian Mines, notably the payment of interest and principal on the promissory notes payable and deferred purchase price consideration payable (see *“Contractual Obligations”*). Scheduled principal payments for 2011 include \$10,000,000 due on February 25, 2011 and \$13,048,000 due on October 31, 2011.

The above expenditures will be funded from the Company's current cash and cash equivalents of \$57,794,000, and from strong cash flows generated from the San Andres Mine and from the Aranzazu Project, once it reaches full operating capacity in the first quarter 2011. The Company also expects positive cash flows to be generated from the Sao Vicente Mine beginning in the fourth quarter of 2010 as a result of the near-30% improvement in head grades and the continuing operational improvements. Similarly, 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 expects strong 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 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.

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 three months ended September 30, 2010 and as of November 9, 2010, except as described under "Corporate Developments and Significant Transactions and Factors Affecting Results of Operations - Financing and Brazilian Mine Acquisition," 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 September 30, 2010:

<i>(In thousands of US dollars)</i>	Total	2010	2011-2012	2013-2014	After 2014
Promissory notes payable	\$ 64,247	\$ Nil	\$ 38,848	\$ 25,399	\$ Nil
Operating leases (premises and other)	839	111	703	25	Nil
Capital lease obligations	20	Nil	16	4	Nil
Commitments related to capital projects ongoing	16,233	16,233	Nil	Nil	Nil
Reclamation obligations	36,933	1,402	3,521	24,149	7,861
Total contractual obligations	\$118,272	\$ 17,746	\$ 43,088	\$ 49,577	\$ 7,861

The above table includes the Company's estimated obligation to reclaim the San Andres Mine, the Brazilian Mines, and the Aranzazu Project properties following completion of mining activities at those sites. The Company has engaged specialist environmental consultants familiar with its projects 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 \$36,933,000. 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 has 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 are reflected in the above table and they bear interest at six-month LIBOR plus 3%, are repayable at any time without penalty, and security is provided by a pledge of the shares of Aura Minerals' Brazilian subsidiary acquiring the Brazilian Mines and by a pledge of the shares of Aura Minerals' subsidiaries which hold the shares of Aura Minerals subsidiary that owns the San Andres Mine, and in both cases, by guarantees of Aura Minerals. Scheduled repayment terms include \$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 purchase consideration for the San Andres Mine and the Brazilian Mines includes deferred purchase price consideration in the amounts of \$14,750,000 and \$28,404,000, respectively, which are not included in the above table. Such consideration is 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. To the extent that the net free cash flow threshold for the San Andres Mine has been reached before the cumulative net free cash flow threshold for Brazilian Mines, 50% of all net free cash flow from the San Andres Mine shall continue to be payable, up to and until the deferred purchase price consideration related to the Brazilian Mines has been paid in full, and vice versa. As of September 30, 2010, net free cash flows generated by the San Andres Mine since August 26, 2009 and by the Brazilian Mines from the date of the Asset Purchase Agreement on July 17, 2009, were \$12,879,000 and \$2,301,000, respectively.

11. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any other off-balance sheet arrangements except for the purchase consideration for the San Andres Mine and the Brazilian Mines which included a deferred purchase price component as described in "*Contractual Obligations*" and in notes 5 and 6 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 September 30, 2010, is reflected in the Company's consolidated balance sheet. In accounting for this acquisition, the Company applied CICA Section 1582 "Business Combinations". Among other things, the new standard revises guidance on the determination

of the carrying amount of the assets acquired and liabilities assumed at the time of a business combination. 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.

12. TRANSACTIONS WITH RELATED PARTIES

During the three and nine months ended September 30, 2010, the Company was not party to any transactions with related parties as defined by the CICA Handbook.

However, 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 – Brazilian Mine Acquisition.*" 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 holds approximately 11.3% of the outstanding common shares of the Company, assuming no exercise of Aura Minerals' outstanding stock options or broker warrants.

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. After giving effect to the 2010 Offering, Cyprus Holdings beneficially owns, controls or directs, directly or indirectly, 51,835,400 common shares, representing approximately 25% of the common shares of the Company outstanding as at the date of this MD&A.

13. PROPOSED TRANSACTIONS

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

14. 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. Further information related to hedge accounting is included in note 4(a) to the Financial Statements.

Goodwill

As a result of the Brazilian Mines Acquisition, the Company has recognized goodwill, and as a result has updated its accounting policies to include the following:

Acquisitions are accounted for using the purchase method, whereby assets and liabilities acquired are recorded to their fair values as of the date of acquisition and any excess of the purchase price over the fair value is recorded as goodwill. Goodwill is allocated to reporting units by preparing estimates of the fair value of each reporting unit and comparing this amount to the fair values of assets and liabilities in the reporting unit. Goodwill is not amortized.

The Company tests for impairment of goodwill on an annual basis or as circumstances arise that indicate impairment to determine whether the carrying amount of goodwill is recoverable. To accomplish this, the Company compares the fair values of its reporting units to their carrying amounts. If the carrying value of a reporting unit exceeds its fair value, the Company compares the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying value of goodwill over the implied fair value is charged to operations. Assumptions underlying fair value estimates are subject to significant risks and uncertainties.

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 nine months ended September 30, 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.

15. 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 3 to the Company's annual audited consolidated financial statements for the year ended December 31, 2009. 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, 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 Project 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 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 ounces of gold 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, 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. In the Financial Statements, the Company has only completed a preliminary allocation of the purchase prices for the Brazilian Mines. 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. The fair values for the Brazilian Mine Acquisition may be revised by the Company as additional information becomes available.

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 Project 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 Project 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 September 30, 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 quarter ended September 30, 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 such, the Company performed an impairment analysis on the value of its long-lived assets and goodwill amounts related to the Brazilian Mines. The analysis consisted of the use of both an undiscounted cash flow model to evaluate the recoverability of the Brazilian Mines assets, and a discounted cash flow model to evaluate the recoverability of goodwill. The Company's analysis determined that, as of September 30, 2010, the assets and goodwill of the Brazilian Mines are recoverable and no impairment was identified.

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.

16. 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 now 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 is therefore subject to fluctuations in LIBOR. The Company has not entered into any financial instruments to hedge against unfavourable changes in interest rates, but may choose to actively manage its exposure to interest rate risk in the future. Based on the current level of debt and cash and cash equivalents, for the nine months ended September 30, 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 \$2,000. 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 has no externally imposed financial covenants.

As at September 30, 2010, the Company's credit risk is primarily related to the recovery of value added taxes. There were no trade receivables outstanding as of September 30, 2010 from the sale of gold or of copper concentrate. Of the \$6,452,000 in value added taxes receivable at September 30, 2010, \$1,077,000 is due in Honduras, \$5,267,000 is due in Mexico, and \$108,000 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 dore 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 Project 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 September 30, 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 and nine months ended September 30, 2010 by \$4,300,000 and \$9,100,000, respectively. As the operations of the Aranzazu Project have not yet recommenced, for the three and nine months ended September 30, 2010, fluctuations in copper prices would not have materially affected the Company's results of operations.

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 US dollars, however, the majority of all other operating expenses are in Honduran Lempiras, Brazilian Reais and Mexican Pesos, respectively. At September 30, 2010, the Company had cash and cash equivalents of \$57,794,000, of which \$44,214,000 was held in Canadian dollars, \$1,799,000 in United States dollars, \$10,444,000 in Brazilian Reais, \$1,118,000 in Honduran Lempiras, and \$219,000 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 September 30, 2010 are as follows:

Year of Settlement	Brazilian Real Notional Amount	Contract Fixed Rate
	<i>(In thousands)</i>	
2010	R\$ 11,603	1.93380
2011	R\$ 34,676	2.03970
2012	R\$ 11,006	2.20120
	R\$ 57,285	2.04590

The Company's forward currency contracts have been designated as hedges and have been accounted for as cash flow hedges. For the three and nine months ended September 30, 2010, the Company

recognized gains on the effective portion of cash flow hedges of \$1,711,000 and \$2,872,000, respectively, which were recorded in other comprehensive income. The Company recorded realized gains on effective cash flow hedges of \$57,000 in mine operating expenses during the three and nine months ended September 30, 2010. The Company also recorded gains on the undesignated portion of the cash flow hedges for the three and nine months ended September 30, 2010 of \$959,000 and \$1,241,000, respectively, which were recorded in the statement of operations.

17. 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.

18. 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 September 30, 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

There have been no changes in ICFR during the quarter ended September 30, 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 September 30, 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.

19. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company will be required to adopt International Financial Reporting Standards (“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 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 of, and commenced work on the preparation of the opening balance sheet as of January 1, 2010 and re-stating the first two quarters of 2010. Throughout the remainder of 2010, the Company plans to complete some of the other key activities related to the conversion, including: completion of the opening balance sheet as of January 1, 2010 and the comparative 2010 quarterly information, including a review of the adjustments by the Company’s external auditors; continuing to assess the impact of IFRS on the Company’s IT systems and internal controls; consulting with the Company’s subsidiary locations to allow for a smooth transition; and obtaining appropriate training for the Company’s staff.

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 rate method, 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 \$10,500,000, its estimated fair value as of the date of transition to IFRS, with a corresponding increase in deficit.

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 2010 as the conversion project progresses.

20. 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 Sept. 30, 2010	For the three months ended Sept. 30, 2009	For the nine months ended Sept. 30, 2010	For the nine months ended Sept. 30, 2009
Mine operating expenses ¹	45,452	6,647	77,558	6,647
Net smelter return royalties	-	34	221	34
Writedown of inventory	(3,188)	-	(3,188)	-
Inventory movements and adjustments	850	(2,980)	8,150	(2,980)
Total cash cost	43,114	3,701	82,741	3,701
Gold ounces produced	38,465	6,925	93,068	6,925
Total cash cost per ounce of gold produced	1,121	534	889	534

¹ Excludes deferred stripping costs of \$2.9 million for both the three and nine-month periods ended September 30, 2010. Excludes \$23,000 related to the sale of copper for the nine months ended September 30, 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 "Third Quarter Highlights".

21. 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 26, 2010, 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.

22. DISCLOSURE OF SHARE DATA AS AT NOVEMBER 9, 2010

- (a) shares authorized: an unlimited number of common shares without par value.
- (b) shares issued and outstanding: 207,413,057 common shares.
- (c) stock options outstanding as at November 9, 2010:

Expiry Date	Exercise Price (C\$)	Outstanding Stock Options
November 30, 2010	7.10	300,000
November 30, 2010	7.85	60,000
November 30, 2010	4.95	160,000

Expiry Date	Exercise Price (C\$)	Outstanding Stock Options
February 1, 2011	5.80	4,000
February 2, 2011	3.16	3,750
February 18, 2011	5.80	4,000
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
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	780,000
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	2,608,665
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	2,250,000
April 12, 2015	3.52	60,000
April 19, 2015	3.34	100,000

Expiry Date	Exercise Price (C\$)	Outstanding Stock Options
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
Total:		13,808,665

(d) warrants outstanding as at November 9, 2010:

Number Outstanding	Exercise Price (C\$)	Expiry Date
822,119	2.75	January 15, 2011

23. 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 4.2 – 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.

24. 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.