



Aura Minerals Inc.

Interim Consolidated Financial Statements

For the three months ended March 31, 2011

(Unaudited)

Aura Minerals Inc.

Interim Consolidated Financial Statements

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Aura Minerals Inc.

Interim Consolidated Statements of Income (Loss)

For the three months ended March 31, 2011 and 2010

Expressed in thousands of United States dollars, except per share data
(Unaudited)

	Note	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Sales	19	\$ 53,789	\$ 19,791
Cost of goods sold	20	51,519	10,932
Gross profit		2,270	8,859
General and administrative expenses	21	6,969	6,233
Exploration expenses	23	3,893	5,092
Operating loss		(8,592)	(2,466)
Finance costs	22	(1,289)	(473)
Interest and other income		165	104
Gain recorded on restructuring of contractual obligations	17	17,009	–
Other gains and losses	24	829	2,400
Profit before income taxes		8,122	(435)
Income tax expense		(3,759)	(910)
Profit (loss) for the period		\$ 4,363	\$ (1,345)
Earnings (loss) per share:			
Basic		\$ 0.02	\$ (0.01)
Diluted		\$ 0.02	\$ (0.01)
Weighted average number of common shares outstanding			
Basic	25	210,945,211	184,465,737
Diluted	25	213,364,810	184,465,737

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

Aura Minerals Inc.

Interim Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2011 and 2010

Expressed in thousands of United States dollars

(Unaudited)

	Note	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Profit (loss) for the period		\$ 4,363	\$ (1,345)
Other comprehensive (loss) income, net of tax			
(Loss) gain on translation of subsidiaries		(908)	4,357
Change in the fair value of cash flow hedges, net of tax	29	(145)	–
Other comprehensive (loss) income for the period, net of tax		(1,053)	4,357
Total comprehensive income for the period		\$ 3,310	\$ 3,012

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

Aura Minerals Inc.

Interim Consolidated Statements of Cash Flows

For the three months ended March 31, 2011 and 2010

Expressed in thousands of United States dollars

(Unaudited)

	Note	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Cash flows from operating activities			
Profit (loss) for the period		\$ 4,363	\$ (1,345)
Items not affecting cash	26(a)	3,090	5,646
Changes in non-cash working capital	26(b)	(3,998)	(597)
Income tax paid		–	–
Net cash generated from operating activities		3,455	3,704
Cash flows from investing activities			
Purchase of property, plant and equipment		(26,244)	(6,931)
Net cash used in investing activities		(26,244)	(6,931)
Cash flows from financing activities			
Proceeds received from public offering, net of share issue costs	18(b)	–	66,470
Interest paid on debt		(481)	(221)
Restructuring of contractual obligations	17	(5,000)	–
Proceeds on exercise of options		16	387
Proceeds on exercise of warrants		1,911	1,833
Net cash (used in) generated from financing activities		(3,554)	68,469
Increase (decrease) in cash and cash equivalents		(26,343)	65,243
Effect of exchange rate changes on cash and cash equivalents		(833)	–
Cash and cash equivalents, beginning of the period		36,477	36,978
Cash and cash equivalents, end of the period		\$ 9,301	\$ 102,221

Supplementary cash flow information (note 26(c))

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

Aura Minerals Inc.

Interim Consolidated Statements of Financial Position

As at March 31, 2011, December 31, 2010 and January 1, 2010

Expressed in thousands of United States dollars

(Unaudited)

	Note	March 31, 2011	December 31, 2010	January 1, 2010
ASSETS				
Current				
Cash and cash equivalents	5	\$ 9,301	\$ 36,477	\$ 36,978
Trade and other receivables	6	16,243	11,393	3,525
Inventory	7	42,957	47,227	12,468
Other current assets	8	11,202	10,595	3,696
		79,703	105,692	56,667
Other long-term assets	9	10,210	7,990	3,479
Restricted cash		–	–	56,866
Property, plant and equipment	10	375,445	358,710	190,769
Intangible assets	11	26,974	26,974	8,760
		\$ 492,332	\$ 499,366	\$ 316,541
LIABILITIES				
Current				
Trade and other payables	12	\$ 37,400	\$ 32,442	\$ 16,141
Current portion of debt	13	–	23,048	–
		37,400	55,490	16,141
Debt	13	–	41,199	25,800
Deferred income tax liabilities		28,559	27,515	33,469
Provision for mine closure and restoration	14	27,003	26,329	4,271
Other provisions	15	4,906	3,788	1,873
Other liabilities	16	12,500	34,408	11,520
		110,368	188,729	93,074
SHAREHOLDERS' EQUITY				
Share capital	18	535,967	468,605	339,694
Contributed surplus		44,276	43,621	35,648
Accumulated other comprehensive income		7,634	8,687	–
Deficit		(205,913)	(210,276)	(151,875)
		381,964	310,637	223,467
		\$ 492,332	\$ 499,366	\$ 316,541

Subsequent events (note 32)

Contingencies and commitments (notes 11, 31)

Approved on behalf of the Board of Directors:

“Elizabeth Martin”

“Tom Ogryzlo”

Elizabeth Martin, Director

Tom Ogryzlo, Director

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

Aura Minerals Inc.

Interim Consolidated Statements of Changes in Equity

For the three months ended March 31, 2011 and 2010

Expressed in thousands of United States dollars

(Unaudited)

	Note	Number of common shares	Share capital	Accumulated other comprehensive income	Contributed surplus	Deficit	Total equity
At December 31, 2010		207,578,438	\$ 468,605	\$ 8,687	\$ 43,621	\$ (210,276)	\$ 310,637
Profit for the period		–	–	–	–	4,363	4,363
Loss on translation of subsidiaries		–	–	(908)	–	–	(908)
Change in the fair value of cash flow hedges, net of tax	29	–	–	(145)	–	–	(145)
Shares issued in consideration for restructuring of contractual obligations	17	19,056,113	64,146	–	–	–	64,146
Shares issued on exercise of options	18(d)	9,750	29	–	(13)	–	16
Shares issued on exercise of warrants	18(c)	686,738	3,187	–	(1,276)	–	1,911
Share-based payments	18(e)	–	–	–	1,944	–	1,944
At March 31, 2011		227,331,039	\$ 535,967	\$ 7,634	\$ 44,276	\$ (205,913)	\$ 381,964

	Note	Number of common shares	Share capital	Accumulated other comprehensive income	Contributed surplus	Deficit	Total equity
At January 1, 2010		173,333,494	\$ 339,694	\$ –	\$ 35,648	\$ (151,875)	\$ 223,467
Loss for the period		–	–	–	–	(1,345)	(1,345)
Gain on translation of subsidiaries		–	–	4,357	–	–	4,357
Public offering, net of share issue costs	18(b)	18,000,000	66,470	–	–	–	66,470
Shares issued on exercise of options	18(d)	151,070	492	–	(105)	–	387
Shares issued on exercise of warrants		76,190	341	–	(142)	–	199
Shares allotted on exercise of warrants, issued subsequent to March 31, 2010	18(c)	604,078	2,756	–	(1,122)	–	1,634
Share-based payments	18(e)	–	–	–	1,897	–	1,897
At March 31, 2010		192,164,832	\$ 409,753	\$ 4,357	\$ 36,176	\$ (153,220)	\$ 297,066

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

Aura Minerals Inc.

Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2011

Expressed in United States dollars, except where otherwise noted. Tables are expressed in thousands of United States dollar, except where otherwise noted. (Unaudited)

1 NATURE OF OPERATIONS

Aura Minerals Inc. ("Aura Minerals" or the "Company") is a mining company focused on the acquisition, exploration, development and operation of mining properties in the Americas. The Company's significant mining operations and projects are:

- A 100% interest in the San Andres gold mine in Honduras (the "San Andres Mine"), which was acquired on August 25, 2009 (the "San Andres Acquisition");
- A 100% interest in the Aranzazu copper-gold-silver mine in Mexico (the "Aranzazu Mine"), which produces a copper-gold-silver concentrate via flotation and was acquired in mid-2008. Operations at the Aranzazu Mine were temporarily suspended in the fourth quarter of 2008, resumed operations in the fourth quarter of 2010, and the Company declared commercial production effective February 1, 2011;
- A 100% interest in the Sao Vicente and Sao Francisco gold mines in Brazil (collectively, the "Brazilian Mines"), which were acquired on April 30, 2010 (the "Brazilian Mines Acquisition"); and
- A 100% interest in the feasibility-stage copper, gold and iron ore Arapiraca project in Brazil (the "Arapiraca Project"), which was acquired in mid-2007.

The Company is a publicly listed company with shares listed on the Toronto Stock Exchange. The Company is incorporated under the federal laws of Canada, and its head office and registered address is 777 Dunsmuir Street, Suite 1950, Vancouver, British Columbia, Canada, V7Y 1K4.

2 BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF IFRS

The consolidated financial statements of Aura Minerals for the three months ended March 31, 2011 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The Company adopted IFRS effective January 1, 2011 and as comparative information for the 2010 year has also been prepared under IFRS, the Company's date of transition is effective as of January 1, 2010 (the "transition date"), as further described below.

The policies applied in these interim consolidated financial statements are based on IFRS issued and current as of June 7, 2011, the date that the Audit Committee approved the financial statements on behalf of the Board of Directors. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended December 31, 2011 could result in the restatement of these interim consolidated financial statements, including the Company's transition adjustments.

In previous years, the Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Note 30 of these financial statements provides a reconciliation between the amounts recorded under Canadian GAAP and the amounts reported under IFRS for:

- Net loss for the three months ended March 31, 2010 and the year ended December 31, 2010; and
- Shareholders' equity as at January 1, 2010, March 31, 2010 and December 31, 2010.

In preparing these interim consolidated financial statements, the Company has applied the transition rules as set out in IFRS 1, *First Time Adoption of International Financial Reporting Standards*. In general, IFRS 1 requires accounting policies to be applied retrospectively; however, it also allows certain mandatory and optional exemptions in order to assist companies with the transition process. The Company has applied all of the mandatory exemptions, and in addition has applied the following optional elections:

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(Unaudited)

2 BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF IFRS (continued)

- IFRS 3(R), *Business Combinations*, has not been applied to business combinations that occurred before the transition date;
- The Company has deemed cumulative translation differences for foreign operations to be zero at the transition date. Any gains or losses on subsequent disposals of foreign operations will therefore not include translation differences arising prior to the transition date;
- IFRS 2, *Share-based Payments*, has only been 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*, has been applied prospectively, commencing on the transition date.

These interim consolidated financial statements do not contain all of the information and disclosures required in annual financial statements and should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed in note 4.

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all periods presented unless otherwise stated.

a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries, after eliminating intercompany balances and transactions. The Company's principal operating subsidiaries are: Minerales de Occidente, S.A., Aranzazu Holding, S.A. de C.V., and Mineracao Apoena Ltda.

Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases.

b) Business combinations

The purchase method of accounting is used to account for the acquisition of control of subsidiaries by the Company, where control is defined as the power to govern the financial and operating policies of an entity and to obtain benefits from its operations. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed in the period in which they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Company's share of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

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Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2011

Expressed in United States dollars, except where otherwise noted. Tables are expressed in thousands of United States dollar, except where otherwise noted. (Unaudited)

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in United States dollars, which is the parent Company's functional currency and the Company's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when deferred in equity as qualifying cash flow hedges.

Translation of subsidiary results into the presentation currency

The results and statements of financial position of all the Company's subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each statement of income are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognized in a separate component of equity. When a foreign operation is sold, such exchange differences are recognized in the statement of income as part of the gain or loss on sale.

d) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortized cost. Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest bearing securities with maturities at the date of purchase of three months or less.

e) Trade and other receivables

Trade and other receivables are amounts due from customers and others in the normal course of business. If collection is expected in one year or less, they are classified as current assets; if not, they are presented as non-current assets. Trade and other receivables, other than trade receivables which are embedded derivatives, are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method less any provision for impairment.

Trade receivables which are embedded derivatives are carried at fair value with any changes in fair value recorded to revenues in the statement of income.

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Expressed in United States dollars, except where otherwise noted. Tables are expressed in thousands of United States dollar, except where otherwise noted. (Unaudited)

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Inventory

Product inventory, in-process inventory, leach pad and stockpile inventory and parts and supplies inventory are valued at the lower of cost and net realizable value. Product inventory consists of finished gold products and metals in concentrate, in-process inventory represents inventory in-circuit at the Company's process plants, and leach pad and stockpile inventory represents ore stacked on leach pads and in stockpiles. The cost of leach pad, stockpile, in-process and product inventories includes mining costs, direct labour, operating materials and supplies, applicable haulage and transportation charges, and an applicable portion of operating overhead, including amortization and depletion. Costs of inventory also include the transfer from equity of any realized gains or losses on qualifying cash flow hedges related to operating costs. Net realizable value is the expected difference between the selling price for the finished product less the costs to get the product into saleable form and to the selling location. Parts and supplies inventory consists of consumables and are valued at weighted average cost after provision for slow moving and obsolete items. For inventory which has been written down to net realizable value, if subsequent assessments conclude that the circumstances causing the write down no longer exist, the write down is reversed.

g) Property, plant and equipment

Development expenditure

Expenditures for mine construction and development are capitalized once the Company can conclude that it will receive future economic benefits from an exploration property, which is generally when a feasibility study is completed and economically recoverable mineral resources for the project are determined. Development costs consist primarily of direct expenditures incurred to establish productive capacity, and are capitalized until commissioning is completed. Development expenditures are disclosed as a separate component of property, plant and equipment called assets under construction.

When further development expenditures are incurred in respect of a mine already in production, such expenditures are capitalized to assets under construction when it is likely that additional future economic benefits associated with the expenditure will flow to the Company. Otherwise, such expenditures are classified as a cost of production in the periods they are incurred. Once development projects are complete, they are transferred to the appropriate classifications within property, plant and equipment and are amortized commencing on the date that commissioning is completed.

Mineral properties

Mineral properties acquired through business acquisitions are recognized at fair value on the acquisition date. Where relevant, the estimated cost of mine closure and restoration for the property is included in the cost of mineral properties. Mineral properties are tested for impairment when circumstances exist which may indicate the carrying value is not recoverable. Depletion of mineral properties is calculated on the units of production basis when the related mine commences production, based on the economically recoverable mineral resources.

Property, plant and equipment

Property, plant and equipment is originally recorded at cost at the time of construction, purchase, or acquisition, and is subsequently measured at cost less accumulated amortization and impairment. Cost includes all costs required to bring the item into its intended use by the Company.

Costs incurred for major overhaul of existing equipment are capitalized as property, plant and equipment and are subject to amortization once they are commissioned. The costs of routine maintenance and repairs are expensed as incurred.

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Notes to the Interim Consolidated Financial Statements

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Expressed in United States dollars, except where otherwise noted. Tables are expressed in thousands of United States dollar, except where otherwise noted. (Unaudited)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Property, plant and equipment (continued)

Amortization and depletion

Property, plant and equipment is amortized using the straight line and units of production methods over the life of the mine, or over the remaining useful life of the asset, if shorter. Land is not amortized. The following amortization rates are used by the Company:

Major class of assets	Depeciation Method	Depeciation Rate
Vehicles	Straight-line	4-5 years
Machinery and equipment	Straight-line	4-10 years
Mobile mining equipment	Straight-line	4-8 years
Furniture and fixtures	Straight-line	4-10 years
Computer equipment and software	Straight-line	3-5 years
Leasehold improvements	Straight-line	Lease term
Buildings	Straight-line	4-20 years
Plant	Straight-line	4-15 years
Mineral property	Units of production	

Residual values and useful lives are reviewed on an annual basis and adjusted, if necessary, on a prospective basis.

Mineral properties are depleted using the units of production method based on the estimated economically recoverable mineral resources.

h) Intangible assets

Exploration properties

Exploration properties represent properties for which the Company has not yet performed sufficient exploration work to determine whether significant mineralization exists. Such properties are carried at the cost of acquisition. Exploration properties are not subject to depletion or amortization, but rather are tested for impairment when circumstances indicate that the carrying value may not be recoverable. Where the Company has determined that there is little likelihood of the properties providing future economic benefits, when the properties are abandoned, or when the future realizable benefits of the properties falls below cost, an impairment charge is recorded and the asset is written down to its recoverable amount.

Goodwill

When the fair value of consideration paid for a business acquisition exceeds the fair values attributable to the identifiable assets acquired and liabilities assumed, the difference is recorded as goodwill. When the fair value of the identifiable assets acquired and liabilities assumed exceeds the cost of the acquisition, the difference is immediately recognized in the statement of income. Goodwill is not amortized, but its carrying value is assessed annually, or when circumstances indicate that the carrying value may not be recoverable, against its recoverable value. If an impairment charge is necessary, it is recognized in the statement of income and is not subsequently reversed.

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Expressed in United States dollars, except where otherwise noted. Tables are expressed in thousands of United States dollar, except where otherwise noted. (Unaudited)

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Impairment of property, plant and equipment and mineral properties

Property, plant and equipment and mineral properties are subject to impairment testing whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company conducts an annual internal review of asset values which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future metals prices, trends in production costs, and other market factors are also monitored to assess for indicators of impairment. If any indications of impairment exist, an estimate of the asset's recoverable amount is calculated, being the higher of fair value less costs to sell and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount based on the Company's calculations, then an impairment charge is recorded to the statement of income and the carrying amount of the asset on the statement of financial position is reduced to its recoverable amount.

Fair value is determined as the amount that would be recovered from the sale of an asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral properties is generally determined as the present value of estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, and discounted by an appropriate discount rate to arrive at a net present value.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development. As such, these assumptions differ from those used in calculating fair value and, consequently, the value in use calculation is likely to give a different, often lower, value than a fair value calculation.

In testing for indicators of impairment and performing impairment calculations, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Cash generating units are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The estimates of future discounted cash flows are subject to risks and uncertainties, including proven and probable reserves, future metals prices, discount rates and exchange rates.

A previously recognized impairment loss on property, plant and equipment is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in impairment. This reversal is recognized in the statement of income and is limited to the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized in prior years.

j) Deferred stripping costs

At the Company's open pit mining operations, it is necessary to remove overburden and other waste in order to access the ore body (stripping). During the pre-production phase and during the production period, stripping costs are deferred as part of the mineral property to the extent that the costs relate to anticipated future benefits and represent a betterment. Deferred stripping costs are depleted using the units of production method as the ore body accessed by the stripping activities is mined. Waste removal which relates to current production activities and does not give rise to a future benefit is accounted for as a production cost in the period in which it is incurred, and is included in the cost of inventory.

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Expressed in United States dollars, except where otherwise noted. Tables are expressed in thousands of United States dollar, except where otherwise noted. (Unaudited)

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. Where the Company expects to realize the asset or discharge the liability within twelve months, it is recorded as a current asset or liability; otherwise, it is recorded as a long-term asset or liability.

Financial assets and liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through profit and loss are considered to be held for trading. A financial asset or liability is classified in this category is acquired principally for the purpose of selling or redeeming in the short-term. Derivatives are included in this category unless they are designated as hedges.

Financial assets and liabilities carried at fair value through profit and loss are initially recognized at fair value and are subsequently remeasured to their fair value at each statement of financial position date. Realized and unrealized gains and losses arising from changes in the fair value of these financial assets or liabilities are included in the statement of income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non current assets based on their maturity date. The Company classifies its trade and other receivables, other assets and cash and cash equivalents in the statement of financial position, as loans and receivables. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available for sale or not classified in any of the other categories.

Available-for-sale assets are initially recorded at fair value plus transaction costs and are subsequently carried at fair value. Unrealized gains and losses arising from changes in the fair value of non-monetary assets classified as available-for-sale are recognized in other comprehensive income.

Other financial liabilities

Other financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received (net of transaction costs) and the redemption value is recognized in the statement of income over the period to maturity using the effective interest method.

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3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Financial instruments *(continued)*

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments such as forward currency contracts to manage its foreign currency exposure of forecasted expenditures in its international operations. Derivative financial instruments are initially recognized at fair value on the date the contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The method of recognizing the resulting gain or loss on the changes in fair value of derivative financial instruments depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain forward currency contracts as hedges of highly probable forecast transactions (cash flow hedges). At the inception of the transaction, the Company documents the relationship between hedge instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedge items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity in other comprehensive income. Any gain or loss on the ineffective portion or any undesignated portion of the instrument is recognized in the statement of income. Amounts accumulated in equity are recognized in the statement of income at the point when the hedged item will affect profit or loss.

When a hedging instrument expires or is sold or terminated or when the hedge no longer meets the criteria for hedge accounting, any accumulated gain or loss in equity remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, any cumulative gain or loss in equity is transferred to the statement of income.

Derivatives that do not qualify for hedge accounting are initially recorded at fair value and are remeasured at each reporting date to their fair values, and any resulting gains or losses are recognized in the statement of income for the period.

Fair value of financial instruments

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect any relevant specific circumstances.

Impairment of financial assets

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An evaluation is made as to whether a decline in fair value is significant or prolonged based on indicators such as significant adverse changes in the market, economic or legal environment.

Derecognition of financial assets and liabilities

Financial assets are derecognized when the investments mature or are sold and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized within interest and other income and finance costs, respectively.

Aura Minerals Inc.

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3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Provisions

Provisions for mine closure and restoration

Provisions for mine closure and restoration are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at the net present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Accretion expense, representing the increase in the provision due to the passage of time, is recorded in finance costs in the statement of income.

An obligation for mine closure and restoration is recognized when an environmental disturbance occurs, and includes such costs as dismantling and demolition of infrastructure, removal of residual materials, and remediation of disturbed areas. Upon initial recognition of the liability, the net present value of the obligation is capitalized as part of the cost of mineral properties. Restoration activities will occur primarily upon closure of a mine, but can occur from time to time throughout the life of the mine. As restoration projects are undertaken, their costs are charged against the provision as the costs are incurred.

Estimates of closure and restoration obligations are reviewed annually and take into account the effects of inflation and changes in estimates. The net present value of additional disturbances and changes in the estimate of the mine closure and restoration obligation are capitalized to mineral properties.

Provisions for environmental disturbance

Environmental liabilities, other than mine closure and restoration costs, which arise from specific events are expensed when they are known, probable, and can be reliably estimated.

Other provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Where the effect is material, provisions are discounted using an appropriate current market-based pre-tax discount rate.

m) Revenue recognition

The Company recognizes revenue when the product has been delivered in accordance with the terms of the contract, the significant risks and rewards of ownership have been transferred to the buyer, the amount of revenue can be reliably measured, and the collection of the sales price is reasonably assured.

Gold sales

The Company's gold sales are recognized at the date title passes to the buyer, which is generally when the gold is settled from the refinery; however, title could pass at any stage during the refining process for certain of the Company's gold sales. Gold revenues are shown net of local taxes calculated on gross revenues.

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3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Metals in concentrate

Sales of metals in concentrate are recognized when title passes, which is generally the date the concentrate is delivered to the buyer at the shipping port. The majority of the Company's sales of concentrates 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 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. Revenues from the sale of metals in concentrate are shown in the statement of income net of treatment and refining costs paid to counterparties under the terms of the off-take arrangements.

n) Exploration expenditure

Exploration activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration expenditures include costs associated with researching and analysing historical data, gathering data, exploratory drilling and sampling, determining infrastructural requirements and preparing financial viability studies.

The Company expenses all exploration expenditures until it can conclude that it is more likely than not that economically recoverable mineral resources exist.

o) Leases

Leases which transfer substantially all of the benefits and risks incidental to the ownership of property are accounted for as finance leases. Assets under finance lease are originally capitalized at the lower of the fair market value of the leased property and the net present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, from the proceeds.

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(Unaudited)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Share-based payments

Stock options and other share-based payments

The fair value of the employee services received in exchange for the grant of stock options or shares is recognized as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by calculating the fair value of the options or shares at the date of grant. The Company uses the Black-Scholes option pricing model to calculate the fair value of options granted.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions; and
- Excluding the impact of any service and non-market performance vesting conditions, such as profitability, sales growth targets, and remaining an employee of the entity over a specific time period.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. This estimate is revised at each statement of financial position date, and the difference is charged or credited to the statement of income, with the corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The fair value and any proceeds received, net of any directly attributable transaction costs, are credited to share capital.

Warrants

The fair value of brokers' warrants is recognized on the date of issue as share issuance costs. The Company uses the Black-Scholes option pricing model to estimate the fair value of warrants issued at the time the services are provided.

r) Taxation

Tax expense comprises both current and deferred tax expense for the period. Tax expense is recognized in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Current income tax expense is the tax expected to be payable on the taxable income for the year calculated using rates (and laws) that have been enacted or substantively enacted at the statement of financial position date in the countries where the Company operates. It includes adjustments for tax expected to be payable or recoverable in respect of previous periods.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that they will be realized in the future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

Aura Minerals Inc.

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3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) Borrowing costs

The Company capitalizes any borrowing costs which are directly attributable to the acquisition, construction, or production of an asset which takes a substantial period of time to get ready for its intended use. Capitalization of costs begins when costs are incurred and activities are undertaken to prepare the asset for its intended use, and ceases when the asset is substantially complete or commissioned for use. Borrowing costs are amortized over the useful life of the related asset.

t) Earnings (loss) per share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated using the treasury stock method, whereby all "in the money" options and warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of options and warrants is considered to be anti-dilutive.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires management to make estimates and judgements and to form assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities. Management's estimates and judgements are continually evaluated and are based on historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates.

The Company has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company's statement of financial position reported in future periods.

(i) Determination of ore reserves

The Company determines ore reserves under the principles incorporated in the Canadian Institute of Mining, Metallurgy and Petroleum standards for mineral reserves and resources, known as the CIM Standards. The information is compiled by Competent Persons and reported under National Instrument 43-101, *Standards of Disclosure for Mineral Projects* ("NI-43-101"). Reserves and resources determined in this way are used in the calculation of depletion expense, assessment of impairment charges and the carrying values of assets, and for forecasting the timing of the payment of mine closure and restoration costs.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and resources and may, ultimately, result in reserves being restated.

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4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(ii) Review of asset carrying values and assessment of impairment

In accordance with the Company's accounting policy, each asset or cash generating unit is evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, metals prices, reserves, operating costs, mine closure and restoration costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of income.

(iii) Determination of the fair value of assets acquired and liabilities assumed in business combinations

In accordance with the Company's accounting policies for business combinations, the identifiable assets acquired and liabilities assumed are recorded based on their fair values at the date of acquisition. The calculation of the fair values of the assets acquired and liabilities assumed, as well as the valuation of any resulting goodwill, involve significant judgement on the part of management. The Company makes these determinations with the assistance of independent third party valuers, who provide fair values of the property, plant and equipment. The valuation of any mineral properties acquired is based on management's assumptions of future metals prices, operating costs, capital expenditures, and mine closure and restoration expenditures.

(iv) Valuation of leach pad inventory and ore in stockpiles

Leach pad inventory is comprised of ore that has been extracted from the mine and placed on the heap leach pad for further processing. Costs are added to leach pad inventory based on current mining costs and are removed from leach pad inventory as gold ounces are recovered in the plant, based on the average cost per recoverable ounce on the heap leach pad. The quantity of recoverable gold in process is an engineering estimate which is based on the expected grade and recovery of gold from the ore placed on the leach pad. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. However, the estimate of recoverable gold placed on the leach pad is reconciled to actual gold production, and the engineering estimates will be refined based on actual results over time. The ultimate recovery of gold from each heap leach pad will not be known until the leaching process is concluded.

Ore in stockpiles is comprised of ore extracted from the mine and available for further processing. Costs are added to ore in stockpiles at the current mining cost and are removed at the accumulated average cost per tonne.

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5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	March 31, 2011	December 31, 2010	January 1, 2010
Cash and interest-bearing deposits	\$ 9,301	\$ 36,477	\$ 36,932
Other short-term investments	-	-	46
	\$ 9,301	\$ 36,477	\$ 36,978

6 TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of:

	March 31, 2011	December 31, 2010	January 1, 2010
Trade accounts receivable	\$ 5,861	\$ 609	\$ 1,529
Value added taxes receivable	9,447	9,586	1,885
Other receivables	935	1,198	111
	\$ 16,243	\$ 11,393	\$ 3,525

Due to their short-term maturities, the fair value of trade and other receivables approximates their carrying value. As of March 31, 2011, December 31, 2010 and January 1, 2010, none of the Company's trade and other receivables was impaired.

7 INVENTORY

Inventory consists of:

	March 31, 2011	December 31, 2010	January 1, 2010
Product inventory	\$ 14,619	\$ 18,267	\$ 4,551
Leach pad inventory and ore in stockpiles	5,680	3,411	519
Metal in circuit and gold in process	3,465	6,890	523
Parts and supplies	19,193	18,659	6,875
	\$ 42,957	\$ 47,227	\$ 12,468

A write down of \$3,121,000 was recorded during the three months ended March 31, 2011 to bring product, leach pad and ore in stockpile and metal in circuit and gold in process inventories to their net realizable values. The write down is included in the statement of income (loss) within cost of goods sold.

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8 OTHER CURRENT ASSETS

Other current assets consist of:

	March 31, 2011	December 31, 2010	January 1, 2010
Prepaid expenses, advances and deposits	\$ 6,775	\$ 6,339	\$ 3,696
Marketable securities	1,026	1,058	-
Current portion of derivative related assets (note 29(b))	3,401	3,198	-
	\$ 11,202	\$ 10,595	\$ 3,696

9 OTHER LONG-TERM ASSETS

Other long-term assets consist of:

	March 31, 2011	December 31, 2010	January 1, 2010
Long-term receivables and deposits	\$ 9,721	\$ 6,976	\$ 1,110
Marketable securities	-	-	1,369
Deferred transaction costs	-	-	1,000
Derivative related assets (note 29(b))	489	1,014	-
	\$ 10,210	\$ 7,990	\$ 3,479

10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment for the three months ended March 31, 2011 is as follows:

	Mineral properties	Land and buildings	Furniture, fixtures and equipment	Plant and machinery	Assets under construction	Total
Net book value at January 1, 2011	\$ 189,445	\$ 39,800	\$ 7,378	\$ 73,197	\$ 48,890	\$ 358,710
Additions	13	1,177	544	5,207	7,607	14,548
Reclassifications and adjustments	(120)	495	-	16	(2,179)	(1,788)
Disposals	-	-	-	-	-	-
Capitalized stripping costs	13,503	-	-	-	701	14,204
Depletion and amortization	(3,514)	(1,934)	(628)	(4,270)	-	(10,346)
Adjustment on currency translation	-	100	17	-	-	117
Net book value at March 31, 2011	\$ 199,327	\$ 39,638	\$ 7,311	\$ 74,150	\$ 55,019	\$ 375,445
Consisting of:						
Cost	215,902	46,561	10,074	90,941	55,019	418,497
Accumulated depletion and amortization	(16,575)	(6,923)	(2,763)	(16,791)	-	(43,052)
	\$ 199,327	\$ 39,638	\$ 7,311	\$ 74,150	\$ 55,019	\$ 375,445

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Notes to the Interim Consolidated Financial Statements

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10 PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment for the year ended December 31, 2010 is as follows:

	Mineral properties	Land and buildings	Furniture, fixtures and equipment	Plant and machinery	Assets under construction	Total
Net book value at January 1, 2010	\$ 127,226	\$ 11,269	\$ 1,841	\$ 22,047	\$ 28,386	\$ 190,769
Additions	1,504	4,976	3,012	4,212	42,600	56,304
Additions through acquisitions	75,233	13,104	3,813	57,461	–	149,611
Reclassifications and adjustments	(699)	14,624	108	135	(23,269)	(9,101)
Disposals	–	–	(8)	–	–	(8)
Capitalized stripping costs	11,764	–	–	–	–	11,764
Depletion and amortization	(10,877)	(4,583)	(1,466)	(10,769)	–	(27,695)
Impairment charges	(18,205)	–	–	–	–	(18,205)
Adjustment on currency translation	3,499	410	78	111	1,173	5,271
Net book value at December 31, 2010	\$ 189,445	\$ 39,800	\$ 7,378	\$ 73,197	\$ 48,890	\$ 358,710
Consisting of:						
Cost	202,506	44,789	9,513	85,718	48,890	391,416
Accumulated depletion and amortization	(13,061)	(4,989)	(2,135)	(12,521)	–	(32,706)
	\$ 189,445	\$ 39,800	\$ 7,378	\$ 73,197	\$ 48,890	\$ 358,710

For the three months ended March 31, 2011, depletion and amortization expense of \$11,660,000 (2010: \$1,439,000) has been charged to cost of goods sold on the statement of income (loss), and \$266,000 (2010: \$189,000) has been charged to general and administrative expenses.

11 INTANGIBLE ASSETS

For the three months ended March 31, 2011	Goodwill	Exploration properties	Total
Net book value at December 31, 2010	\$ 18,214	\$ 8,760	\$ 26,974
Additions	–	–	–
Impairment charge	–	–	–
Net book value at March 31, 2011	\$ 18,214	\$ 8,760	\$ 26,974
Consisting of:			
Cost	24,285	8,760	33,045
Accumulated impairment	(6,071)	–	(6,071)
	\$ 18,214	\$ 8,760	\$ 26,974

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11 INTANGIBLE ASSETS (continued)

For the year ended December 31, 2010	Goodwill	Exploration properties	Total
Net book value at January 1, 2010	\$ —	\$ 8,760	\$ 8,760
Additions from Brazilian Mine Acquisition	24,285	—	24,285
Impairment charge	(6,071)	—	(6,071)
Net book value at December 31, 2010	\$ 18,214	\$ 8,760	\$ 26,974
Consisting of:			
Cost	24,285	8,760	33,045
Accumulated impairment	(6,071)	—	(6,071)
	\$ 18,214	\$ 8,760	\$ 26,974

Goodwill impairment

During the year ended December 31, 2010, the Company experienced high operating costs at its Sao Vicente Mine in Brazil, which the Company considered to be a triggering event for the purpose of assessing whether the carrying value of the Sao Vicente Mine's long-lived assets and related goodwill were impaired. The Company conducted an impairment test as of December 31, 2010 and concluded that the carrying values of the Sao Vicente Mine's long-lived assets exceeded their recoverable values. As a result of this assessment, the Company recorded an impairment charge for the year ended December 31, 2010 of \$24,276,000, which consisted of a reduction in goodwill of \$6,071,000 and a reduction of mineral properties included in property, plant and equipment of \$18,205,000. The remaining goodwill of \$18,214,000 relates to the Company's Sao Francisco Mine in Brazil.

Exploration properties

Exploration properties consist of the Company's non-core projects in Brazil, including the Cumaru (Gradaus) Project, the Cumaru Project, the Inaja Project, and the North Carajas Project. On March 13, 2009, the Company entered into an option agreement with Vale S.A. ("Vale"), wherein Vale has been granted an option to earn a 51% interest in the Inaja Project by completing certain exploration work within four years from the execution of the agreement. Vale may then earn an additional 19% by funding and delivering a bankable feasibility study within 36 months of electing to earn such additional interest. Once a joint venture is formed, should either party's interest be diluted below 10%, its interest will be converted to a 2% net smelter return ("NSR") royalty.

Certain of the Company's non-core projects include net smelter return royalties on future production.

12 TRADE AND OTHER PAYABLES

	March 31, 2011	December 31, 2010	January 1, 2010
Trade accounts payable	\$ 20,427	\$ 18,560	\$ 3,535
Income taxes payable	11,173	8,514	9,039
Accrued liabilities	2,792	2,448	1,958
Other payables	3,008	2,920	1,609
	\$ 37,400	\$ 32,442	\$ 16,141

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13 DEBT

	March 31, 2011	December 31, 2010	January 1, 2010
Balance, beginning of period	\$ 64,247	\$ 25,800	\$ 25,800
Promissory notes issued in the period	–	38,447	–
Promissory notes settled as part of restructuring (note 17)	(64,247)	–	–
Balance, end of period	–	64,247	25,800
Less: current portion included in current liabilities	–	(23,048)	–
	\$ –	\$ 41,199	\$ 25,800

Promissory notes

On August 25, 2009 the Company issued two promissory notes totalling \$25,800,000 in connection with the San Andres Acquisition and, on April 30, 2010, the Company issued another promissory note of \$38,447,000 in connection with the Brazilian Mines Acquisition, all of which bore interest at six-month LIBOR plus 3%.

On March 18, 2011, the Company completed a restructuring of its contractual obligations, which resulted in the settlement of the promissory notes, including the release of all related security, as further described in note 17.

Credit facility

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

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

As a condition of the Credit Facility, the Company entered into a program to hedge 6,000 tonnes of copper from the Aranzazu Mine between May 2011 and the maturity date. The instruments utilized by the Company to implement the program are in the form of zero-cost put/call collars. Further details on the hedging program are included in note 29.

Security on the Credit Facility is provided in the form of a guarantee by the Company, a pledge of the shares of the subsidiaries holding the Aranzazu Mine, and a pledge over the benefits of hedging agreements.

As of March 31, 2011, the Company had not drawn down any amounts under the Credit Facility.

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14 PROVISION FOR MINE CLOSURE AND RESTORATION

	March 31, 2011	December 31, 2010
Balance, beginning of period	\$ 26,329	\$ 4,271
Additions recorded on acquisition of subsidiary	–	23,237
Accretion expense	684	2,054
Expenditures incurred in the year	(10)	(159)
Change in estimate	–	(3,074)
Balance, end of period	\$ 27,003	\$ 26,329

The Company's provisions for mine closure and restoration related to the environmental restoration and closure costs associated with the Company's mining operations. The provisions have been recorded at their net present values, using discount rates of between 8.25% and 11.75%. The provisions are re-measured at each reporting date, with accretion expense being recorded within finance costs. The total undiscounted amounts of the estimated obligations at March 31, 2011 are approximately \$39,611,000 and are expected to be incurred through 2023. All assumptions used in the calculation of the provisions are subject to change.

15 OTHER PROVISIONS

	Long-term employee benefits	Provision for judicial contingencies	Other provisions	Derivative liabilities	Total
As of January 1, 2010	\$ 1,873	\$ –	\$ –	\$ –	\$ 1,873
Additions recorded on acquisition of subsidiary	–	1,738	331	–	2,069
Accretion expense	155	–	–	–	155
Change in estimate	632	(983)	(31)	–	(382)
Effect of foreign exchange translation	–	67	6	–	73
As of December 31, 2010	\$ 2,660	\$ 822	\$ 306	\$ –	\$ 3,788
Accretion expense	53	–	–	–	53
Change in estimate	319	–	–	712	1,031
Effect of foreign exchange translation	–	19	15	–	34
As of March 31, 2011	\$ 3,032	\$ 841	\$ 321	\$ 712	\$ 4,906

Details on the derivative liabilities and the judicial contingencies are included in notes 29 and 31, respectively.

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Notes to the Interim Consolidated Financial Statements

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16 OTHER LIABILITIES

	Deferred purchase consideration	Net Smelter Return Royalty payable	Total
As of January 1, 2010	\$ 11,520	\$ –	\$ 11,520
Additions recorded on acquisition of subsidiary	21,321	–	21,321
Accretion expense	1,567	–	1,567
As of December 31, 2010	\$ 34,408	\$ –	\$ 34,408
Restructuring of contractual obligations (note 17)	(34,408)	12,500	(21,908)
As of March 31, 2011	\$ –	\$ 12,500	\$ 12,500

Deferred purchase consideration

On August 25, 2009, the Company issued consideration in the form of deferred purchase consideration payable for \$14,750,000 as part of the San Andres Acquisition. The deferred consideration was payable as to 50% of all net free cash flow from the San Andres Mine from and after August 25, 2009 that exceeded the cumulative net free cash flow of \$79,000,000. The deferred purchase price consideration was recorded at its estimated fair value of \$11,520,000 on the transition to IFRS and accretion expense recorded to December 31, 2010 totalled \$576,000.

On April 30, 2010, the Company issued further deferred purchase consideration payable for \$28,404,000 as part of the Brazilian Mines Acquisition. The deferred purchase consideration was initially recorded at its estimated fair value of \$21,321,000 and accretion expense recorded to December 31, 2010 totalled \$991,000.

On March 18, 2011, the Company completed a restructuring of its contractual obligations, which resulted in the settlement of the deferred purchase consideration, as further described in note 17.

17 RESTRUCTURING OF CONTRACTUAL OBLIGATIONS

Pursuant to an agreement dated March 18, 2011, the Company restructured the contractual obligations owing to Yamana Gold Inc. (“Yamana”) which arose from the San Andres Mine Acquisition and the Brazilian Mines Acquisition. These contractual obligations included promissory notes of \$64,247,000 (note 13) and \$43,154,000 in deferred purchase consideration (note 16). Under the restructuring, these contractual obligations were paid and satisfied in full, and the related security was released, in consideration for:

- (i) the issuance to Yamana of 19,056,113 common shares in the capital of the Company, valued at \$64,146,000 based on the Company’s share price as of March 17, 2011;
- (ii) the payment to Yamana of \$5,000,000, which was made on March 31, 2011; and

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17 RESTRUCTURING OF CONTRACTUAL OBLIGATIONS (continued)

(iii) the granting to Yamana of a net smelter return royalty (“NSR Royalty”) equal to 1.5% on the sales from the San Andres Mine, Sao Francisco Mine and Sao Vicente Mine, up to a cumulative royalty amount of \$16,000,000, commencing on March 1, 2013, provided that the cumulative amount will be extinguished by the payment in cash of: \$12,500,000 if paid on or before March 31, 2012; \$13,650,000 if paid after March 31, 2012, but on or before March 31, 2013; \$14,350,000 if paid after March 31, 2013, but on or before March 31, 2014; and, \$15,050,000 if paid after March 31, 2014, but on or before March 31, 2015, and adjusted by any payments made on account of the NSR Royalty. The Company recorded this NSR Royalty at its estimated fair value of \$12,500,000 (note 16).

As the book values of the promissory notes and the deferred purchase consideration payable as of March 18, 2011 of \$98,655,000 exceeded the fair value of the consideration issued of \$81,646,000, the Company recorded a gain on the restructuring in the statement of income of \$17,009,000 during the three months ended March 31, 2011.

18 SHARE CAPITAL

a) **Authorized** – Unlimited number of common shares

b) **February 2010 Public Offering**

On February 4, 2010, the Company and its major shareholder, Zoneplan Limited (the “Selling Shareholder”), closed a bought deal public offering of 18,000,000 common shares from the treasury of the Company (the “Treasury Common Shares”) and 6,000,000 previously issued common shares of the Company from the holdings of the Selling Shareholder, in each case at a price of C\$4.20 per common share, and for aggregate gross proceeds of C\$100,800,000, of which C\$75,600,000 (\$70,476,000) was attributable to the Company. Aggregate net proceeds received by the Company were \$66,470,000 net of underwriters’ fees and share issue costs of \$4,006,000.

c) **Warrants**

The following table summarizes activity related to the Company’s issued brokers’ warrants during the year ended December 31, 2010 and to March 31, 2011:

	Number of warrants	Weighted average exercise price C\$
Balance, December 31, 2009	2,273,496	\$ 2.75
Exercised	(1,586,758)	2.75
Balance, December 31, 2010	686,738	\$ 2.75
Exercised	(686,738)	2.75
Balance, March 31, 2011	-	\$ -

Upon exercise into common shares, the fair value of the warrants is reclassified to share capital. On March 31, 2010, 604,078 brokers’ warrants were exercised, however the shares were not issued until April 1, 2010. The cash value associated with the exercise of these warrants of \$1,634,000, which was received by the Company on March 31, 2010, and the fair value of \$1,122,000 have been included in share capital as of March 31, 2010.

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18 SHARE CAPITAL (continued)

d) Stock options

On May 27, 2010, Aura Minerals adopted the 2010 Stock Option and Share Compensation Plan (the "Plan"), which replaced the Company's 2007 Stock Option and Share Compensation Plan. Under this rolling plan, options to purchase common shares have been granted to directors, employees and consultants of the Company and its subsidiaries at exercise prices not less than the volume weighted average trading price for the five trading days immediately preceding the respective grant date and may be exercised within five years from that date, subject to any vesting provisions determined by the board of directors of the Company (the "Board"). Under the Plan, the Board may grant options such that the total number of common shares which may be subject to options and bonus shares granted under the Plan and pursuant to any other security-based compensation plan, unless otherwise approved by shareholders, is 10% of the issued and outstanding common shares at the time of the grant and provided that the number of common shares which may be issued as bonus shares in any calendar year does not exceed 250,000.

A continuity of issued and outstanding stock options is as follows:

	Number of options	Weighted Average exercise price C\$
Balance, December 31, 2009	11,555,628	\$ 3.83
Granted	4,965,000	3.75
Exercised	(798,653)	1.33
Forfeited	(1,913,310)	5.41
Balance, December 31, 2010	13,808,665	\$ 3.72
Granted	320,000	3.68
Exercised	(9,750)	1.69
Forfeited	(8,000)	5.80
Balance, March 31, 2011	14,110,915	\$ 3.72

The Company's weighted average share price on the date the options were exercised during the three months ended March 31, 2011 is as follows:

Date of exercise	Number of options	Share price C\$ on date of exercise
January 14, 2011	6,000	3.94
February 1, 2011	3,750	3.89
Total/average for the three months ended March 31, 2011	9,750	\$ 3.92

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18 SHARE CAPITAL (continued)

d) Stock options (continued)

The Company's weighted average share price on the date the options were exercised during the three months ended March 31, 2010 was as follows:

Date of exercise	Number of options	Share price C\$ on date of exercise
January 8, 2010	6,250	4.64
January 12, 2010	25,000	4.74
January 14, 2010	10,000	4.55
February 22, 2010	32,000	3.90
February 24, 2010	60,000	3.67
March 23, 2010	17,820	3.93
Total/average for the three months ended March 31, 2010	151,070	\$ 4.02

As at March 31, 2011, the following stock options were outstanding and exercisable:

	Options outstanding			Options exercisable
	Exercise price C\$	Number outstanding	Remaining contractual life (years)	Number exercisable
	\$0.78	2,580,165	2.3	2,580,165
	\$2.50 to \$3.52	4,250,850	3.3	3,721,475
	\$3.64 to \$4.00	3,314,500	3.1	1,745,750
	\$4.19 to \$5.35	1,943,000	2.3	1,609,240
	\$5.80 to \$7.85	2,022,400	1.6	2,022,400
Average/Total	\$0.78-7.85	14,110,915	2.7	11,679,030

e) Share-based payment expense

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. Share-based payment expense recognized in general and administrative expense in the statement of income during the three months ended March 31, 2011 totalled \$1,944,000 (2010 - \$1,897,000). The fair value of stock options granted during the three months ended March 31, 2011 and 2010 was estimated using the Black-Scholes option pricing model with the following assumptions:

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Expected volatility	104%	125%
Risk-free interest rate	2.23%	1.61%
Weighted average share price for options granted	\$ 3.68	\$ 4.04
Expected life (years)	5	5
Expected forfeiture rate	5%	5%
Expected dividend yield	0%	0%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility to estimate the volatility of the share price, and uses historical forfeiture rates to estimate the effect of forfeitures. Changes in the subjective input assumptions can materially affect the fair value estimated.

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19 REVENUES BY NATURE

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Gold sales	\$ 51,566	\$ 19,791
Copper concentrate sales	2,223	-
	\$ 53,789	\$ 19,791

Copper concentrate sales are shown net of treatment and refining charges and relate to the period from February 1, 2011 to March 31, 2011, after the Company completed commissioning at the Aranzazu Mine.

20 COST OF GOODS SOLD BY NATURE

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Direct operating costs	\$ 40,499	\$ 9,493
Gains on cash flow hedges (note 29(b))	(640)	-
Depletion and amortization	11,660	1,439
	\$ 51,519	\$ 10,932

21 GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Salaries, wages and benefits	\$ 2,361	\$ 1,380
Share-based payment expense	1,944	1,897
General and administrative	739	484
Professional and consulting fees	979	413
Travel expenses	247	256
Directors' fees	108	79
Investor relations and filing fees	325	238
Amortization	266	189
Transaction costs incurred on Brazilian Mines Acquisition	-	1,297
	\$ 6,969	\$ 6,233

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22 FINANCE COSTS

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Interest expense on debt	\$ 481	\$ 218
Accretion	737	253
Other interest and finance costs	71	2
	<u>\$ 1,289</u>	<u>\$ 473</u>

23 EXPLORATION EXPENSES

The Company's exploration expenses for the three months ended March 31, 2011 and 2010 include:

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Arapiraca Project	\$ 898	\$ 3,234
Aranzazu Mine	1,194	1,264
San Andres Mine	215	–
Sao Francisco Mine	748	468
Sao Vicente Mine	746	–
Non-core projects	92	126
	<u>\$ 3,893</u>	<u>\$ 5,092</u>

24 OTHER GAINS AND LOSSES

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Foreign exchange gain	\$ 1,253	\$ 2,400
Loss on marketable securities	(59)	–
Unrealized loss on copper forward contracts (note 29(c))	(712)	–
Unrealized loss on undesignated portion of cash flow hedges	(43)	–
Realized gain on undesignated portion of cash flow hedges	390	–
	<u>\$ 829</u>	<u>\$ 2,400</u>

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25 DILUTED EARNINGS PER SHARE

The weighted average number of common shares used for diluted earnings per share is reconciled to the weighted average number of common shares used in basic earnings per share as follows:

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Weighted average number of common shares used for basic earnings per share	210,945,211	184,465,737
Shares deemed to be issued for no consideration in respect of:		
Options	2,401,782	–
Warrants	17,817	–
Weighted average number of common shares used for diluted earnings per share	213,364,810	184,465,737

26 CASH FLOW INFORMATION

a) Items not affecting cash

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Items not affecting cash		
Depletion and amortization	\$ 11,927	\$ 1,629
Accretion	738	276
Deferred tax expense (recovery)	1,099	686
Deferred transaction costs expensed due to change in accounting policy	–	1,000
Write-down of inventory to net realizable value (note 7)	3,121	–
Unrealized foreign exchange (gains) losses	(21)	3
Unrealized loss on copper collar contracts	712	
Interest expense	481	221
Gain recorded on restructuring of contractual obligations (note 17)	(17,009)	–
Share-based payment expense	1,944	1,897
Other non-cash items	98	(66)
	\$ 3,090	\$ 5,646

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26 CASH FLOW INFORMATION (continued)

b) Changes in non-cash working capital

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Changes in non-cash working capital		
Trade and other receivables	\$ (3,860)	\$ (1,412)
Inventory	16	222
Other assets	(2,749)	(624)
Reclamation expenditures	(10)	(79)
Trade and other payables	2,605	1,296
	\$ (3,998)	\$ (597)

c) Supplemental cash flow information

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Non-cash activities consist of:		
Change on accounts payable as a result of investing activities	\$ 2,350	\$ 761
Fair value of exercise of stock options	\$ 13	\$ 105
Fair value of exercise of warrants	\$ 1,276	\$ 142

27 RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2011 and 2010, the Company had no related party transactions, other than the restructuring of contractual obligations with Yamana, as disclosed in note 17. Yamana and the Company have one director in common.

28 SEGMENTED INFORMATION

The reportable operating segments have been identified as the San Andres Mine, Brazilian Mines, Aranzazu Mine and Corporate while all other projects and properties have been aggregated into the category All Other Segments. The Company manages its business, including the allocation of resources and assessment of performance, on a project by project basis, except where the Company's projects are substantially connected and share resources and administrative functions.

For the quarter ended March 31, 2011, segmented information is as follows:

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28 SEGMENTED INFORMATION (continued)

March 31, 2011	Note	San Andres Mine	Brazilian Mines	Aranzazu Mine	Corporate	All other segments	Total
Sales to external customers	a	\$ 25,398	\$ 26,168	\$ 2,223	\$ -	\$ -	\$ 53,789
Costs of production		12,418	23,597	3,844	-	-	39,859
Depletion and amortization		3,658	6,868	1,134	-	-	11,660
Gross profit (loss)	b	9,322	(4,297)	(2,755)	-	-	2,270
Gain on debt restructuring		(1,556)	(10,785)	-	(4,668)	-	(17,009)
Other		729	4,043	1,679	4,678	28	11,157
Profit (loss) before income taxes		\$ 10,149	\$ 2,445	\$ (4,434)	\$ (10)	\$ (28)	\$ 8,122
Property, Plant and Equipment		\$ 93,842	\$ 141,027	\$ 131,599	\$ 1,834	\$ 7,143	\$ 375,445
Total assets		\$ 120,910	\$ 196,504	\$ 148,181	\$ 15,000	\$ 13,195	\$ 493,790
Capital expenditures		\$ 1,962	\$ 19,759	\$ 6,236	\$ 79	\$ 14	\$ 28,050

For the quarter ended March 31, 2010, segmented information is as follows:

March 31, 2010	Note	San Andres Mine	Aranzazu Mine	Corporate	All other segments	Total
Sales to external customers	a	\$ 19,791	\$ -	\$ -	\$ -	\$ 19,791
Costs of production		9,493	-	-	-	9,493
Depletion and amortization		1,439	-	-	-	1,439
Gross profit	b	8,859	-	-	-	8,859
Other		238	3,435	1,430	4,191	9,294
Profit (loss) before income taxes		\$ 8,621	\$ (3,435)	\$ (1,430)	\$ (4,191)	\$ (435)
Property, Plant and Equipment		\$ 95,086	\$ 96,792	\$ 873	\$ 7,526	\$ 200,277
Total assets		\$ 123,910	\$ 100,456	\$ 155,639	\$ 14,354	\$ 394,359
Capital expenditures		\$ 4,331	\$ 2,326	\$ 323	\$ 778	\$ 7,758

a) Revenues for each of the San Andres and Brazilian Mines relate to the sale of gold dore. Each of the mines has a single external customer to which they sell 100% of their finished goods inventory. As a result, revenues from external customers reported for each of these segments relates solely to the sales to their respective buyers.

Revenues for Aranzazu relate entirely to the sale of copper-gold-silver concentrate to one external customer.

b) In evaluating the performance of each of the operating segments, the CEO who is the chief operating decision maker, focuses primarily on the cash component of the operating costs.

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29 DERIVATIVE FINANCIAL INSTRUMENTS

a) Embedded derivatives

The Company has embedded derivatives in its accounts receivable as a result of provisional pricing arrangements on its concentrate sales. These derivatives are not designated as hedges and are marked to their market values at each reporting date. Adjustments to the fair values of the accounts receivable are shown in the statement of income (loss) within revenue.

b) Cash flow hedges

The Company also enters into foreign currency contracts from time to time to mitigate its exposure to fluctuations in the Brazilian real against the United States dollar. During 2010, the Company entered into currency contracts totalling 64.9 million reals at an average rate of 2.0277 Brazilian real to the United States dollar to hedge forecast reals denominated expenditures against the variability of the United States dollar amount of those expenditures caused by changes in the currency exchange rates through to May 2012. The Company has designated the spot component of these contracts as cash flow hedges. The unsettled contracts as of March 31, 2011 total 33.8 million reals and include 22.8 million reals hedged for the remainder of 2011 and 11.0 million reals for 2012. Subsequent to March 31, 2011, the Company closed out its remaining unsettled currency contracts (note 32(c)).

	March 31, 2011	December 31, 2010
Currency contracts:		
Forward contracts	\$ 3,890	\$ 4,212
Less: Current portion	(3,401)	(3,198)
Long-term portion	\$ 489	\$ 1,014

Gains and losses on these cash flow hedges are recognized as a component of comprehensive income and are recycled into the statement of income in the period in which the hedged transaction is recognized in the statement of income (loss). Unrealized gains recorded into other comprehensive income for the three months ended March 31, 2011 totalled \$415,000 (2010 - \$nil). This gain was offset by a prior period unrealized gain of \$620,000 which was realized in the current period and therefore moved from the statement of comprehensive income into the statement of income for the quarter. The net amount has been included in other comprehensive income for the period, net of future income tax expense of \$60,000. The Company recorded realized gains on cash flow hedges of \$640,000 (2010 - \$nil) in cost of goods sold during the three months ended March 31, 2011, reflecting the amount moved from other comprehensive income in the period plus an additional gain recorded on final settlement.

c) Copper collar contracts

On March 29, 2011, the Company entered into contracts with Barclay's PLC to hedge 3,000 tonnes of copper from the Aranzazu Mine between May 1, 2011 and June 30, 2013. The derivative instruments entered into were in the form of zero-cost put/call collars with a floor price of \$3.25 per pound of copper and a ceiling price of \$5.07 per pound of copper. These instruments were entered into as partial satisfaction of the Company's requirements under the terms of the Credit Facility further described in note 13. Additional contracts to hedge a further 3,000 tonnes of copper were entered into subsequent to March 31, 2011 (note 32(a)).

These derivative instruments are not designated as hedges by the Company, and are marked to their market values at the end of each reporting date. Adjustments to the market value are included in the statement of income in other gains and losses. For the three months ended March 31, 2011, the Company recorded a loss of \$712,000 with respect to these contracts.

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30 FIRST TIME ADOPTION OF IFRS

The accounting policies set out in these interim consolidated financial statements have been applied to all periods presented. In preparing its opening IFRS statement of financial position, the Company has adjusted amounts previously reported in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's statement of financial position as of December 31, 2010 and its statement of income for the three months ended March 31, 2010 is set out in the following tables and accompanying notes.

a) Reconciliation of shareholders' equity

	Note	January 1, 2010	March 31, 2010	December 31, 2010
Shareholders' equity, as previously reported under Canadian GAAP		\$ 231,162	\$ 300,504	\$ 313,209
Recognition of deferred purchase consideration payable	(i)	(11,520)	(11,659)	(12,096)
Adjustment for fair value of employee benefit obligations, net of tax	(ii)	1,044	997	1,214
Provision for mine closure and restoration	(iii)	(226)	(140)	(429)
Translation of foreign subsidiaries	(iv)	3,007	7,364	8,739
		\$ 223,467	\$ 297,066	\$ 310,637

(i) Recognition of deferred purchase consideration payable

The Company's agreement to acquire the San Andres Mine in 2009 included \$14,750,000 in deferred purchase consideration payable, which became payable upon certain criteria being met. Under Canadian GAAP, this deferred consideration was not recorded as a liability as it did not meet the recognition criteria. The Company has determined that this consideration must be recognized as a liability under IFRS as of the opening statement of financial position date and should be recorded at its estimated fair value.

The Company has determined that the fair value for the deferred purchase consideration payable using the discounted cash flow method as of January 1, 2010 is \$11,520,000, and has recorded this within other financial liabilities on the statement of financial position. Accretion expense, which is included in the statement of income under finance costs, totalled \$139,000 for the three months ended March 31, 2010 and \$576,000 for the year ended December 31, 2010.

(ii) Adjustment for fair value of employee benefit obligations

Under Canadian GAAP, the Company's provision for long-term employee benefits under the laws in certain jurisdictions in which the Company operates was recorded at its estimated cost. Under IFRS, this provision must be shown at its fair value. As a result, the Company has recorded an adjustment as of January 1, 2010 of \$1,044,000, net of tax of \$346,000, to reflect the discounting of this provision. For the three months ended March 31, 2010 and the year ended December 31, 2010, accretion expense of \$61,000 and \$155,000 were recorded in the statement of income within financing cost.

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30 FIRST TIME ADOPTION OF IFRS (continued)

a) Reconciliation of shareholders' equity (continued)

(iii) Provision for mine closure and restoration

The Company has adjusted its provisions for mine closure and restoration under IFRS by using pre-tax risk-free interest rates, as compared to Canadian GAAP which required the use of a credit-adjusted risk-free interest rate to be used. As a result, the Company recorded an adjustment of \$226,000 to the equity balance as of January 1, 2010, \$140,000 as of March 31, 2010 and \$429,000 as of December 31, 2010. For the three months ended March 31, 2010, the Company recorded a reduction in accretion expense of \$85,000 in relation to the revised provision balances, while for the year ended December 31, 2010, the Company recorded an increase in accretion expense of \$632,000.

(iv) Translation of foreign subsidiaries

Under IFRS, the Company must determine the functional currency of each of its entities in order to determine how to treat items denominated in foreign currencies. The Company has completed this assessment for each of its entities. Certain of the Company's entities have functional currencies which are different to the Company's reporting currency of the United States dollar, and therefore must be translated into the consolidation using the current rate method under IFRS. Under Canadian GAAP, some of these entities were translated using historical exchange rates for non-monetary items, such as fixed assets.

As of January 1, 2010 the impact on equity of this adjustment was \$3,007,000. For the three months ended March 31, 2010 and for the year ended December 31, 2010, the Company recorded additional adjustments of \$4,357,000 and \$5,732,000, respectively, in relation to the translation of foreign subsidiaries.

b) Reconciliation of comprehensive income (loss)

	Note	For the three months ended March 31, 2010	For the year ended December 31, 2010
Comprehensive loss previously reported under Canadian GAAP		\$ (1,270)	\$ (54,916)
Accretion expense on deferred purchase consideration payable	a(i)	(139)	(576)
Accretion expense on employee benefits provision	a(ii)	(61)	229
Accretion expense on provision for mine closure and restoration	a(iii)	85	(1,029)
Gain on translation of subsidiaries	a(iv)	4,357	5,732
Other adjustments		40	23
Comprehensive income (loss) under IFRS		\$ 3,012	\$ (50,537)

c) Statement of cash flows

The impact of the transition to IFRS on the Company's statement of cash flows consisted primarily of reclassifications within the cash generated from (used in) operations as a result of the re-stated profit and changes in items not affecting cash. In addition, the Company reclassified \$221,000 of interest expense on debt from operating cash flow to financing cash flows for the three months ended March 31, 2010. These changes are not considered to be material.

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31 CONTINGENCIES AND COMMITMENTS

a) Operating commitments

The Company has the following commitments for future minimum payments under operating leases:

2011	\$	387
2012		345
2013		27
	\$	759

As of March 31, 2011, the Company had committed to purchases for equipment and capital projects in process, as well as contractual commitments related to capital projects in process of \$2,853,000 at the Aranzazu Project and \$2,104,000 at the San Andres Mine.

b) Royalties

- (i) Copper production from the Aranzazu Mine is subject to an underlying 1% NSR royalty when during any calendar month the monthly average copper price as quoted by the London Metals Exchange equals or exceeds \$2.00 per pound.
- (ii) Gold sales from the San Andres Mine, the Sao Francisco Mine and the Sao Vicente Mine are subject to a 1.5% NSR Royalty up to a cumulative amount of \$16,000,000, commencing March 1, 2013, provided that the amount can be extinguished by the Company as described in note 17.

c) Contingencies

Certain conditions may exist as of the date of these financial statements which may result in a loss to the Company in the future when certain events occur or fail to occur. The Company assesses at each reporting date its loss contingencies related to ongoing legal proceedings by evaluating the likelihood of such proceedings, as well as the amounts claimed or expected to be claimed. If the assessment of such claims suggests that a loss is probable, and the amount can be reasonably estimated, then a provision for loss is recorded. When the contingent loss is unlikely, or when it is probable but the amount of the loss cannot be reasonably estimated, the details of the contingent loss are disclosed, if they are significant. Loss contingencies considered to be remote are generally not disclosed. Included in other long-term liabilities as of March 1, 2011 is a provision of \$841,000 for loss contingencies related to ongoing legal claims associated with the Brazilian Mines, which were assumed as part of the acquisition of these mines.

On October 25, 2010, an employee of Fagundes Construcao e Mineracao Ltda. ("Fagundes"), the mining contractor at the Company's Sao Francisco Mine, was fatally injured in a two vehicle accident on the municipal road between the mine and the town of Pontes e Lacerda in Mato Grosso, Brazil. Another Fagundes employee was severely hurt and several others sustained non-life threatening injuries. The Fagundes employees were travelling to work for their regular shift when their bus and a Company vehicle collided. The accident is still being investigated, and the Company's liability, if any, cannot be determined at this time.

Aura Minerals Inc.

Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2011

Expressed in United States dollars, except where otherwise noted. Tables are expressed in thousands of United States dollar, except where otherwise noted. (Unaudited)

32 SUBSEQUENT EVENTS

a) Copper collar contracts

On April 12, 2011, the Company entered into additional contracts with Barclay's PLC to hedge 3,000 tonnes of copper from the Aranzazu Mine between May 1, 2011 and June 30, 2013. The derivative instruments entered into were in the form of zero-cost put/call collars with a floor price of \$3.25 per pound of copper and a ceiling price of \$5.10 per pound of copper. These instruments were entered into in order to complete the Company's requirements under the terms of the Credit Facility further described in note 13. These derivative instruments are not designated as hedges by the Company, and will be marked to their market values at the end of each reporting date.

b) Credit facility draw down

As of June 14, 2011, the Company had drawn down a total of \$20,000,000 on the Credit Facility.

c) Cash flow hedges

On May 4, 2011, the Company closed out its remaining unsettled currency contracts totalling 29,823,000 reais for total cash proceeds of \$4,060,000.

d) RSU's issued

On April 12, 2011, the Company issued 127,799 restricted share units to employees under the Company's share-based payment incentive plans.

e) Stock options

During the period from April 1, 2011 to June 14, 2011, the Company granted 1,618,000 stock options and 170,850 stock options were forfeited.