



Aura Minerals Inc.

Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2010

(Unaudited)

Aura Minerals Inc.

Interim Consolidated Balance Sheets

As at September 30, 2010 and December 31, 2009

Expressed in thousands of United States dollars

(Unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
Current		
Cash and cash equivalents (note 7)	\$ 57,794	\$ 36,978
Accounts receivable (note 8)	8,485	3,525
Inventory (note 9)	42,882	12,468
Prepaid expenses and other current assets (note 10)	10,133	3,696
	119,294	56,667
Other non-current assets (note 11)	5,438	2,479
Deferred transaction costs (note 4(a))	-	1,000
Restricted cash (note 5)	-	56,866
Property, plant and equipment (note 12)	360,504	182,627
Goodwill (note 5)	21,168	-
Resource properties (note 13)	15,108	14,427
Future income tax assets	1,848	1,672
	\$ 523,360	\$ 315,738
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 14)	\$ 27,388	\$ 16,141
Current portion of promissory notes payable (notes 6)	10,000	-
	37,388	16,141
Promissory notes payable (notes 5, 6)	54,247	25,800
Future income tax liabilities	34,016	34,793
Asset retirement obligations (note 15)	28,639	4,578
Deferred purchase consideration payable (note 5)	25,462	-
Other long-term liabilities (note 22(c))	5,851	3,264
	185,603	84,576
SHAREHOLDERS' EQUITY		
Capital stock (note 16)	467,885	339,693
Contributed surplus	42,534	35,780
Accumulated other comprehensive loss	(18,663)	(21,535)
Deficit	(153,999)	(122,776)
	337,757	231,162
	\$ 523,360	\$ 315,738

Contingencies and commitments (notes 5, 6, 13 and 22)

Subsequent events (note 23)

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

Approved on behalf of the Board of Directors:

"Elizabeth Martin"

"Patrick Downey"

Elizabeth Martin, Director

Patrick Downey, Director

Aura Minerals Inc.

Interim Consolidated Statements of Operations and Comprehensive Loss

For the three and nine months ended September 30, 2010 and 2009

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

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009
	As restated (note 2)		As restated (note 2)	
Sales (note 21)	\$ 47,550	\$ 6,855	\$ 105,917	\$ 6,890
Mine operating expenses	45,452	6,647	77,558	6,670
Depletion, amortization and accretion	8,299	48	15,771	48
Net smelter return royalties	–	34	221	34
	53,751	6,729	93,550	6,752
Mine operating (loss) profit	(6,201)	126	12,367	138
Other expenses				
Stock-based compensation (note 16(g))	2,218	1,286	9,865	3,655
Cost of operations in care and maintenance	–	464	–	1,511
Exploration expenses (note 17)	6,655	2,735	18,346	6,837
General and administrative	3,449	1,424	9,502	3,583
Transaction costs	(376)	–	2,335	–
Amortization and accretion	826	100	1,269	260
Impairment charge - resource properties (note 13(b))	–	–	–	8,167
Operating loss	18,973	5,883	28,950	23,875
Interest expense	517	90	1,265	90
Other income	(2,070)	(169)	(2,347)	(269)
Realized loss on derivatives	–	1,777	–	1,777
Foreign exchange (gain) loss	(2,202)	5,973	(2,323)	3,107
Loss before income taxes	15,218	13,554	25,545	28,580
Current income tax expense	1,285	641	6,397	641
Future income tax expense (recovery)	122	(1,022)	(719)	(3,796)
Net loss for the period	\$ 16,625	\$ 13,173	\$ 31,223	\$ 25,425
Other comprehensive loss				
Net gain on change in reporting currency (note 2)	–	(6,841)	–	(11,560)
Gain on fair value of effective hedges	(1,711)	–	(2,872)	–
Comprehensive loss for the period	\$ 14,914	\$ 6,332	\$ 28,351	\$ 13,865
Per share information:				
Weighted average number of common shares outstanding	206,988,217	140,342,209	197,819,249	125,743,315
Basic and diluted net loss per share	\$ 0.08	\$ 0.09	\$ 0.16	\$ 0.20

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

Aura Minerals Inc.

Interim Consolidated Statements of Shareholders' Equity

For the nine months ended September 30, 2010 and the year ended December 31, 2009

Expressed in thousands of United States dollars

(Unaudited)

	Capital Stock		Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total
	Shares	Amount				
At December 31, 2008	117,903,186	\$ 211,173	\$ 29,704	\$ (33,095)	\$ (91,439)	\$ 116,343
Private placement (note 16(c))	45,499,997	115,238	-	-	-	115,238
Shares issued as consideration for San Andres Acquisition (note 6)	8,084,728	19,583	-	-	-	19,583
Exercise of options for cash (note 16(f))	1,064,083	1,153	-	-	-	1,153
Exercise of options - fair value	-	590	(590)	-	-	-
Exercise of brokers warrants for cash (note 16(e))	1,500	4	-	-	-	4
Exercise of brokers warrants - fair value	-	3	(3)	-	-	-
Issuance of shares on property option payment	80,000	64	-	-	-	64
Stock based compensation	-	-	3,605	-	-	3,605
Warrants issued as financing fee (note 16(c))	-	-	4,227	-	-	4,227
Contingently returnable shares related to executive incentive (note 16(d))	-	-	981	-	-	981
Release of contingently returnable shares from escrow (note 16(d))	700,000	2,144	(2,144)	-	-	-
Share issue costs	-	(10,259)	-	-	-	(10,259)
Gain on change in reporting currency (note 2)	-	-	-	11,560	-	11,560
Net loss for the year	-	-	-	-	(31,337)	(31,337)
At December 31, 2009	173,333,494	\$ 339,693	\$ 35,780	\$ (21,535)	\$ (122,776)	\$ 231,162
Public offering (note 16(b))	18,000,000	70,476	-	-	-	70,476
Shares issued as consideration for the Brazilian Mines Acquisition (note 5)	13,859,533	53,760	-	-	-	53,760
Exercise of options for cash (note 16(f))	736,903	966	-	-	-	966
Exercise of options - fair value	-	414	(414)	-	-	-
Exercise of brokers warrants for cash (note 16(e))	1,451,377	3,877	-	-	-	3,877
Exercise of brokers warrants - fair value	-	2,697	(2,697)	-	-	-
Stock based compensation (note 16(g))	-	-	9,865	-	-	9,865
Share issue costs (note 16(b))	-	(3,998)	-	-	-	(3,998)
Gain on fair value of effective hedges	-	-	-	2,872	-	2,872
Net loss for the period	-	-	-	-	(31,223)	(31,223)
At September 30, 2010	207,381,307	\$ 467,885	\$ 42,534	\$ (18,663)	\$ (153,999)	\$ 337,757

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

Aura Minerals Inc.

Interim Consolidated Statements of Cash Flows

For the three and nine months ended September 30, 2010 and 2009

Expressed in thousands of United States dollars

(Unaudited)

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009
		As restated (note 2)		As restated (note 2)
Operating activities				
Net loss for the period	\$ (16,625)	\$ (13,173)	\$ (31,223)	\$ (25,425)
Items not affecting cash (note 18(a))	13,898	246	30,412	8,450
Changes in non-cash working capital (note 18(b))	(724)	1,003	(11,867)	1,352
Other assets	(3,100)	-	(3,100)	-
Reclamation expenditures (note 15)	(59)	(81)	(194)	(81)
	(6,610)	(12,005)	(15,972)	(15,704)
Investing activities				
Resource property acquisition	-	-	(681)	-
Deferred transaction costs	-	(247)	-	(955)
Other assets	-	-	(586)	-
Transfer of funds (to) from restricted cash	-	(56,866)	56,866	(56,866)
Proceeds from property option payment (note 13(b))	-	-	-	3,000
Purchase of property, plant and equipment	(23,176)	(514)	(40,668)	(750)
Acquisition of the San Andres Mine (note 6)	-	(35,290)	-	(35,290)
Acquisition of the Brazilian Mines (note 5)	1,394	-	(49,464)	-
	(21,782)	(92,917)	(34,533)	(90,861)
Financing activities				
Proceeds received from financings (notes 16(b) and (c)), net of share issue costs	-	109,210	66,478	109,210
Proceeds on exercise of options	260	324	966	324
Proceeds on exercise of warrants	748	-	3,877	-
	1,008	109,534	71,321	109,534
(Decrease) increase in cash and cash equivalents	(27,384)	4,612	20,816	2,969
Effect of exchange rate changes on cash and cash equivalents	-	8,621	-	7,989
Cash and cash equivalents, beginning of the period	85,178	30,423	36,978	32,698
Cash and cash equivalents, end of the period	\$ 57,794	\$ 43,656	\$ 57,794	\$ 43,656

Supplementary cash flow information (note 18(c))

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 and nine months ended September 30, 2010

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

1 NATURE OF OPERATIONS

Aura Minerals Inc. (“Aura Minerals” or the “Company”) is a Canadian mining company focused on the acquisition, exploration, development and operation of mining properties in the Americas.

On April 30, 2010, the Company completed the acquisition (the “Brazilian Mines Acquisition”) of the Sao Vicente and Sao Francisco mines in Brazil (collectively, the “Brazilian Mines”), which is further described in note 5. The Company consolidated the results of operations of the Brazilian Mines commencing on May 1, 2010, the day following the Brazilian Mines Acquisition.

On August 25, 2009, the Company completed the acquisition (the “San Andres Acquisition”) of the shares of San Andres (Belize) Limited (“SAB”) and RNC (Honduras) Limited (“RNC”) (note 6). RNC and SAB together own 100% of the shares of Minerales de Occidente S.A. de C.V. (“Minosa”), which owns and operates the San Andres gold mine in Honduras (the “San Andres Mine”). The Company consolidated the results of operations of the San Andres Mine commencing on August 26, 2009, the day following the San Andres Acquisition.

In June 2008, the Company completed the acquisition of a 100% interest in all of the mining concessions, plant, surface and water rights and other assets relating to the Aranzazu project in Zacatecas, Mexico (the “Aranzazu Project”). The Aranzazu Project was placed in care and maintenance in the fourth quarter of 2008, and on October 27, 2010 the Company announced that it plans to re-start operations in the fourth quarter of 2010.

In July 2007, the Company closed the acquisition of the feasibility-stage copper, gold and iron ore Arapiraca project in Brazil (the “Arapiraca Project”).

On July 23, 2009, the Company effected the consolidation of all of its issued and outstanding common shares on the basis of one new common share for five previously issued and outstanding common shares (the “Consolidation”). All share and per share amounts in these interim consolidated financial statements have been adjusted retroactively to reflect this change.

The Company is in the business of exploring for and mining minerals which by its nature involves a high degree of risk. There can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of the mineral properties and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Company to obtain financing or, alternatively, upon the Company’s ability to dispose of its interests on an advantageous basis. All of the Company’s mineral and resource properties are located outside of Canada and are subject to the risks normally associated with foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty.

2 CHANGE IN MEASUREMENT AND REPORTING CURRENCY

Effective October 1, 2009, the Company changed its measurement and reporting currency from the Canadian dollar to the United States dollar. The change in measurement currency occurred as a result of a change in the nature of the Company’s operations following the San Andres Acquisition. As a result of the change in measurement currency, effective October 1, 2009 and applied prospectively, the Company’s integrated foreign currency operations were translated to United States dollars using the temporal method.

Aura Minerals Inc.

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

2 CHANGE IN MEASUREMENT AND REPORTING CURRENCY (continued)

The change in reporting currency was made to better reflect the Company's operating activities and to improve the financial statement users' ability to compare the Company's financial results with other companies in the mining industry. In making the change in reporting currency, the Company followed the guidance in Emerging Issues Committee ("EIC") 130, "Translation Method when the Reporting Currency Differs from the Measurement Currency or There is a Change in the Reporting Currency".

In accordance with EIC-130, all assets and liabilities are translated into the reporting currency using the current rate method. Under this method, all assets and liabilities were translated using the exchange rate prevailing on September 30, 2009, and all items in the 2009 statement of operations and cash flow statement were translated using the average exchange rate prevailing during each period. Shareholders' equity transactions have been translated at the exchange rates on the dates in which the transactions occurred. All resulting exchange differences arising from the translation have been included as a separate component of other comprehensive loss.

For the three and nine months ended September 30, 2009, a gain on the translation from the change in reporting currency of \$6,841,000 and \$11,560,000, respectively, was recorded in other comprehensive loss and included in the balance sheet in accumulated other comprehensive loss.

3 BASIS OF PRESENTATION, USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information and they follow the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended December 31, 2009, except as described in note 4. These unaudited interim consolidated financial statements do not include all the information and note disclosure required by Canadian GAAP for annual financial statements and therefore should be read in conjunction with the most recent audited annual consolidated financial statements.

These unaudited interim consolidated financial statements include the accounts of the Company and its direct and indirect subsidiaries. Intercompany balances and transactions have been eliminated on consolidation. In the opinion of management, all adjustments necessary to present fairly the financial position at September 30, 2010 and the results of operations and cash flows for all periods presented have been made. The interim results are not necessarily indicative of results for a full year.

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and related notes. Significant areas requiring the use of estimates in the preparation of these interim consolidated financial statements include the determination of impairment of long-lived assets and goodwill, the valuation of inventories, the recording of asset retirement obligations, the determination of useful lives of property, plant and equipment, the allocation of purchase consideration for acquired assets to the fair values of the identifiable assets and liabilities and any related goodwill, the determination of the fair value of stock-based compensation and other equity transactions, and the determination of the valuation allowance with respect to future income tax assets. Actual results could differ from these estimates.

Aura Minerals Inc.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2010

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4 CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

a) Changes in accounting policies

Deferred stripping

During the third quarter of 2010, the Company commenced stripping activities at the Brazilian Mines to access additional ore resources. As a result of this activity, the Company has revised its accounting policy for resource and mineral properties to include the following:

At the Company's open pit mining operations, it is necessary to remove overburden in order to access the ore body (stripping). During the pre-production phase and during the production period, the 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.

Hedge accounting

Effective May 1, 2010, the Company elected to adopt CICA Section 3865, "Hedges", which establishes the accounting treatment of derivative financial instruments designated as hedges. The Company adopted this standard in anticipation of entering into forward currency contracts to manage the foreign exchange exposure on expenditures associated with international operations. The Company has applied this standard on a prospective basis from May 1, 2010, and accordingly has revised its accounting policies to include the following:

Derivative financial instruments

Derivative financial instruments, including any embedded derivatives, are recognized at fair value on the date of their inception and are subsequently re-measured at their fair value at each reporting date. Changes in the fair value of derivative financial instruments are recognized in the statement of operations within "Other expense (income)" with the exception of derivatives designated as effective cash flow hedges. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract.

Currency Hedging

The Company may enter into forward currency contracts from time to time to manage its foreign exchange exposure of the expenditures associated with its international operations. Where such contracts are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of these derivatives is recognized as a separate component of other comprehensive loss (income). Such gains and losses on cash flow hedges are recognized in the statement of operations when the hedged expenditure is recognized in the income statement, when the hedged item ceases to exist, or when the hedge is determined to be ineffective.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on a quarterly basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Aura Minerals Inc.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2010

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

4 CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS *(continued)*

a) Changes in accounting policies *(continued)*

Goodwill

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

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

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

Business combinations

Effective January 1, 2010, the Company elected to adopt CICA Section 1582, "Business Combinations", which establishes updated principles on the recognition, measurement, and presentation for acquisitions. The new standard will be applied prospectively to all business combinations with a closing date on or after January 1, 2010. As a result of the application of this new standard, the Company recorded an expense of \$1,000,000 related to deferred transaction costs which were reported on the Company's balance sheet as of December 31, 2009. During the three months ended September 30, 2010, the Company incurred an additional \$12,000 in transaction costs, which were offset by a \$388,000 reclassification, and for the nine month period the Company incurred a total of \$1,335,000 in transaction costs which were expensed during the period. All of the transaction costs related to the Brazilian Mines Acquisition. As a result of adopting the new standard, the Company has valued the shares issued in connection with the transaction as of the closing price the day before the transaction closed; under the previous standard, the Company would have valued the shares based on the announcement date. In addition, the Company has recorded an amount for deferred purchase consideration payable on the transaction, as described in note 5, which is not likely to have been recorded under the previous standard.

As a result of adopting Section 1582, the Company was also required to adopt Section 1602, "Non-Controlling Interests", and Section 1601, "Consolidated Financial Statements", which establish updated principles on the recognition, measurement and presentation for non-controlling interests and consolidated financial statements. The adoption of these standards did not have a significant impact on the Company's interim consolidated financial statements.

b) Recent accounting pronouncements

Multiple deliverable revenue arrangements

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

Aura Minerals Inc.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2010

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

4 CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

b) Recent accounting pronouncements (continued)

International Financial Reporting Standards ("IFRS")

Effective January 1, 2011, the Company will be required to prepare its consolidated financial statements in accordance with IFRS. The Company will issue its first consolidated financial statements under IFRS for the quarter ended March 31, 2011, and comparative data on an IFRS basis will be included as required.

5 ACQUISITION OF THE BRAZILIAN MINES

On July 17, 2009, the Company entered into an asset purchase agreement (the "Asset Purchase Agreement") to acquire the assets and liabilities of the Brazilian Mines. Closing of the Brazilian Mines Acquisition occurred on April 30, 2010. Consideration to the vendors pursuant to the Asset Purchase Agreement includes:

- (i) cash of \$49,464,000, inclusive of a net free cash flow adjustment of \$7,401,000, as described below;
- (ii) the issuance of 13,859,533 common shares of Aura Minerals valued at \$53,760,000 using the Company's share price on the day prior to closing; and
- (iii) \$38,447,000, inclusive of a net free cash flow adjustment of \$5,753,000 as described below, in the form of a promissory note which bears interest at six-month LIBOR plus 3%. Repayment terms include \$13,048,000 payable on October 31, 2011, with the balance due and payable on April 30, 2013. The promissory note can be repaid at any time without penalty and security will be provided by a pledge of the shares of Aura Minerals' Brazilian subsidiary acquiring the Brazilian Mines and by a guarantee of Aura Minerals.

In addition, the Brazilian Mines Acquisition includes deferred purchase price consideration payable to the vendors of \$28,404,000, inclusive of a \$3,154,000 adjustment, as described below. The deferred purchase price consideration is payable as to 50% of all net free cash flow generated from the Brazilian Mines from and after the date of the Asset Purchase Agreement that exceeds the cumulative net free cash flow of \$135,000,000. An amount of \$24,949,000 has been included in the purchase price, representing the estimated fair value of the deferred purchase price consideration. Accretion expense on the deferred purchase price consideration payable to September 30, 2010 totalled \$513,000. As of September 30, 2010, cumulative net free cash flow generated at the Brazilian Mines totalled \$2,301,000.

The parties agreed that during the period from the date of the Asset Purchase Agreement to April 30, 2010, the cumulative net free cash flow generated from the Brazilian Mines was to be retained by the vendors. However, the cash consideration payable and the principal amount of the promissory note was subject to a reduction, on a *pro rata* basis, at the closing of the Brazilian Mines Acquisition in an amount equal to the net free cash flow generated from the operation of the Brazilian Mines during this interim period (the "Net Free Cash Flow Adjustment"). If the Net Free Cash Flow Adjustment exceeds \$10,000,000, such excess was added to the amount of the deferred purchase price consideration related to the Brazilian Mines. As of April 30, 2010, the net free cash flow generated from the Brazilian Mines totalled \$13,154,000, resulting in a reduction of the cash consideration payable of \$7,401,000, a reduction of the promissory note payable of \$5,753,000, and an increase in the deferred purchase consideration of \$3,154,000.

Further, to the extent that the net free cash flow threshold for the Brazilian Mines has been reached before the net free cash flow threshold for the San Andres Mine, 50% of all net free cash flow from the Brazilian Mines shall continue to be payable, up to and until the deferred purchase price consideration related to the San Andres Mine has been paid in full (see note 6).

Aura Minerals Inc.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2010

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

5 ACQUISITION OF THE BRAZILIAN MINES (continued)

Pursuant to the Asset Purchase Agreement, the Company placed \$56,866,000 in escrow to cover the cash component of the purchase consideration before the impact of the Net Free Cash Flow Adjustment. These funds were released from escrow immediately prior to the closing of the Brazilian Mines Acquisition.

The transaction has been accounted for as a business combination, with Aura Minerals as the acquirer of the Brazilian Mines, and the Company has included the results of the Brazilian Mines in its consolidated financial statements commencing on May 1, 2010. As described in note 4(a), effective January 1, 2010 the Company has adopted Section 1582 of the CICA Handbook regarding business combinations and as such has applied Section 1582 to the preliminary purchase consideration and preliminary purchase price allocations below. The Brazilian Mines have contributed revenues of \$47,459,000 and a net loss of \$12,909,000 for the period from May 1, 2010 to September 30, 2010. If the acquisition had occurred on January 1, 2010, the Brazilian Mines would have contributed revenues of \$101,042,000 and a net loss of \$11,104,000.

Total purchase consideration, which includes management's initial estimate of the net present value of the deferred purchase price consideration, and is therefore subject to change, is as follows:

Cash consideration paid	\$	49,464
Promissory note		38,447
Net present value of deferred purchase price consideration		24,949
Value of common shares issued		53,760
Total consideration	\$	166,620

The preliminary purchase price allocation below includes management's initial estimates of the fair value of the property, plant and equipment, mineral property, goodwill, and accounts payable balances, and is therefore subject to change:

Assets acquired

Accounts receivable, prepaid expenses and other assets	1,725
Inventory	23,510
Property, plant and equipment	74,378
Mineral property	82,969
Goodwill	21,168
	\$ 203,750

Liabilities assumed

Accounts payable and other current liabilities	(13,893)
Asset retirement obligation	(23,237)
	(37,130)

Net assets acquired	\$ 166,620
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Goodwill on the transaction has arisen primarily due to the fair value of the share consideration issued to the vendors. In accordance with the new accounting standards, management has valued the share consideration at the Company's share price on the day before the transaction closed. Under the previous accounting rules, the shares would have been valued at the share price at the announcement date. During the time period between the date of the Asset Purchase Agreement and the closing date of the Brazilian Mines Acquisition, the Company's share price increased significantly, causing an increase in the value of the overall purchase consideration. The Company attributes a portion of the goodwill to the potential of the land and mineral rights acquired to provide reserves and resources over and above the value attributed to the mineral property.

Aura Minerals Inc.

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For the three and nine months ended September 30, 2010

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6 ACQUISITION OF THE SAN ANDRES MINE

On August 25, 2009, the Company purchased all of the outstanding common shares of RNC and SAB, which, through Minosa, hold a 100% interest in the San Andres Mine. Consideration for the San Andres Acquisition consisted of:

- (i) Cash of \$35,884,000, including \$2,750,000 in respect of a working capital adjustment at closing;
- (ii) \$19,583,000 by the issuance of 8,084,728 common shares of Aura Minerals, valued at the five day average of the Company's closing share price on June 10, 2009, being the first business day following the announcement of the San Andres Acquisition, and the two days before and after June 10, 2009; and
- (iii) \$25,800,000 in the form of two promissory notes which bear interest at six-month LIBOR plus 3%, with interest due and payable monthly. Repayment terms include \$10,000,000 payable on February 25, 2011, with the balance due and payable on August 25, 2012. The promissory notes can be repaid at any time without penalty and security is provided by a pledge of the shares of Aura Minerals' subsidiaries which own the shares of Minosa and by a guarantee of Aura Minerals.

In addition, the consideration includes deferred purchase price consideration payable of \$14,750,000. The deferred consideration is payable as to 50% of all net free cash flow from the San Andres Mine from and after August 25, 2009 that exceeds the cumulative net free cash flow of \$79,000,000. As further described in note 5, to the extent that the net free cash flow threshold for the San Andres Mine has been reached before the cumulative net free cash flow threshold for the Brazilian Mines, 50% of all net free cash flow from the San Andres Mine shall continue to be payable, up to and until the deferred purchase price consideration related to the Brazilian Mines has been paid in full. No amount has been recorded in the purchase price for the contingent consideration related to the San Andres Acquisition. As of September 30, 2010, cumulative net free cash flow from the San Andres Mine totalled \$12,879,000.

The transaction has been accounted for as a business combination, with Aura Minerals as the acquirer of RNC and SAB. As the closing date of the acquisition occurred before January 1, 2010, the Company has applied CICA Handbook section 1581 to this transaction. The purchase price is summarized as follows:

Cash consideration paid	\$ 35,884
Promissory notes	25,800
Value of common shares issued	19,583
Consulting, legal and due diligence costs	730
Total consideration	\$ 81,997

During the third quarter of 2010, the Company finalized the allocation of the purchase consideration to the fair values of the identifiable assets and liabilities. The Company has reduced the amount allocated to mineral properties by \$4,737,000 from the allocation included in the financial statements as of June 30, 2010, with a corresponding decrease to accounts payable and accrued liabilities of \$3,553,000 and to future income tax liabilities of \$1,184,000. The final allocation of the purchase consideration to the fair values of the identifiable assets and liabilities is as follows:

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6 ACQUISITION OF THE SAN ANDRES MINE (continued)

Assets acquired

Cash and cash equivalents	\$	1,324
Accounts receivable, prepaid expenses and other assets		4,924
Inventory		16,334
Other non-current assets		934
Property, plant and equipment, net		33,392
Mineral property		51,242
		108,150

Liabilities assumed

Accounts payable and accrued liabilities	\$	(9,801)
Other long term liabilities		(3,102)
Asset retirement obligation		(3,445)
Future income tax liability		(9,805)
		(26,153)
Net assets acquired	\$	81,997

7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of:

	September 30, 2010	December 31, 2009
Cash and interest-bearing deposits	\$ 57,794	\$ 36,932
Other short-term investments	–	46
	\$ 57,794	\$ 36,978

8 ACCOUNTS RECEIVABLE

Accounts receivable consists of:

	September 30, 2010	December 31, 2009
Trade accounts receivable	\$ 36	\$ 1,529
Value added taxes receivable	6,452	1,885
Other receivables	1,997	111
	\$ 8,485	\$ 3,525

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9 INVENTORY

Inventory consists of:

	September 30, 2010	December 31, 2009
Product inventory	\$ 14,286	\$ 4,551
Leach pad inventory	3,849	519
Metal in circuit and gold in process	5,572	523
Parts and supplies	19,173	6,875
	<u>\$ 42,880</u>	<u>\$ 12,468</u>

Included in the mine operating expenses for the three and nine months ended September 30, 2010 is a write-down of \$3,188,000 to bring the product, leach pad and metal in circuit and gold in process inventories to their net realizable value of \$26,490,000.

10 PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consists of:

	September 30, 2010	December 31, 2009
Prepaid expenses, advances and deposits	\$ 4,953	\$ 3,696
Marketable securities	2,390	-
Current portion of derivative related assets (note 19)	2,790	-
	<u>\$ 10,133</u>	<u>\$ 3,696</u>

11 OTHER NON-CURRENT ASSETS

Other non-current assets consists of:

	September 30, 2010	December 31, 2009
Long-term receivables and deposits	\$ 4,210	\$ 1,110
Marketable securities	-	1,369
Derivative related assets (note 19)	1,228	-
	<u>\$ 5,438</u>	<u>\$ 2,479</u>

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12 PROPERTY, PLANT AND EQUIPMENT

As at September 30, 2010, property, plant and equipment was comprised of the following:

	Cost	Accumulated Amortization	Net book value
Land	\$ 1,510	\$ –	\$ 1,510
Vehicles	2,788	(490)	2,298
Machinery and equipment	68,221	(5,651)	62,570
Mobile mining equipment	6,112	(812)	5,300
Furniture and fixtures	2,406	(350)	2,056
Computer equipment and software	2,763	(767)	1,996
Leasehold improvements	3,138	(367)	2,771
Buildings	43,996	(4,252)	39,744
Plant	6,217	(237)	5,980
Projects in process	35,831	–	35,831
Depletable mineral property	177,525	(9,071)	168,454
Non-depletable mineral property	31,994	–	31,994
	\$ 382,501	\$ (21,997)	\$ 360,504

Non-depletable mineral property as of September 30, 2010 includes \$2,879,000 of deferred stripping costs.

As at December 31, 2009, property, plant and equipment was comprised of the following:

	Cost	Accumulated Amortization	Net book value
Land	\$ 1,228	\$ –	\$ 1,228
Vehicles	732	(174)	558
Machinery and equipment	11,497	(878)	10,619
Mobile mining equipment	5,083	(463)	4,620
Furniture and fixtures	895	(117)	778
Computer equipment and software	1,137	(390)	747
Leasehold improvements	468	(162)	306
Buildings	4,643	(406)	4,237
Plant	6,082	(237)	5,845
Projects in process	28,283	–	28,283
Depletable mineral property	127,589	(2,183)	125,406
	\$ 187,637	\$ (5,010)	\$ 182,627

Total depletion and amortization expense recorded in the statement of operations and comprehensive loss for the three and nine months ended September 30, 2010 was \$8,114,000 and \$15,509,000, respectively (2009: \$124,000 and \$451,000). Of the depreciation and amortization recorded in the statement of operations and comprehensive loss for the three and nine months ended September 30, 2009, \$25,000 and \$191,000, respectively, was included in the cost of operations in care and maintenance.

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13 RESOURCE PROPERTIES

A continuity of acquisition costs during the year ended December 31, 2009 and to September 30, 2010 is as follows:

	Arapiraca Project	Non-core Projects	Total
Balance, December 31, 2008, as restated (note 2)	\$ 4,346	\$ 17,518	\$ 21,864
Additions during the year ended December 31, 2009:			
Proceeds from property option payment (note 13(b))	–	(3,000)	(3,000)
Impairment charge - mineral properties (note 13(b))	–	(8,167)	(8,167)
Effect of foreign exchange on resource properties (note 2)	1,321	2,409	3,730
Balance, December 31, 2009	\$ 5,667	\$ 8,760	\$ 14,427
Additions during the nine months ended September 30, 2010:			
Acquisition costs - land	681	–	681
Balance, September 30, 2010	\$ 6,348	\$ 8,760	\$ 15,108

a) Arapiraca Project, Brazil

Certain of the Arapiraca Project properties are subject to net smelter return royalty (“NSR”) payments on future production to the original owner of 0.75% on copper, 1.0% on gold and 4.0% on all other mineral production.

b) Non-core Projects

Cumaru (Gradaus) Project, Brazil

During the first quarter of 2009, the Company elected to terminate its option agreement on the Cumaru (Gradaus) Project in the State of Para, Brazil. In connection with the termination of the option agreement, the Company recognized an impairment charge of \$8,167,000.

Cumaru Project, Brazil

In prior years, the Company acquired, a 100% interest in the Cumaru Project in the state of Para, Brazil. A previous land owner has retained a 1.5% NSR on the property that may be purchased by Aura Minerals for \$1,250,000.

Inaja Project, Brazil

In prior years, the Company acquired, through various option payments, a 100% interest in certain mineral claims known as the AGS, JN, EM, and the Forquilha and Carapato pits located in the State of Para, Brazil (the “Inaja Project”). On the AGS Property, the optionors have retained a 2.0% to 3.0% sliding scale NSR, based on the price of gold, which royalty may be purchased for \$1,000,000 for each 1%, payable as calculated on the commencement of production. On the Forquilha Pit, the optionors have retained a 1.5% NSR, which may each be purchased for \$1,500,000. As of December 31, 2008, the Company allowed the Carapato claim to lapse, and abandoned the Fonseca property.

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13 RESOURCE PROPERTIES (continued)

Inaja Project, Brazil (continued)

On March 13, 2009, the Company entered into an option agreement with Vale S.A. ("Vale"), (the "Option Agreement"), wherein Vale has been granted an option to earn a 51% interest in the Inaja Project by making a cash payment of \$3,000,000 and then expending \$6,000,000 in exploration work within four years from the execution of the Option 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 in the Inaja Project be diluted below 10%, its interest will be converted into a 2% NSR. The payment of \$3,000,000 was received in the first quarter of 2009, and was applied as a reduction of the carrying value of the Inaja Project.

North Carajas and other projects, Brazil

Pursuant to an agreement dated January 1, 2006, the Company was assigned a 100% interest in certain mineral claims in the State of Para, Brazil, in consideration for a 2% NSR from any future production on these properties.

14 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

	September 30, 2010	December 31, 2009
Trade accounts payable	\$ 17,327	\$ 3,535
Income taxes payable	2,679	9,039
Accrued liabilities	1,926	1,958
Other payables	5,456	1,609
	\$ 27,388	\$ 16,141

15 ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations relate to the restoration and closure of the Company's mining operations and projects under development. The asset retirement obligations have been recorded as liabilities at fair value, assuming credit adjusted risk-free discount rates of between 6.8% and 8.0%, and inflation factors of between 3.0% and 9.0%. The amount of the liabilities is reassessed during each reporting period. The total undiscounted amounts of the estimated obligations are approximately \$36,933,000 and are expected to be incurred through 2023. All of the assumptions used are subject to change.

The following table summarizes the movements in the asset retirement obligation activities:

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15 ASSET RETIREMENT OBLIGATIONS (continued)

	September 30, 2010	December 31, 2009
Balance, beginning of the period	\$ 4,578	\$ 1,154
Asset retirement obligations recorded on acquisition (notes 5, 6)	23,237	3,445
Add: Accretion of liability component of asset retirement obligations	1,018	239
Less: Expenses incurred	(194)	(281)
Effect of foreign exchange on asset retirement obligations	-	21
Balance, end of the period	\$ 28,639	\$ 4,578

16 CAPITAL STOCK

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 \$66,478,000 net of underwriters' fees and share issue costs of \$3,998,000.

c) July 2009 Private placement

On July 15, 2009, the Company closed the private placement offering (the "July Offering") of 227,500,000 subscription receipts (the "Subscription Receipts"), at a price of C\$0.55 per Subscription Receipt for aggregate gross proceeds to the Company of C\$125,125,000 (\$115,238,000). The gross proceeds from the sale of the Subscription Receipts were placed in escrow on closing of the July Offering. Upon the Company having satisfied certain escrow release conditions, the net proceeds of C\$118,507,000 (\$109,210,000) were released to the Company immediately prior to the closing of the San Andres Acquisition. Further share issue costs of \$4,000 were incurred subsequent to September 30, 2009, resulting in final net proceeds of \$109,206,000. Upon satisfaction of the escrow release conditions, and as a result of the Consolidation which was effected on July 23, 2009, each Subscription Receipt automatically converted into 0.20 of one common share of the Company, resulting in a total issuance of 45,499,997 common shares. In connection with the July Offering, the Company incurred share issuance costs of \$6,032,000 and issued to the underwriters 2,274,996 brokers' warrants, with each warrant entitling the holder to purchase one common share at an exercise price of C\$2.75 per share until January 15, 2011. The value of \$4,227,000 has been attributed to the 2,274,996 brokers' warrants pursuant to the Black-Scholes pricing model and has been included in share issue costs. The value of the brokers' warrants was calculated using the following assumptions: no dividends are to be paid; volatility of 154%, a risk-free interest rate of 1.33%, and an expected life of 1.3 years.

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16 CAPITAL STOCK (continued)

d) Shares held in escrow

Pursuant to an employment agreement dated April 3, 2007 and amended January 28, 2008, the Company agreed to issue 700,000 common shares (the "Signing Shares") to the President and CEO subsequent to the acquisition of the Arapiraca Project. The Signing Shares were issued on January 28, 2008 and were held in escrow. During the first and second quarters of 2009, all 700,000 shares were released from escrow as a result of one of the escrow release conditions having been met, being the issuance of technical reports prepared in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", which established that the Arapiraca Project had mineral resources (in all categories) in excess of 210 million tonnes. At the time of the release, the fair value of these shares, in the amount of \$2,144,000, was recorded to capital stock.

In accordance with applicable accounting standards, the Signing Shares were being accounted for as contingently returnable shares as of December 31, 2008, which were not considered outstanding and not included in the computation of basic loss per share until they were released from escrow. The fair value of the Signing Shares of \$2,144,000 was determined to be based on the market value of the Company's common shares at the time of the initial employment agreement. The expense associated with the escrowed shares was recognized on a straight line basis over a five year period as part of stock based compensation; however, upon release from escrow the unamortized balance was recognized in the period of such release. For the three and nine months ended September 30, 2009, the expense recognized for the Signing Shares was \$nil and \$981,000, respectively.

e) Warrants

The following table summarizes activity related to the Company's issued brokers' warrants during the year ended December 31, 2009 and to September 30, 2010:

	Number of warrants	Weighted average exercise price C\$
Balance, December 31, 2008	444,450	\$ 7.43
Brokers' warrants issued (note 16(c))	2,274,996	2.75
Expired	(444,450)	7.43
Exercised	(1,500)	2.75
Balance, December 31, 2009	2,273,496	\$ 2.75
Exercised	(1,451,377)	2.75
Balance, September 30, 2010	822,119	\$ 2.75

As at September 30, 2010, the following brokers' warrants are outstanding:

Expiry date	Grant date fair value	Number outstanding	Exercise price C\$
January 15, 2011	\$ 1,530	822,119	\$ 2.75

Aura Minerals Inc.

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16 CAPITAL STOCK (continued)

f) 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, 2008	10,942,811	\$ 3.80
Granted	2,105,000	3.15
Exercised	(1,064,083)	1.15
Forfeited	(428,100)	5.91
Balance, December 31, 2009	11,555,628	\$ 3.83
Granted	4,315,000	3.72
Exercised	(736,903)	1.36
Forfeited	(1,143,310)	5.03
Balance, September 30, 2010	13,990,415	\$ 3.83

As at September 30, 2010, the following stock options were outstanding and exercisable:

Exercise price C\$	Options outstanding			Options exercisable
	Number outstanding	Remaining contractual life (years)	Number exercisable	
\$0.78	2,644,165	3.3	2,610,415	
\$2.50 to \$3.77	5,942,850	3.7	3,761,125	
\$3.84 to \$5.35	2,913,000	2.9	2,049,650	
\$5.80 to \$7.85	2,490,400	1.7	2,490,400	
Average/Total \$	3.83	3.1	10,911,590	

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16 CAPITAL STOCK (continued)

g) Stock-based compensation

Stock-based compensation expense is measured at fair value and recognized over the vesting period from the date of grant. Stock-based compensation recognized during the three and nine months ended September 30, 2010 totalled \$2,218,000 and \$9,865,000 (2009 - \$1,286,000 and \$3,655,000), respectively. Of this amount, \$nil (2009 - \$nil and \$981,000) relates to the amortization of the fair value of the Signing Shares for the three and nine months ended September 30, 2010 and 2009, respectively, as described in note 16(d). The fair value of stock options granted during the three months ended September 30, 2010 and 2009 was estimated using the Black-Scholes option pricing model with the following assumptions:

	For the three months ended September 30, 2010	For the three months ended September 30, 2009
Expected volatility	108%	121%
Risk-free interest rate	1.79-2.29%	2.33%
Expected life (years)	5	5
Expected dividend yield	0%	0%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimated, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

h) Other stock-based payment plans

(i) Deferred share unit plan ("DSU Plan")

In April 2010, Aura Minerals adopted a DSU Plan, which is available to all non-executive directors (collectively, "eligible directors"). Pursuant to the DSU Plan, the annual Board retainer fee (the "Annual Retainer") may be paid 50% in cash (the "Annual Cash Retainer") and 50% in the form of deferred share units ("DSUs"). However, on an annual basis, an eligible director can also elect to receive DSUs in full or partial satisfaction of the Annual Cash Retainer and annual retainer fees received for serving as a member of a Board committee and for chairing a Board committee meeting (collectively, "Annual Cash Remuneration"). Notwithstanding the foregoing, an eligible director who has exceeded his or her minimum DSU/common share ownership requirement, as established by the Board, may elect, on an annual basis, to receive cash for all or any portion of the compensation otherwise payable in DSUs. The number of DSUs granted to an eligible director is determined by dividing the portion of the compensation to be paid in DSUs by the volume weighted average trading price of the common shares on the Toronto Stock Exchange for the five trading days immediately preceding the date of grant (the "value of a DSU"). Each eligible director will be required to hold DSUs received until the eligible director ceases to be a director of the Company, following which the DSU will be redeemed for cash. As of September 30, 2010, the Company had issued 926 DSUs with a fair value of \$4,000.

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16 CAPITAL STOCK (continued)

(ii) Non-treasury share unit plan ("NTSU Plan") and treasury share unit plan ("TSU Plan")

The Company adopted a NTSU Plan in April 2010 and a TSU Plan in May 2010, which are both available to eligible employees, officers and consultants of the Company and its subsidiaries (collectively, the "eligible participants"). Pursuant to the NTSU Plan and the TSU Plan, the compensation committee is authorized to grant units ("Share Units") consisting of restricted share units and/or performance share units to eligible participants. Each Share Unit will vest in accordance with applicable conditions specified at the time of grant, consisting of time and/or performance conditions which may be graduated by percentages, including a percentage in excess of 100%. Settlement of Share Units granted under the NTSU plan shall be in common shares, purchased on the open market by a trustee appointed for such purpose, or in cash, based on the market value of a common share on the date of settlement, as determined pursuant to the NTSU Plan, or in a combination thereof, as determined by the compensation committee. The TSU Plan provides that the maximum number of common shares that are reserved for issuance from time to time pursuant to Share Units shall not exceed 0.5% of the issued and outstanding common shares. Settlement of Share Units granted under the TSU Plan shall be in common shares issued from treasury. As of September 30, 2010, no Share Units have been granted by the Company.

17 EXPLORATION EXPENSES

For the nine months ended September 30, 2010, exploration expenses were comprised of the following:

	Arapiraca	Aranzazu Project	Brazilian Mines	San Andres Mine	Non-core Projects	Total
Consulting	\$ 1,343	\$ 338	\$ 188	\$ 26	\$ 39	\$ 1,934
Drilling	2,049	6,857	1,264	84	–	10,254
Field administration	–	–	–	–	236	236
Field supplies	158	49	102	–	1	310
Geological and assays	264	737	271	21	–	1,293
Land maintenance	151	–	3	–	1	155
Other	1,084	262	300	8	29	1,683
Salaries, wages and benefits	1,461	226	412	–	3	2,102
Travel	98	95	183	–	3	379
Exploration expenses for the nine months ended September 30, 2010	\$ 6,608	\$ 8,564	\$ 2,723	\$ 139	\$ 312	\$ 18,346

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

17 EXPLORATION EXPENSES (continued)

For the nine months ended September 30, 2009, exploration expenses were comprised of the following, as restated (note 2):

	Arapiraca Project	Aranzazu Project	Non-core Projects	Total
Property option payments	\$ -	\$ -	159	\$ 159
Consulting	1,106	222	254	1,582
Drilling	419	1,244	-	1,663
Field administration	-	-	107	107
Supplies	89	35	23	147
Geological and assays	208	334	1	543
Land maintenance	197	-	96	293
Other	659	149	96	904
Salaries, wages and benefits	1,128	31	61	1,220
Travel	171	28	20	219
Exploration expenses for the nine months ended September 30, 2009	\$ 3,977	\$ 2,043	\$ 817	\$ 6,837

18 CASH FLOW INFORMATION

a) Items not affecting cash:

	For the three months ended September 30, 2010	For the three months ended September 30, 2009 As restated (note 2)	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009 As restated (note 2)
Depletion, amortization and accretion	\$ 9,125	\$ 183	\$ 17,040	\$ 561
Future income tax expense (recovery)	122	(1,022)	(719)	(3,796)
Deferred transaction costs expensed due to change in accounting policy (note 4(a))	-	-	1,000	-
Impairment charge - resource properties	-	-	-	8,167
Writedown - inventory	3,188	-	3,188	-
Unrealized gains	(790)	-	(466)	-
Change in other long-term liabilities	35	(201)	504	(201)
Issuance of shares for property option payments	-	-	-	64
Stock-based compensation	2,218	1,286	9,865	3,655
	\$ 13,898	\$ 246	\$ 30,412	\$ 8,450

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18 CASH FLOW INFORMATION (continued)

b) Changes in non-cash working capital:

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009
		As restated (note 2)		As restated (note 2)
Accounts receivable	\$ (1,089)	\$ (1,866)	\$ (3,952)	\$ 109
Inventory	(1,829)	4,190	(7,051)	4,202
Prepaid expenses and other current assets	1,666	(2,454)	(686)	(2,507)
Accounts payable and accrued liabilities	528	1,133	(178)	(452)
	\$ (724)	\$ 1,003	\$ (11,867)	\$ 1,352

c) Supplemental cash flow information:

	For the three months ended September 30, 2010	For the three months ended September 30, 2009	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009
		As restated (note 2)		As restated (note 2)
Non-cash financing and investing activities consist of:				
Fair value of signing shares released from escrow	\$ -	\$ 726	\$ -	\$ 2,145
Change on accounts payable as a result of investing activities	368	-	3,149	-
Fair value of brokers' warrants issued as a finance fee	-	4,227	-	4,227
Fair value of exercise of brokers' warrants	523	-	2,697	-
Fair value of exercise of stock options	74	282	414	282
Adjustment to the Minosa purchase price allocation (note 6)	4,737	-	4,737	-
Interest paid	\$ 560	\$ -	\$ 1,265	\$ -
Taxes paid	\$ 85	\$ -	\$ 6,461	\$ -

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

19 FINANCIAL INSTRUMENTS

During the second quarter of 2010, the Company entered into several forward currency contracts which have been designated as cash flow hedges under Section 3865 of the CICA Handbook (note 4(a)). The Company has classified the fair value of these derivative financial instruments as Level 2 in the fair value hierarchy. Other than the addition of these new derivative financial instruments, the Company's financial instruments and fair value hierarchy have not changed significantly from December 31, 2009.

During the second quarter, the Company entered into forward contracts to hedge against the risk of an increase in the value of the Brazilian Real versus the United States dollar. Currency contracts totalling 64.9 million Reais at an average rate of 2.0277 Brazilian Real to the United States dollar have been entered into to hedge forecast Reais denominated expenditures against the variability of the United States dollar amount of those expenditures caused by changes in the currency exchange rates for August 2010 through to May 2012. The Company has designated the spot component of these contracts as cash flow hedges. The unsettled contracts as of September 30, 2010 total 57.3 million Reais and include 11.6 million Reais hedged for the remainder of 2010, 34.7 million Reais hedged for 2011 and 11.0 million Reais for 2012.

The Company's derivative related assets as at September 30, 2010 consist of:

	September 30, 2010	December 31, 2009
Currency contracts:		
Forward contracts	\$ 4,018	\$ -
Less: Current portion	(2,790)	-
Long-term portion	\$ 1,228	\$ -

Unrealized gains recorded into other comprehensive income for the three and nine months ended September 30, 2010 totalled \$1,711,000 and \$2,872,000, respectively. The Company recorded realized gains on derivative financial instruments of \$57,000 in mine operating expenses during the three and nine months ended September 30, 2010.

20 RELATED PARTY TRANSACTIONS

During the three and nine months ended September 30, 2010 and 2009, the Company had no related party transactions, other than the Brazilian Mines Acquisition (note 5) and the San Andres Acquisition (note 6), which were purchased from Yamana Gold Inc. ("Yamana"). Yamana and the Company currently have one director in common, but as of the date the transaction was approved, had two directors in common, both of whom recused themselves from participating in the decisions and voting matters with respect to the transaction.

21 SEGMENTED INFORMATION

The Company's reportable segments consists of geographical segments, being Canada (which is comprised of corporate administration activities), Honduras, Mexico, and Brazil.

The Company's total assets by segment as of September 30, 2010 and December 31, 2009 are as follows:

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

21 SEGMENTED INFORMATION (continued)

As at September 30, 2010	Canada	Honduras	Mexico	Brazil	Total
Total assets	\$ 52,535	\$ 118,809	\$ 118,134	\$ 233,882	\$ 523,360

As at December 31, 2009	Canada	Honduras	Mexico	Brazil	Total
Total assets	\$ 93,831	\$ 114,205	\$ 89,716	\$ 17,986	\$ 315,738

The Company's mine operating earnings and capital expenditure by segment for the three and nine months ended September 30, 2010 is as follows:

For the three months ended September 30, 2010	Canada	Honduras	Mexico	Brazil	Total
Sales	\$ -	\$ 16,891	\$ -	\$ 30,659	\$ 47,550
Mine operating expenses ²	-	(10,208)	-	(35,244)	(45,452)
Depletion, amortization and accretion	-	(3,548)	-	(4,751)	(8,299)
Net smelter return royalties	-	-	-	-	-
Mine operating profit (loss)	-	3,135	-	(9,336)	(6,201)
Capital expenditure ¹	\$ 326	\$ 6,207	\$ 10,838	\$ 4,500	\$ 21,871
Resource property expenditure	\$ -	\$ -	\$ -	\$ -	\$ -

¹ Excludes capital additions acquired through business acquisitions and adjustments to purchase price allocations.

² Brazil includes writedown on inventory of \$3,188,000.

For the nine months ended September 30, 2010	Canada	Honduras	Mexico	Brazil	Total
Sales	\$ -	\$ 58,458	\$ -	\$ 47,459	\$ 105,917
Mine operating expenses ²	-	(29,889)	-	(47,669)	(77,558)
Depletion, amortization and accretion	-	(7,382)	-	(8,389)	(15,771)
Net smelter return royalties	-	(221)	-	-	(221)
Mine operating profit (loss)	-	20,966	-	(8,599)	12,367
Capital expenditure ¹	\$ 1,184	\$ 13,838	\$ 22,445	\$ 4,787	\$ 42,254
Resource property expenditure	\$ -	\$ -	\$ -	\$ 681	\$ 681

¹ Excludes capital additions acquired through business acquisitions and adjustments to purchase price allocations.

² Brazil includes writedown on inventory of \$3,188,000.

For the three months ended September 30, 2009, the Company recorded sales of \$6,855,000, mine operating expenses of \$6,305,000, depletion, amortization and accretion of \$320,000 and net smelter return royalties of \$34,000 for mine operating profit of \$196,000, all of which related to Honduras. For the nine months ended September 30, 2009, the Company recorded sales of \$6,890,000, mine operating expenses of \$6,328,000, depletion, amortization and accretion of \$320,000 and net smelter return royalties of \$34,000 for mine operating profit of \$208,000. All of these amounts related to Honduras, with the exception of \$35,000 in sales and \$23,000 in mine operating expenses, which related to Mexico.

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22 CONTINGENCIES AND COMMITMENTS

a) Operating commitments

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

2010	\$	111
2011		387
2012		316
2013		25
	\$	839

As of September 30, 2010, 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 \$13,560,000 at the Aranzazu Project and \$2,673,000 at the San Andres Mine.

b) Royalties

- (i) Copper production from the Aranzazu Project is subject to an underlying 1% NSR 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 were subject to an NSR of 0.5% to a maximum of \$1,500,000, which was reached in the second quarter of 2010.

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 possible, or when it is probable but the amount of the loss cannot be reasonably estimated, then 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 September 30, 2010 is a provision of \$1,775,000 for loss contingencies related to ongoing legal claims associated with the Brazilian Mines, which were assumed as part of the acquisition of these mines.

23 SUBSEQUENT EVENTS

a) Options

During the period from October 1, 2010 to November 9, 2010, a total of 150,000 options were forfeited and 28,000 options were exercised.

b) Vehicle accident

Subsequent to the balance sheet date, on October 25, 2010, an employee of Fagundes Construção e Mineração 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 traveling 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.