



Aura Minerals Inc.

Interim Consolidated Financial Statements

For the three and six months ended June 30, 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 and six months ended June 30, 2011 and 2010

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

	Note	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Sales	18	\$ 68,764	\$ 38,576	\$ 122,553	\$ 58,367
Cost of goods sold	19	62,527	28,085	114,046	39,017
Gross profit		6,237	10,491	8,507	19,350
General and administrative expenses	20	6,962	10,449	13,931	16,682
Exploration expenses	22	2,833	6,599	6,726	11,691
Operating loss		(3,558)	(6,557)	(12,150)	(9,023)
Finance costs	21	(1,034)	(1,342)	(2,323)	(1,815)
Interest and other income		74	173	239	277
Gain on restructuring of contractual obligations	16	–	–	17,009	–
Other gains and losses	23	1,282	(1,937)	2,111	463
Profit (loss) before income taxes		(3,236)	(9,663)	4,886	(10,098)
Income tax recovery (expense)		4,482	(3,731)	723	(4,641)
Profit (loss) for the period		\$ 1,246	\$ (13,394)	\$ 5,609	\$ (14,739)
Earnings (loss) per share:					
Basic		\$ 0.01	\$ (0.07)	\$ 0.03	\$ (0.08)
Diluted		\$ 0.01	\$ (0.07)	\$ 0.03	\$ (0.08)
Weighted average number of common shares outstanding					
Basic	24	227,333,017	201,756,293	219,184,384	193,158,779
Diluted	24	229,309,347	201,756,293	221,367,623	193,158,779

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

Aura Minerals Inc.

Interim Consolidated Statements of Comprehensive Income (Loss)

For the three and six months ended June 30, 2011 and 2010

Expressed in thousands of United States dollars

(Unaudited)

	Note	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Profit (loss) for the period		\$ 1,246	\$ (13,394)	\$ 5,609	\$ (14,739)
Other comprehensive (loss) income, net of tax					
(Loss) gain on translation of subsidiaries		(495)	(3,299)	(1,403)	1,058
Change in the fair value of cash flow hedges, net of tax	28	(719)	1,161	(864)	1,161
Other comprehensive (loss) income for the period, net of tax		(1,214)	(2,138)	(2,267)	2,219
Total comprehensive loss for the period		\$ 32	\$ (15,532)	\$ 3,342	\$ (12,520)

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 six months ended June 30, 2011 and 2010

Expressed in thousands of United States dollars

(Unaudited)

	Note	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Cash flows from operating activities					
Profit (loss) for the period		\$ 1,246	\$ (13,394)	\$ 5,609	\$ (14,739)
Items not affecting cash	25(a)	12,658	11,725	15,748	17,371
Changes in non-cash working capital	25(b)	(14,375)	(10,679)	(18,373)	(11,275)
Net cash generated from (used in) operating activities		(471)	(12,348)	2,984	(8,643)
Cash flows from investing activities					
Purchase of property, plant and equipment		(10,880)	(11,239)	(37,124)	(18,170)
Proceeds from sale of fixed assets		148	–	148	–
Proceeds from sale of marketable securities		152	–	152	–
Purchase of marketable securities		–	(586)	–	(586)
Acquisition of the Brazilian Mines	3	–	(50,858)	–	(50,858)
Transfer of funds from restricted cash	3	–	56,866	–	56,866
Net cash used in investing activities		(10,580)	(5,817)	(36,824)	(12,748)
Cash flows from financing activities					
Proceeds received from public offering, net of share issue costs	17(b)	–	8	–	66,478
Interest paid on debt		(58)	(499)	(539)	(720)
Restructuring of contractual obligations	16	–	–	(5,000)	–
Draw down of debt, net of transaction costs	12	19,092	–	19,092	–
Proceeds on exercise of options		17	319	33	706
Proceeds on exercise of warrants		–	1,294	1,911	3,127
Net cash generated from financing activities		19,051	1,122	15,497	69,591
Increase (decrease) in cash and cash equivalents		8,000	(17,043)	(18,343)	48,200
Effect of exchange rate changes on cash and cash equivalents		2,176	–	1,343	–
Cash and cash equivalents, beginning of the period		9,301	102,221	36,477	36,978
Cash and cash equivalents, end of the period		\$ 19,477	\$ 85,178	\$ 19,477	\$ 85,178

Supplementary cash flow information (note 25(c))

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

Aura Minerals Inc.

Interim Consolidated Statements of Financial Position

As at June 30, 2011 and December 31, 2010

Expressed in thousands of United States dollars

(Unaudited)

	Note	June 30, 2011	December 31, 2010
ASSETS			
Current			
Cash and cash equivalents	4	\$ 19,477	\$ 36,477
Trade and other receivables	5	10,802	11,393
Inventory	6	54,504	47,227
Other current assets	7	6,692	10,595
		91,475	105,692
Other long-term assets	8	12,065	7,990
Property, plant and equipment	9	371,303	358,710
Intangible assets	10	26,974	26,974
		\$ 501,817	\$ 499,366
LIABILITIES			
Current			
Trade and other payables	11	\$ 28,659	\$ 32,442
Current portion of debt	12	–	23,048
		28,659	55,490
Debt	12	19,162	41,199
Deferred income tax liabilities		24,401	27,515
Provision for mine closure and restoration	13	27,747	26,329
Other provisions	14	5,340	3,788
Other liabilities	15	12,500	34,408
		117,809	188,729
SHAREHOLDERS' EQUITY			
Share capital	17	535,994	468,605
Contributed surplus		46,261	43,621
Accumulated other comprehensive income		6,420	8,687
Deficit		(204,667)	(210,276)
		384,008	310,637
		\$ 501,817	\$ 499,366

Subsequent events (note 31)

Contingencies and commitments (notes 10 and 30)

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 and six months ended June 30, 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 January 1, 2011		207,578,438	\$ 468,605	\$ 8,687	\$ 43,621	\$ (210,276)	\$ 310,637
Profit for the period		–	–	–	–	5,609	5,609
Loss on translation of subsidiaries		–	–	(1,403)	–	–	(1,403)
Change in the fair value of cash flow hedges, net of tax	28	–	–	(864)	–	–	(864)
Shares issued in consideration for restructuring of contractual obligations	16	19,056,113	64,146	–	–	–	64,146
Shares issued on exercise of options	17(d)	29,750	56	–	(24)	–	32
Shares issued on exercise of warrants	17(c)	686,738	3,187	–	(1,276)	–	1,911
Share-based payments	17(f)	–	–	–	3,940	–	3,940
At June 30, 2011		227,351,039	\$ 535,994	\$ 6,420	\$ 46,261	\$ (204,667)	\$ 384,008

	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		–	–	–	–	(14,739)	(14,739)
Gain on translation of subsidiaries		–	–	1,058	–	–	1,058
Change in the fair value of cash flow hedges, net of tax	28	–	–	1,161	–	–	1,161
Shares issued as consideration for the Brazilian Mine Acquisition	3	13,859,533	53,760	–	–	–	53,760
Public offering, net of share issue costs	17(b)	18,000,000	66,478	–	–	–	66,478
Shares issued on exercise of options	17(d)	564,403	1,046	–	(340)	–	706
Shares issued on exercise of warrants		1,170,356	5,302	–	(2,174)	–	3,128
Share-based payments	17(f)	–	–	–	7,522	–	7,522
At June 30, 2010		206,927,786	\$ 466,280	\$ 2,219	\$ 40,656	\$ (166,614)	\$ 342,541

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 six months ended June 30, 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 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 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 copper, gold and iron ore Arapiraca project in Brazil (the "Arapiraca Project"), which was acquired in mid-2007 and includes the feasibility-stage Serrote de Laje deposit.

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 and six months ended June 30, 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. Full disclosure of the Company's transition to IFRS is included in the Company's financial statements for the three months ended March 31, 2011. The accounting policies followed in these interim financial statements are the same as those applied in the Company's interim financial statements for the three months ended March 31, 2011.

These interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Company's interim financial statements for the three months ended March 31, 2011. Note 29 to these interim financial statements discloses the impact of the transition to IFRS on the Company's equity as at June 30, 2010.

3 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 and consideration consisted of:

- (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

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For the three and six months ended June 30, 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 ACQUISITION OF THE BRAZILIAN MINES (continued)

(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.

In addition, the Brazilian Mines Acquisition included deferred purchase price consideration payable of \$28,404,000, inclusive of a \$3,154,000 adjustment, as described below. The deferred purchase price consideration was 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 exceeding the cumulative net free cash flow of \$135,000,000. An amount of \$21,321,000 was included in the purchase price, representing the estimated fair value of the deferred purchase price consideration.

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 exceeded \$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. Of the \$7,401,000 reduction in cash consideration, \$1,393,000 (representing the cash reduction attributable to net free cash flow generated in April 2010) is included in accounts receivable at June 30, 2010.

On March 18, 2011, the Company completed a restructuring of its contractual obligations under the promissory note and deferred purchase consideration (note 16).

Pursuant to the Asset Purchase Agreement, the Company placed \$56,866,000 in escrow during 2009 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 was accounted for as a business combination, with Aura Minerals as the acquirer of the Brazilian Mines, and the Company included the results of the Brazilian Mines in its consolidated financial statements commencing on May 1, 2010.

The purchase price is summarized as follows:

Cash consideration paid	\$	49,464
Promissory note		38,447
Net present value of deferred purchase price consideration		21,321
Value of common shares issued		53,760
Total consideration	\$	162,992

Aura Minerals Inc.

Notes to the Interim Consolidated Financial Statements

For the three and six months ended June 30, 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 ACQUISITION OF THE BRAZILIAN MINES (continued)

The final allocation of the consideration to the fair values of the identifiable assets and liabilities is as follows:

Accounts receivable, prepaid expenses and other assets	1,007
Inventory	23,510
Property, plant and equipment	74,378
Mineral property	75,233
Goodwill (note 10)	24,285
	\$ 198,413
Liabilities assumed	
Accounts payable and other current liabilities	(12,060)
Future income tax liabilities	(124)
Asset retirement obligation	(23,237)
	(35,421)
Net assets acquired	\$ 162,992

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	June 30, 2011	December 31, 2010
Cash and interest-bearing deposits	\$ 19,477	\$ 36,477
Other short-term investments	-	-
	\$ 19,477	\$ 36,477

5 TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of:

	June 30, 2011	December 31, 2010
Trade accounts receivable	\$ 4,568	\$ 609
Value added taxes receivable	5,843	9,586
Other receivables	391	1,198
	\$ 10,802	\$ 11,393

Due to their short-term maturities, the fair value of trade and other receivables approximates their carrying value. As of June 30, 2011 and December 31, 2010, none of the Company's trade and other receivables were impaired.

Aura Minerals Inc.

Notes to the Interim Consolidated Financial Statements

For the three and six months ended June 30, 2011

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

6 INVENTORY

Inventory consists of:

	June 30, 2011	December 31, 2010
Product inventory	\$ 13,748	\$ 18,267
Leach pad inventory and ore in stockpiles	12,059	3,411
Metal in circuit and gold in process	8,435	6,890
Parts and supplies	20,846	18,659
Total inventory	55,088	47,227
Less: non-current portion of ore in stockpiles (note 8)	(584)	-
	\$ 54,504	\$ 47,227

Inventory write downs during the three and six months ended June 30, 2011 totalled \$1,914,000 and \$5,035,000 (2010: \$nil), respectively, to bring product, leach pad, ore in stockpile, metal in circuit and gold in process inventories to their net realizable values. Inventory write downs are included in the statement of income (loss) within cost of goods sold.

The non-current portion represents ore in stockpiles which the Company does not anticipate processing within the next year.

7 OTHER CURRENT ASSETS

Other current assets consist of:

	June 30, 2011	December 31, 2010
Prepaid expenses, advances and deposits	\$ 6,133	\$ 6,339
Marketable securities	559	1,058
Current portion of derivative related assets (note 28(b))	-	3,198
	\$ 6,692	\$ 10,595

8 OTHER LONG-TERM ASSETS

Other long-term assets consist of:

	June 30, 2011	December 31, 2010
Long-term receivables and deposits	\$ 11,481	\$ 6,976
Ore in stockpiles (note 6)	584	-
Derivative related assets (note 28(b))	-	1,014
	\$ 12,065	\$ 7,990

Aura Minerals Inc.

Notes to the Interim Consolidated Financial Statements

For the three and six months ended June 30, 2011

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

9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment for the six months ended June 30, 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	397	1,336	792	6,413	11,242	20,180
Reclassifications and adjustments	33,418	1,782	–	19,902	(56,618)	(1,516)
Disposals	–	–	–	(202)	–	(202)
Capitalized stripping costs	15,950	–	–	–	2,051	18,001
Depletion and amortization	(9,791)	(3,862)	(1,241)	(9,436)	–	(24,330)
Adjustment on currency translation	–	395	65	–	–	460
Net book value at June 30, 2011	\$ 229,419	\$ 39,451	\$ 6,994	\$ 89,874	\$ 5,565	\$ 371,303
Consisting of:						
Cost	252,271	48,302	10,370	111,831	5,565	428,339
Accumulated depletion and amortization	(22,852)	(8,851)	(3,376)	(21,957)	–	(57,036)
	\$ 229,419	\$ 39,451	\$ 6,994	\$ 89,874	\$ 5,565	\$ 371,303

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 and six months ended June 30, 2011, depletion and amortization expense of \$13,474,000 and \$25,134,000, respectively has been charged to cost of goods sold on the statement of income (loss), and \$230,000 and \$496,000, respectively, has been charged to general and administrative expenses. For the three and six months ended June 30, 2010, depletion and amortization expense of \$5,440,000 and \$6,879,000, respectively was charged to cost of goods sold on the statement of income (loss), and \$208,000 and \$397,000, respectively, was charged to general and administrative expenses.

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Notes to the Interim Consolidated Financial Statements

For the three and six months ended June 30, 2011

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

10 INTANGIBLE ASSETS

For the six months ended June 30, 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 June 30, 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

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.

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Notes to the Interim Consolidated Financial Statements

For the three and six months ended June 30, 2011

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

11 TRADE AND OTHER PAYABLES

	June 30, 2011	December 31, 2010
Trade accounts payable	\$ 17,196	\$ 18,560
Income taxes payable	5,100	8,514
Accrued liabilities	4,159	2,448
Other payables	2,204	2,920
	\$ 28,659	\$ 32,442

12 DEBT

	June 30, 2011	December 31, 2010
Balance, beginning of period	\$ 64,247	\$ 25,800
Promissory notes issued in the period	–	38,447
Promissory notes settled as part of restructuring (note 16)	(64,247)	–
Credit facility drawn down in the period, net of transaction costs	19,162	–
Balance, end of period	19,162	64,247
Less: current portion included in current liabilities	–	(23,048)
	\$ 19,162	\$ 41,199

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 16.

Credit facility

On March 18, 2011, the Company entered into an agreement with Barclays Bank PLC for a \$25,000,000 revolving credit facility (the "Credit Facility"). The Credit Facility will be used for working capital purposes at the Aranzazu Mine and general corporate purposes. As of June 30, 2011, the Company has drawn down \$20,000,000 under the Credit Facility.

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. The carrying amount shown above of \$19,162,000 is net of issue and transaction costs paid of \$908,000, which are deferred and amortized over the term of the facility. For the three and six months ended June 30, 2011, amortization on the transaction costs totalled \$70,000. 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 28.

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. Pursuant to the terms of the Credit Facility, the Company is required to maintain a total debt/EBITDA ratio of not more than one to one for each reporting period. As at June 30, 2011, the Company was in compliance with this financial covenant.

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13 PROVISION FOR MINE CLOSURE AND RESTORATION

	June 30, 2011	December 31, 2010
Balance, beginning of period	\$ 26,329	\$ 4,271
Additions recorded on acquisition of subsidiary	–	23,237
Accretion expense	1,418	2,054
Expenditures incurred in the year	–	(159)
Change in estimate	–	(3,074)
Balance, end of period	\$ 27,747	\$ 26,329

The Company's provisions for mine closure and restoration relate 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 June 30, 2011 are approximately \$41,987,000 and are expected to be incurred through 2023. All assumptions used in the calculation of the provisions are subject to change.

14 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	108	–	–	–	108
Change in estimate	284	–	–	–	284
Mark to market of derivatives	–	–	–	1,077	1,077
Effect of foreign exchange translation	–	55	28	–	83
As of June 30, 2011	\$ 3,052	\$ 877	\$ 334	\$ 1,077	\$ 5,340

Details on the derivative liabilities and the judicial contingencies are included in notes 28 and 30, respectively.

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15 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 16)	(34,408)	12,500	(21,908)
As of June 30, 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 (note 3). 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 16.

16 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 12) and \$43,154,000 in deferred purchase consideration (note 15). 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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16 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 15).

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 six months ended June 30, 2011.

17 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 June 30, 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, June 30, 2011	-	\$ -

Upon exercise into common shares, the fair value of the warrants is reclassified to share capital.

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17 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	1,978,000	2.79
Exercised	(29,750)	1.08
Forfeited	(625,850)	4.11
Balance, June 30, 2011	15,131,065	\$ 3.59

The Company's weighted average share price on the date the options were exercised during the six months ended June 30, 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
June 21, 2011	20,000	2.12
Total/average for the six months ended June 30, 2011	29,750	\$ 2.71

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17 SHARE CAPITAL (continued)

d) Stock options (continued)

The Company's weighted average share price on the date the options were exercised during the six months ended June 30, 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
May 17, 2010	60,000	4.39
June 2, 2010	20,000	4.13
June 16, 2010	333,333	4.39
Total/average for the six months ended June 30, 2010	564,403	\$ 4.28

As at June 30, 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	2,560,165	2.5	2,560,165
	\$2.21 to \$2.63	1,811,000	4.2	542,500
	\$3.16 to \$3.52	3,976,250	3.4	3,766,250
	\$3.64 to \$4.95	4,578,250	2.3	3,480,535
	\$5.35 to \$7.85	2,205,400	1.4	2,205,400
Average/Total	\$0.78 to 7.85	15,131,065	2.7	12,554,850

e) Restricted share units

On April 12, 2011, the Company issued 127,799 restricted share units ("RSUs") to employees under the Company's Treasury Share Unit Plan. A continuity of issued RSUs is as follows:

	Number of options	Weighted Average exercise price C\$
Balance, December 31, 2010	–	\$ –
Granted	127,799	2.63
Exercised	–	–
Forfeited	–	–
Balance, June 30, 2011	127,799	\$ 2.63

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17 SHARE CAPITAL (continued)

f) 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 (loss) for the three and six months ended June 30, 2011 totalled \$1,996,000 and \$3,940,000, respectively, and included \$1,882,000 and \$3,826,000, respectively related to stock options vested in the period, and \$114,000 for both periods related to RSUs vested in the period. Total share-based payment expense for the three and six months ended June 30, 2010 totalled \$5,624,000 and \$7,522,000, respectively, and related entirely to stock options vested in the period.

The fair value of stock options granted during the three months ended June 30, 2011 and 2010 was estimated using the Black-Scholes option pricing model with the following assumptions:

	For the three months ended June 30, 2011	For the three months ended June 30, 2010
Expected volatility	102%	112%
Risk-free interest rate	2.37%	2.57%
Weighted average share price for options granted	\$ 2.62	\$ 3.58
Expected life (years)	4.40	5.00
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.

18 REVENUES BY NATURE

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Gold sales	\$ 58,908	\$ 38,576	\$ 110,474	\$ 58,367
Copper concentrate sales	9,856	–	12,079	–
	\$ 68,764	\$ 38,576	\$ 122,553	\$ 58,367

Copper concentrate sales include gold and silver by-product revenues and are shown net of treatment and refining charges. Results for the six months ended June 30, 2011 includes the results of the Aranzazu Mine for the period from February 1, 2011 to June 30, 2011, after the Company completed commissioning.

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19 COST OF GOODS SOLD BY NATURE

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Direct operating costs	\$ 49,925	\$ 22,645	\$ 90,424	\$ 32,138
Gains on cash flow hedges (note 28(b))	(872)	-	(1,512)	-
Depletion and amortization	13,474	5,440	25,134	6,879
	\$ 62,527	\$ 28,085	\$ 114,046	\$ 39,017

20 GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Salaries, wages and benefits	\$ 2,635	\$ 1,640	\$ 4,996	\$ 3,020
Share-based payment expense	1,996	5,624	3,940	7,521
General and administrative	582	708	1,321	1,192
Professional and consulting fees	1,028	269	2,007	682
Travel expenses	201	347	448	603
Directors' fees	263	79	371	158
Investor relations and filing fees	27	160	352	398
Amortization	230	208	496	397
Transaction costs incurred on Brazilian Mines				
Acquisition	-	1,414	-	2,711
	\$ 6,962	\$ 10,449	\$ 13,931	\$ 16,682

21 FINANCE COSTS

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Interest expense on debt	\$ 239	\$ 524	\$ 720	\$ 742
Accretion	794	815	1,531	1,068
Other interest and finance costs	1	3	72	5
	\$ 1,034	\$ 1,342	\$ 2,323	\$ 1,815

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22 EXPLORATION EXPENSES

The Company's exploration expenses for the three and six months ended June 30, 2011 and 2010 include:

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Arapiraca Project	\$ 1,086	\$ 2,064	\$ 1,984	\$ 5,298
Aranzazu Mine	602	3,547	1,796	4,811
San Andres Mine	113	147	328	147
Sao Francisco Mine	601	92	1,349	92
Sao Vicente Mine	343	672	1,089	1,140
Non-core projects	88	77	180	203
	\$ 2,833	\$ 6,599	\$ 6,726	\$ 11,691

23 OTHER GAINS AND LOSSES

	For the three months ended June 30, 2011	For the three months ended June 30, 2011	For the six months ended June 30, 2011	For the six months ended June 30, 2011
Foreign exchange gain (loss)	\$ 1,192	\$ (1,937)	\$ 2,445	\$ 463
Loss on marketable securities	(320)	-	(379)	-
Loss on disposal of fixed assets	(54)	-	(54)	-
Unrealized loss on copper collar contracts (note 28(c))	(365)	-	(1,077)	-
Realized gain on undesignated portion of cash flow hedges	829	-	1,176	-
	\$ 1,282	\$ (1,937)	\$ 2,111	\$ 463

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24 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 June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Weighted average number of common shares used for basic earnings per share	227,333,017	201,756,293	219,184,384	193,158,779
Effect of dilutive securities:				
Options	1,864,151	–	2,122,589	–
Restricted share units	112,179		56,090	
Warrants	–	–	4,560	–
Weighted average number of common shares used for diluted earnings per share	229,309,347	201,756,293	221,367,623	193,158,779

25 CASH FLOW INFORMATION

a) Items not affecting cash

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Items not affecting cash				
Depletion and amortization	\$ 13,704	\$ 5,647	\$ 25,631	\$ 7,276
Accretion	794	792	1,532	1,068
Deferred tax expense (recovery)	(3,935)	(1,499)	(2,836)	(813)
Deferred transaction costs expensed due to change in accounting policy	–	–	–	1,000
Write-down of inventory to net realizable value (note 6)	1,914	–	5,035	–
Unrealized foreign exchange (gains) losses	(2,944)	267	(2,965)	270
Unrealized loss on copper collar contracts	365	–	1,077	–
Interest expense	169	499	650	720
Gain recorded on restructuring of contractual obligations (note 16)	–	–	(17,009)	–
Share-based payment expense	1,996	5,624	3,940	7,521
Other non-cash items	595	395	693	329
	\$ 12,658	\$ 11,725	\$ 15,748	\$ 17,371

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25 CASH FLOW INFORMATION (continued)

b) Changes in non-cash working capital

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Changes in non-cash working capital				
Trade and other receivables	\$ 5,434	\$ (1,451)	\$ 1,574	\$ (2,863)
Inventory	(13,873)	(5,444)	(13,857)	(5,222)
Other assets	1,513	(1,728)	(1,236)	(2,352)
Reclamation expenditures	10	(57)	–	(136)
Trade and other payables	(7,459)	(1,999)	(4,854)	(702)
	\$ (14,375)	\$ (10,679)	\$ (18,373)	\$ (11,275)

c) Supplemental cash flow information

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Non-cash activities consist of:				
Change on accounts payable as a result of				
investing activities	\$ (1,405)	\$ 2,020	\$ 945	\$ 2,781
Fair value of exercise of stock options	\$ 11	\$ 234	\$ 24	\$ 339
Fair value of exercise of warrants	\$ –	\$ 2,032	\$ 1,276	\$ 2,174
Taxes paid	\$ 2,254	\$ 6,376	\$ 2,254	\$ 6,376

26 RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, 2011 and 2010, the Company had no related party transactions, other than the restructuring of contractual obligations with Yamana, as disclosed in note 16. Yamana and the Company have one director in common.

27 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 six months ended June 30, 2011, segmented information is as follows:

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27 SEGMENTED INFORMATION (continued)

June 30, 2011	Note	San Andres Mine	Brazilian Mines	Aranzazu Mine	Corporate	All other segments	Total
Sales to external customers	a	\$ 53,519	\$ 56,955	\$ 12,079	\$ -	\$ -	\$ 122,553
Costs of production		25,594	50,337	12,981	-	-	88,912
Depletion and amortization		7,107	14,498	3,529	-	-	25,134
Gross profit (loss)		20,818	(7,880)	(4,431)	-	-	8,507
Gain on debt restructuring		(1,556)	(10,785)	-	(4,668)	-	(17,009)
Other		1,089	6,840	4,175	9,536	(1,010)	20,630
Profit (loss) before income taxes		\$ 21,285	\$ (3,935)	\$ (8,606)	\$ (4,868)	\$ 1,010	\$ 4,886
Property, Plant and Equipment		\$ 92,106	\$ 136,478	\$ 133,585	\$ 1,727	\$ 7,407	\$ 371,303
Total assets		\$ 116,552	\$ 211,159	\$ 151,170	\$ 10,226	\$ 12,710	\$ 501,817
Capital expenditures		\$ 3,675	\$ 23,063	\$ 11,343	\$ 79	\$ 21	\$ 38,181

For the six months ended June 30, 2010, segmented information is as follows:

June 30, 2010	Note	San Andres Mine	Brazilian Mines	Aranzazu Mine	Corporate	All other segments	Total
Sales to external customers	a	\$ 41,567	\$ 16,800	\$ -	\$ -	\$ -	\$ 58,367
Costs of production		19,713	12,425	-	-	-	32,138
Depletion and amortization		3,354	3,525	-	-	-	6,879
Gross profit		18,500	850	-	-	-	19,350
Other		891	3,983	5,032	14,306	5,236	29,448
Profit (loss) before income taxes		\$ 17,609	\$ (3,133)	\$ (5,032)	\$ (14,306)	\$ (5,236)	\$ (10,098)
Property, Plant and Equipment		\$ 96,243	\$ 150,481	\$ 102,672	\$ 1,354	\$ 7,500	\$ 358,250
Total assets		\$ 119,307	\$ 222,975	\$ 107,697	\$ 73,676	\$ 12,941	\$ 536,596
Capital expenditures		\$ 7,631	\$ -	\$ 11,609	\$ 858	\$ 966	\$ 21,064

Revenues for each of the San Andres Mine and the Brazilian Mines relate to the sale of refined gold. 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 the Aranzazu Mine relate entirely to the sale of copper-gold-silver concentrate to one external customer.

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28 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 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 reais at an average rate of 2.0277 Brazilian real to the United States dollar 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 through to May 2012. The Company has designated the spot component of these contracts as cash flow hedges.

On May 5, 2011, the Company closed out its remaining unsettled currency contracts totalling 29,823,000 Brazilian reais for total cash proceeds of \$4,060,000. The portion of this gain which was designated as an effective hedge totalled \$1,940,000 and was deferred in other comprehensive income until such time as the underlying hedged item, being the operating expenditures at the Brazilian Mines, is recognized in the statement of income. As of June 30, 2011, the total gain which remains deferred in other comprehensive income totals \$1,268,000, inclusive of the deferred tax impact of \$505,000.

c) Copper collar contracts

On March 29, 2011 and April 7, 2011, the Company entered into contracts with Barclay's Bank PLC to hedge a total of 6,000 tonnes (or 230.8 tonnes per month) 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 \$5.08 per pound of copper. These instruments were entered into in connection with the Credit Facility further described in note 12.

During the quarter ended June 30, 2011, put/call collars for May and June 2011 expired unexercised leaving 5,538.4 tonnes of copper hedged to June 30, 2013 on the terms described above. During July 2011, put/call options for a further 230.8 tonnes expired unexercised.

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 and six months ended June 30, 2011, the Company recorded a loss of \$365,000 and \$1,077,000, respectively, with respect to these contracts.

Aura Minerals Inc.

Notes to the Interim Consolidated Financial Statements

For the three and six months ended June 30, 2011

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

29 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 June 30, 2010 and its statement of income for the three and six months ended June 30, 2010 is set out in the following tables and accompanying notes.

a) Reconciliation of shareholders' equity

	Note	June 30, 2010
Shareholders' equity, as previously reported under Canadian GAAP		\$ 349,445
Recognition of deferred purchase consideration payable	(i)	(11,802)
Adjustment for fair value of employee benefit obligations, net of tax	(ii)	1,128
Provision for mine closure and restoration	(iii)	(295)
Translation of foreign subsidiaries	(iv)	4,065
		\$ 342,541

(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, for the three and six months ended June 30, 2011 totalled \$143,000 and \$282,000, respectively.

(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 recorded an adjustment as of June 30, 2010 of \$1,128,000, to equity to reflect the discounting of this provision. For the three and six months ended June 30, 2010, the impact to the Company's statement of income was a decrease in expenses of \$146,000 and \$85,000, respectively, representing additional accretion expense recorded to finance costs, offset by future income tax recovery and a change in the value of the liability recorded to cost of goods sold.

Aura Minerals Inc.

Notes to the Interim Consolidated Financial Statements

For the three and six months ended June 30, 2011

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

29 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 \$295,000 to the equity balance as of June 30, 2010. For the three and six months ended June 30, 2010, the Company recorded additional accretion expense of \$129,000 and \$190,000, respectively, in relation to the revised provision balances, and recorded an increase in amortization on the related asset of \$26,000 for the three months ended June 30, 2010 and a reduction in amortization of the related asset of \$120,000 for the six months ended June 30, 2010, which were recorded within cost of goods sold.

(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.

For the three months ended June 30, 2010 the Company recorded an other comprehensive loss of \$3,299,000 in relation to the translation of foreign subsidiaries, while for the six month period the amount recorded was an other comprehensive gain of \$1,058,000.

b) Reconciliation of comprehensive income (loss)

	Note	For the three months ended June 30, 2010	For the six months ended June 30, 2010
Comprehensive loss previously reported under Canadian GAAP		\$ (12,167)	\$ (13,437)
Accretion expense on deferred purchase consideration payable	a(i)	(143)	(282)
Change in value of employee benefits provision	a(ii)	146	85
Change in value of provision for mine closure and restoration	a(iii)	(155)	(70)
Gain (loss) on translation of subsidiaries	a(iv)	(3,299)	1,058
Other adjustments		86	126
Comprehensive loss under IFRS		\$ (15,532)	\$ (12,520)

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 \$499,000 and \$720,000 of interest expense on debt from operating cash flow to financing cash flows for the three and six months ended June 30, 2010, respectively. These changes are not considered to be material.

Aura Minerals Inc.

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)

30 CONTINGENCIES AND COMMITMENTS

a) Operating commitments

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

2011	\$	240
2012		345
2013		27
	\$	612

As of June 30, 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 \$3,857,000 at the Aranzazu Mine and \$2,860,000 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. A total of \$81,000 has been accrued as of June 30, 2011 for the NSR royalty. The total expense of \$81,000 for the three and six months ended June 30, 2011 has been included within cost of goods sold.
- (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 16.

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 June 30, 2011 is a provision of \$877,000 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

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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)

31 SUBSEQUENT EVENTS

a) Currency hedging activities

On August 8, 2011, the Company entered into new currency forward contracts to hedge against the risk of a future increase in the value of the Brazilian real against the United States dollar. Currency contracts to sell United States dollar/purchase Brazilian real for 20 million United States dollars at an average exchange rate of 1.6478 Brazilian real to the United States dollar have been designated against forecasted Brazilian reais denominated expenditures for the period from October 2011 to July 2012.

b) Stock options and RSUs

During the period from July 1, 2011 to August 10, 2011, 100,000 stock options were granted, 666,666 stock options were exercised, 1,946 RSU's were exercised and 285,000 stock options were forfeited.