



Aura Minerals Inc.

AURA MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2011

Dated as of June 14, 2011

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

This MD&A has been prepared as at June 14, 2011 and provides information that management believes is relevant to assessing and understanding the financial condition of the Company and the results of operations and cash flows for the three months ended March 31, 2011.

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

1. BACKGROUND AND CORE BUSINESS

Aura Minerals is a Canadian mid-tier gold-copper production company focused on the acquisition, exploration, development and operation of gold and base metal projects in the Americas. The Company's operating assets include the San Andres gold mine in Honduras (the "San Andres Mine"), the Sao Francisco gold mine (the "Sao Francisco Mine") and Sao Vicente gold mine (the "Sao Vicente Mine") in Mato Grosso state, Brazil (collectively, the "Brazilian Mines"), and the Aranzazu copper-gold-silver mine (the "Aranzazu Mine") in Zacatecas, Mexico, which commenced commercial production on February 1, 2011. The Company's development asset is the feasibility-stage Serrote de Laje deposit (the "Serrote Deposit") at its wholly-owned copper-gold-iron ore Arapiraca project in the State of Alagoas, Brazil (the "Arapiraca Project"). The Company also has non-core exploration land holdings in Brazil, including iron ore and nickel targets in the Carajas region, State of Para.

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

- operating to the highest environmental and safety standards and in a socially responsible manner;
- maximizing returns on the Company's projects through cost management and operational efficiencies;
- advancing projects through development and partnerships; and
- acquiring and developing quality reserves.

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

2. FIRST QUARTER 2011 FINANCIAL AND OPERATING HIGHLIGHTS

- Gold production of 34,169 ounces in the first quarter of 2011, representing a decrease of 23% from the prior quarter's production of 44,449 ounces. The decrease was primarily due to the dedicated waste stripping program at the Sao Francisco Mine, the rainy season in Brazil which impacted mining operations at the Sao Vicente Mine, and lower gold recoveries at the San Andres Mine due to the processing of lower recovery 'mixed' ore;
- Gold sales from the Company's gold mines of 37,512 ounces in the first quarter of 2011, for net sales of \$51.6 million;
- On-site average cash cost¹ of \$882 per ounce of gold produced from the Company's gold mines in the first quarter of 2011 compared with \$884 per ounce of gold produced in the fourth quarter of 2010, comprised of the following:

	For the three months ended March 31, 2011	
	Ounces Produced	Cash Costs¹
San Andres Mine	18,125	\$ 626
Sao Francisco Mine	7,188	\$ 811
Sao Vicente Mine	8,856	\$ 1,464
Total / Average	34,169	\$ 882

- Realized average price of gold sold from the Company's gold mines of \$1,388 per ounce for the first quarter compares with the average market price of \$1,385 per ounce (London PM Fix);
- Continued with operational improvements at the Brazilian Mines including optimizing pit reconfigurations and improving maintenance practices to increase plant and equipment availability. The Company substantially completed a four-month waste stripping program at the Sao Francisco Mine which started in early December of 2010, allowing the mine to resume normal operations in April 2011 with a sustainable mine plan in place. These initiatives are expected to produce significant longer term benefits;
- Ramp up of the Aranzazu Mine continued in the first quarter with commercial production being declared February 1, 2011, upon the mine and mill having substantially passed mechanical completion and commissioning. Production at the Aranzazu Mine for the quarter of 942,900 pounds of copper, 688 ounces of gold and 29,930 ounces of silver.
- On-site post-commissioning cash costs¹ of \$4.87 per pound of copper, net of gold and silver credits, which reflected both the processing of lower than expected ore tonnes due to start-up mechanical adjustments at the Aranzazu Mine's mill and the impact of processing a high

¹ A cautionary note regarding non-GAAP measures is included in Section 18 of this MD&A.

proportion of oxidized material which had a negative impact on metal recoveries and concentrate grade;

- Production levels at the Aranzazu Mine for April and May have doubled over March levels, resulting in higher concentrate grades and metal content. The doubling of production in those months has resulted in cash costs¹ decreasing by approximately one-half from the reported first quarter cash costs¹. Further cash cost¹ reductions are expected as production continues to increase;
- Gross profit of \$2.3 million for the first quarter of 2011, compared to a gross profit of \$8.9 million in the first quarter of 2010;
- Profit for the quarter of \$4.4 million or \$0.02 per share;
- Adjusted profit (loss) and adjusted profit (loss) per share are as follows:

<i>(In thousands of dollars except per share amounts)</i>	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Net profit (loss) per the Financial Statements	\$ 4,363	\$ (1,345)
Unrealized foreign exchange (gains) losses	(21)	1,085
Other unrealized losses	755	-
Gain on restructuring of contractual obligations, net of tax	(15,359)	-
Share-based payment expense	1,944	1,897
Writedown of inventory to net realizable value	3,121	-
Non-recurring transaction costs	-	1,297
Adjusted profit (loss) ¹	\$ (5,197)	\$ 2,934
Adjusted basic and diluted profit (loss) per share ¹	\$ (0.02)	\$ 0.02

¹ A cautionary note regarding non-GAAP measures is included in Section 18 of this MD&A.

- Completed a restructuring of the contractual obligations owing to Yamana Gold Inc. (“Yamana”) during the quarter;
- Entered into an agreement during the quarter with a major financial institution for a revolving credit facility (the “Credit Facility”) for \$25 million, to be used for working capital at the Aranzazu Mine and general corporate purposes;
- Released results during the quarter from ongoing exploration and definition drilling programs at the Aranzazu Mine, with an emphasis on increasing the overall resource base along strike and at depth;

¹ A cautionary note regarding non-GAAP measures is included in Section 18 of this MD&A.

- Ended the first quarter of 2011 with \$9.3 million in cash and cash equivalents, with the full availability of the Credit Facility; and
- Appointed Mr. Tom Ogryzlo, a member of the Board, as Interim Chief Executive Officer (“CEO”), subsequent to quarter-end, effective June 6, 2011, replacing Mr. Patrick Downey, who stepped down as President and CEO and resigned from the Board as of that date. Mr. Ogryzlo has over 35 years of experience in the mining and engineering industries and has served as Senior Vice President of Latin American Operations for Ram Power Corp. and President and CEO of Ram’s subsidiary, Polaris Geothermal Inc., a geothermal power producer, President and CEO of Black Hawk Mining, a gold producer, and President of Cerro Matoso S.A., a ferro nickel producer. A search firm has been engaged to seek a permanent replacement for Mr. Downey.

3. CORPORATE DEVELOPMENTS & SIGNIFICANT TRANSACTIONS AFFECTING RESULTS OF OPERATIONS

Restructuring of Contractual Obligations

On March 18, 2011, the Company completed the restructuring of the contractual obligations owing to Yamana pursuant to the acquisition of the San Andres Mine in 2009 and the acquisition of the Brazilian Mines in 2010 (the “Brazilian Mine Acquisition”). The Company’s contractual obligations included a total of \$64,247,000 in promissory notes and a total of \$43,154,000 in deferred purchase consideration. Under the restructuring, these contractual obligations were considered paid and satisfied in full, and related security was released, in consideration for:

- i) the issuance to Yamana of 19,056,113 common shares in the capital of the Company, 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
- 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 the NSR Royalty at its estimated fair value of \$12,500,000.

As the book values of the promissory notes and 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 for the three months ended March 31, 2011.

Credit Facility

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

The Credit Facility bears interest at LIBOR plus 2.75% and matures on June 30, 2013. The undrawn portion of the Credit Facility is also subject to a 1.0% per annum commitment fee, payable quarterly. As 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 were in the form of zero-cost put/call collars.

Subsequent to quarter end and as of the date of this MD&A, the Company has drawn down \$20 million on the Credit Facility.

Transition to International Financial Reporting Standards

Effective January 1, 2011, the Company is required to report its financial results under IFRS, including comparative results for the year ended December 31, 2010. As a result, financial reporting information included in this MD&A has been re-stated to reflect the changes made on the transition to the new accounting standards. The effect of the transition on the Company's financial results is included in this MD&A under the heading "*International Financial Reporting Standards*". The terms IFRS and GAAP are used interchangeably throughout this MD&A.

Dedicated Waste Stripping Program at the Sao Francisco Mine

As previously reported, mining of significantly lower than average head grades at the Sao Francisco Mine was necessary as higher-grade material scheduled for mining in 2010 was waste-bound due to delays in stripping of waste in the latter part of 2009 and into early 2010. As a result, cash costs¹ since the acquisition date were adversely affected and increased to unsustainable levels. Furthermore, the waste-bound ore limited the effectiveness of other initiatives designed to optimize production and have a net benefit to recoveries and cash costs¹.

Effective the end of November 2010, the Company decided to focus solely on waste stripping and completion of needed upgrades to the crushing and gravity circuits at the Sao Francisco Mine. Additional information regarding the Sao Francisco Mine and the dedicated stripping program can be found in "*Review of Operations and Development and Exploration Projects – Sao Francisco Mine*".

4. REVIEW OF MINING OPERATIONS AND DEVELOPMENT AND EXPLORATION PROJECTS

San Andres Mine

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

¹ A cautionary note regarding non-GAAP measures is included in Section 18 of this MD&A.

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

Gold production at the San Andres Mine in the first quarter was 18,125 ounces of gold, down 6% from the 19,299 ounces produced in the first quarter of 2010 and down 7% from the 19,469 ounces produced in the fourth quarter of 2010. Lower gold production during the quarter is attributable to the processing of a higher than planned proportion of 'mixed' ore, which characteristically has a lower level of oxidation resulting in lower gold recoveries and slower recovery rate kinetics.

The table below sets out selected operating information for the San Andres Mine for the three months ended March 31, 2011 and 2010:

Operating Information	Q1 2011	Q1 2010
Ore mined (tonnes)	1,313,100	1,217,700
Waste mined (tonnes)	286,300	32,400
Total mined (tonnes)	1,599,400	1,250,100
Waste-to-ore ratio	0.22	0.03
Ore plant feed (tonnes)	1,317,000	1,244,000
Grade (g/tonne)	0.79	0.77
Production (ounces)	18,125	19,299
Sales (ounces)	18,464	18,034
Average cash cost per ounce of gold produced ¹	\$ 626	\$ 493

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Total waste and ore mined during the three month period ended March 31, 2011 was 1,599,400 tonnes, slightly higher than the total tonnes mined in the fourth quarter 2010, but up 28% over the same period in 2010. Ore tonnes mined in the first quarter of 2011 were 1,313,100, an increase of 2% over the fourth quarter of 2010 and 8% higher than the 1,217,700 tonnes of ore mined in the first quarter of 2010. The San Andres Mine had a waste-to-ore ratio of 0.22 to 1 in the first quarter, relatively consistent with the prior quarter and full year 2010, but well above the abnormally low 0.03 to 1 in the first quarter of 2010.

As a result of materials handling improvements made at the operation since its acquisition, total plant feed during the first quarter of 2011 was 1,317,000 tonnes of ore, an increase of 1% over the prior quarter and 6% higher than the tonnes processed in the same period in 2010. Ore plant feed had an average grade of 0.79 grams per tonne ("g/tonne") in the first quarter, which compares favourably with the average grade of 0.73 g/tonne in the prior quarter and 0.77 g/tonne in the first quarter of 2010. Gold production is dependent upon ore grade, degree of oxidation and process recoveries, all of which can be expected to fluctuate from period to period. Although commonly reported by mining companies, recovery rates are influenced by changes to inventory levels and the fact that portions of one period's production is based on mining and processing activities of the prior period. Further, given the short time

covered by any quarter, recoveries are not truly indicative of recoveries expected over a longer operating period. The recovery rate for the first quarter of 2011 (calculated as the number of ounces produced during the period to the number of contained ounces stacked during the period) was 54% and compares with a 64% recovery in the fourth quarter of 2010, and 63% in the same quarter last year. As noted above, the main contributor to the lower gold recovery in the first quarter was a lower than expected extraction rate from the processing of 'mixed' ore, which characteristically has a lower level of oxidation and lower gold recovery.

As previously reported, the planned mining sequence for 2011 will have a higher proportion of mixed ore mined during the first half of the year. During the third quarter of 2011, mining will commence on the next phase of the upper benches of the Twin Hills pit which has a greater proportion of oxide ore. Ongoing metallurgical test work at site indicates that mixed ores will have a gold recovery rate in the range of 55 – 65%, while oxide ore will have a higher gold recovery rate in the range of 70 – 80%.

Operating cash costs¹ include production costs incurred in any given period, in addition to inventory adjustments that recognize the allocation of costs to and from the Company's in-process leach pad gold inventory. The Company allocates costs incurred to the recoverable ounces stacked on the leach pad in that period, and charges each ounce of gold produced on an average cost basis. Accordingly, cash operating costs reflect cash spent in a period, as well as adjustments to reflect the increases or decreases in leach pad inventory. Operating cash costs¹ of \$626 per ounce of gold produced in the first quarter of 2011 were approximately 11% higher than the prior quarter and 27% higher than in the first quarter of 2010. Increased cash costs¹ over the same quarter in 2010 are primarily a result of the higher strip ratio in the first quarter of 2011, lower gold production and higher operating costs which were partly due to increases in lime, cement and cyanide consumption required to treat mixed ore. Operations at the San Andres Mine in late-June and July 2011 may be impacted by the shortage of sodium cyanide caused by the temporary shutdown of a key supplier's facilities in the Memphis, Tennessee area due to the flooding of the Mississippi River in May. The supplier's operations resumed full operations in late May. To the extent there is a disruption, any impact would only delay the leaching of gold to the following months.

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

Sao Francisco Mine

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

¹ A cautionary note regarding non-GAAP measures is included in Section 18 of this MD&A.

The table below sets out selected operating information for the Sao Francisco Mine for the first quarter 2011:

Operating Information	Q1 2011	Q1 2010²
Ore mined (tonnes)	65,900	-
Waste mined (tonnes)	5,279,700	-
Total mined (tonnes)	5,345,600	-
Waste-to-ore ratio	N/A	-
Dump leach ore stacked (tonnes)	26,900	-
Grade (g/tonne)	0.38	-
Production (ounces)	7,188	-
Sales (ounces)	9,082	-
Average cash cost per ounce of gold produced ¹	\$ 811	\$ -

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² No comparative results for first quarter 2010 as the Brazilian Mine Acquisition occurred on April 30, 2010.

During the first quarter of 2011, the Company substantially completed the dedicated waste stripping program, which started at the beginning of December 2010. Accordingly, operating results in this quarter are not representative of the mine's full capacity and are not comparable with prior periods. In total, 5.3 million tonnes of waste stripping was completed in the quarter. Ore mined totalling 65,900 tonnes represents incidental ore mined and stockpiled during the period of dedicated stripping, and included 39,000 tonnes of crusher-gravity ore having a grade of 0.69 g/tonne, which was stockpiled before the crusher to be processed following the restart of normal operations in April 2011, and 26,900 tonnes of low-grade Dump Leach Ore ("DLO") having a grade of 0.38 g/tonne. The 26,900 tonnes of DLO was stacked directly on the leach pads without further crushing or processing.

Total material moved during the quarter of 5.3 million tonnes was approximately 14% higher than the previous quarter. Including the 5.3 million tonnes of waste stripping in the first quarter, total waste tonnes removed during the dedicated stripping program were 7.0 million tonnes at a total cost of approximately \$19.5 million. Remaining stripping has been undertaken in the second quarter to complete this stripping program.

Although mining of ore was deferred during this period, heap leaching of the ore on the leach pads continued and resulted in approximately \$17 million of gold sales from the drawdown of the heap inventories over the four-month period. Of this amount, a total of 7,188 ounces of gold were produced during the first quarter at operating cash costs¹ of \$811 per ounce. A total of 9,082 gold ounces were sold in the quarter, which contributed \$12.7 million in gross revenue.

In general, gold production at the Sao Francisco Mine is dependent upon ore grade, strip ratios, process recoveries, and plant and equipment availability, all of which can be expected to fluctuate from period

to period. Production during the quarter is 44% below the fourth quarter 2010 gold production, a result of only nominal ounces stacked during the current quarter. In turn, the level of gold production is the primary driver of cash costs¹, however, the level of fixed and variable costs, including key consumables, labour, inflation, and exchange rates all impact costs and profitability. Operating cash costs¹ of \$811 per ounce during the quarter are 31% below the prior quarter's, and include the impact of heap inventory drawdowns. Upon restart of crushing, processing and leaching operations in the second quarter of 2011, the build-up of heap inventories will similarly impact operating cash costs¹.

One of the main factors affecting cash costs¹ is the continued strengthening of the Brazilian real as compared to the United States dollar. The majority of operating costs at the Brazilian Mines are incurred in the local Brazilian reais. The Company estimates that a 10% change in the Brazilian real results in a 9 – 10% increase in per ounce cash costs. During the quarter, the Brazilian real strengthened by a further 2% compared to the United States dollar.

During the period that the dedicated waste stripping program was ongoing, the Company put considerable effort in preparing the mine for longer-term, sustainable operations, with an improved pit configuration and layout that would enhance production, reduce waste dilution and improve safety. The four-month period facilitated a change in waste bench configuration from 15 metre wide benches to 30 metre benches, which allows for more efficient blasting, material loading and transportation. The new configuration helps mitigate dilution, decrease handling and transportation costs, and allows for more efficient loading of trucks.

Upon recommencement of normal operations in April 2011, the Company implemented a new mine plan. Certain aspects of the plan, as discussed below, will be phased in as equipment is delivered and installed. The key aspects of this new plan are as follows:

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

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between \$2-3 million. The Company is currently in the process of reviewing options for purchase of this fleet and the change from contract to owner-operated haulage of crushed ore is expected to occur in late 2011 or early 2012; and

- improving the crushing/gravity circuit maintenance program and making basic flowsheet changes to increase plant availability. Availability of the circuit prior to the improvements was 65%, due to equipment failure and inefficient maintenance practices. During the second half of 2010, the Company hired an experienced maintenance foreman whose sole task is to execute the changes to the plant and implement and supervise a maintenance program. Furthermore, based on the recommendations of an independent engineering firm, the Company has also made several changes to the current gravity recovery plant that will improve recovery and overall utilization. The improvements are now complete and increased throughput rates are now being realized. During the quarter, capital spending on machinery and equipment related to these improvements was \$4.7 million. As a result, plant availability following these changes is estimated to be greater than 75%, and should result in increased plant throughput and associated cost reductions.

In addition to the implementation of the above, the Company's plans for this operation include the installation of a 1,000 tonnes per day ("tpd") slimes re-treatment circuit to increase overall gold recovery. Currently, the crushing/gravity circuit generates approximately 500 tpd of fine-grained slimes grading approximately 1 g/tonne gold, which are rejected. The current slimes pond is estimated to contain half a million tonnes of material grading approximately 1.0 g/tonne gold. Ongoing testwork completed by the Company on this material yielded an average recovery of 95% of the gold in a six-hour leach test. The installation of a 1,000 tpd, four-stage agitated leach circuit, is estimated to increase gold recovery at the operation by approximately 10,000 ounces per annum at expected average cash costs¹ of \$250/ounce. The estimated capital cost for the tailings retreatment circuit is approximately \$12 million. Design and installation of this circuit are expected to be complete in the second half of 2012.

The changes described above, as well as the mining of higher grade ore in the mine, are expected to result in lower cash cost¹ as compared to the average recorded in 2010 of \$1,338 per ounce. The Company resumed normal operations at the Sao Francisco Mine early in the second quarter of 2011. With the return to steady state leach pad operations, full year 2011 cash costs¹ are expected to average between \$1,150 - \$1,250/ounce, with fourth quarter cash costs¹ expected of between \$1,000 - \$1,100 per ounce.. Upon the restart of operations, head grades for the crusher-gravity ore in April and May increased by 71%, to 0.72 g/tonne over the average head grades processed in 2010. Crusher-gravity ore head grades are expected to increase further to 0.85 g/tonne for the balance of 2011, with fourth quarter grades averaging 1.00 g/tonne and to 1.14 g/tonne for 2012. With the operational changes outlined above and improving head grades from the mine, annualized production of approximately 100,000 ounces of gold, with cash costs² of between \$800 - \$1,000 per ounce, are expected in the first

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full year following the recommencement of normal operations, or in mid-2012. Thereafter, the head grade is expected to continue to improve, increasing annual gold production and further reducing cash costs¹.

In late March 2011, the Company issued an updated Mineral Resource and Mineral Reserve estimate as at December 31, 2010. The estimate is set out in the technical report dated December 31, 2010, and entitled "Resources and Reserves on the Sao Francisco Mine in the Municipality of Vila Bela da Santissima Trindade, State of Mato Grosso, Brazil" prepared for Aura Minerals by Rogerio Moreno, AusIMM, of MCB. This report was filed on SEDAR on March 30, 2011.

Sao Vicente Mine

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

The table below sets out selected operating information for the Sao Vicente Mine for the first quarter 2011:

Operating Information	Q1 2011	Q1 2010²
Ore mined (tonnes)	801,800	-
Waste mined (tonnes)	1,585,800	-
Total mined (tonnes)	2,387,600	-
Waste-to-ore ratio	1.98	-
Ore plant feed (tonnes)	784,700	-
Grade (g/tonne)	0.47	-
Production (ounces)	8,856	-
Sales (ounces)	9,966	-
Average cash cost per ounce of gold produced ¹	\$ 1,464	\$ -

¹ A cautionary note regarding non-GAAP measures is included in Section 18 of this MD&A.

² No comparative results for first quarter 2010 as the Brazilian Mine Acquisition occurred on April 30, 2010.

In the first quarter of 2011, the Company mined 801,800 tonnes of ore and 1,585,800 tonnes of waste. Ore tonnes mined and processed were down relative to the prior two quarters as a result of the rainy season in Brazil which impacted mining operations and reduced crushing and gravity plant throughput due to the need to clean plugged transfer chutes.

The average head grade of the tonnes processed was 0.47 g/tonne, which is generally consistent with grades mined in 2010. Higher grade ore located in the bottom of the pit was generally inaccessible in

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the first quarter due to dewatering issues associated with the excessive rainfall. Mitigation measures are currently being studied to manage the water for the next rainy season.

The process recovery rate for the first quarter of 2011 was 75%, which compares to 83% in the prior quarter. Recovery rates are influenced by changes to inventory levels, variations in mining and processing activities between periods and leach cycle times. Final gold recovery is determined when leach pad areas are reclaimed and production reconciled. The extension of the rainy season into March also diluted leach solutions and reduced the available free cyanide needed for leaching. To remedy this, cyanide concentration has been increased in the second quarter of 2011. In total, the Sao Vicente Mine produced 8,856 ounces in the first quarter, down 27% over the prior quarter.

The average cash cost¹ per ounce produced in the first quarter was \$1,464 and compares with \$1,077 per ounce in the prior quarter. The higher cash costs¹ primarily reflects the lower gold ounces produced, as well as a 2% strengthening of the Brazilian real relative to the United States dollar. As a result of the higher costs during the quarter, the Company recorded a write-down of \$1,349,000 for the three months ended March 31, 2011 to bring product, leach pad, and metal in circuit and gold in process inventories to their net realizable values.

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

- upgrading the crushing and process plant to increase equipment availability and thereby improve plant throughput and reduce operating costs. Such improvements have included installation of certain critical standby equipment and improved wear materials; and
- conducting a definition and expansion drilling program to improve the mine planning and grade control and to increase the resource base.

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

Aranzazu Mine

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

¹ A cautionary note regarding non-GAAP measures is included in Section 18 of this MD&A.

declared commercial production for the Aranzazu Mine effective February 1, 2011, upon the mine and mill having substantially passed mechanical completion and commissioning. All three primary grind mills had been operating consistently for several weeks along with the rougher flotation plant, filtration and tailings disposal systems. Under the previous accounting and industry standards, commercial production was generally defined as having achieved 70% to 75% of targeted production for a sustained period of approximately three months. The decision to cease capitalizing costs and declare commercial production on February 1, 2011 was in accordance with IAS-16 (International Accounting Standard) which allows capitalization of costs to take place only in respect of the period in which the activities necessary to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management are being undertaken. Thus, capitalization of costs ceases when substantially all the activities necessary to get the asset ready for use are complete, even if the asset has not been brought into use. Ready for use is considered when physical construction of the asset is complete. Most companies have generally interpreted this as when commissioning of the plant is substantially completed.

The Aranzazu Mine had not yet reached design capacity of 2,600 tpd at the time commercial production was declared due to certain mechanical issues with water supply pumps and mill bearing failures which have since been rectified, as well as the late mobilization of the mining contractor and the slow ramp-up of underground operations due to severe competition for skilled labour in Mexico and late delivery of underground mining equipment. Although mining for 2011 is a combination of both open pit and underground, including underground development, first quarter mining consisted of a mixture of oxide and sulphide ores, which reduced recovery in the mill. Notwithstanding, concentrate grades were between 24 - 25% copper in the first quarter with excellent precious metal grades. The Company expects to continue mining mixed oxide/sulphide ore in 2011, albeit with reduced oxide components in each of the next three quarters. Upon final commissioning of the re-grind milling circuit and cleaner flotation circuits later in the third quarter, together with the processing of primary sulphide ore, concentrate grades and mill recoveries are expected to increase to design levels.

The table below sets out selected operating information for the Aranzazu Mine for the three months ended March 31, 2011:

Operating Information	For the three months ended March 31, 2011
Ore mined (tonnes)	105,600
Ore milled (tonnes)	126,100
Copper grade (%)	0.74%
Gold grade (g/tonne)	0.30
Silver grade (g/tonne)	15.78
Copper recovery ¹	46.2%
Gold recovery	50.7%
Silver recovery	49.1%
Concentrate Production:	
Copper concentrate produced (dry metric tonnes ("DMT")):	1,728
Copper contained in concentrate (%)	24.8%
Gold contained in concentrate (g/DMT)	12.4
Silver contained in concentrate (g/DMT)	538.8
Copper contained in concentrate (pounds)	942,900
Estimated payable copper produced (pounds)	892,700
Estimated payable gold produced (ounces)	601
Estimated payable silver produced (pounds)	27,023
Average cash cost per payable pound of copper produced, net of gold & silver credits^{2,3}	\$4.87

¹ Recoveries based on mixture of sulphide and oxide ores, not primary sulphide ore.

² A cautionary note regarding non-GAAP measures is included in Section 18 of this MD&A.

³ For post commissioning period, from February 1 to March 31, 2011.

For the three months ended March 31, 2011, a total of 105,600 tonnes of ore were sourced from the open-pit mines and the underground operations, which, when supplemented by the historic, high-gold stockpiled ore material known as the Jaime stockpile, made up the 126,100 tonnes processed through the mill during the period. As indicated above, mill start-up issues limited throughput capacity in the quarter and were a limiting factor in preventing the mill from reaching its targeted 2,600 tonnes per day ore throughput level. Mill capacity was negatively impacted by mechanical problems with mill drive trains and babbit bearings, which contributed to low equipment availability in the grinding mills during the first quarter. These mechanical problems have been overcome and ore throughput rates have risen steadily subsequent to quarter end and reached 2,200 – 2,400 tonnes per day by mid-May.

The average head grades of the ore processed to March 31, 2011 were 0.74% copper, 0.30 g/tonne gold and 15.78 g/tonne silver. As a result, the Aranzazu Mine produced 1,728 dry metric tonnes ("DMT") of copper concentrate in the first quarter, containing 942,900 pounds of copper (892,700 pounds of payable copper). Total revenue from concentrate sales in the first quarter, after treatment and refining charges and price adjustments, was \$3,210,000 on 1,234 DMT of copper concentrate, of which \$987,000 was recognized prior to the commencement of commercial production. The lower production levels

during the restart of operations had an adverse impact on cash costs¹ per pound of copper, which averaged \$4.87 per payable pound of copper in the post-commissioning period, from February 1 to March 31st. As a result of the high production costs incurred during the quarter, the Company recorded a write-down of \$1,705,000 to bring production inventories to their net realizable values.

The level of oxidation in both the Jaime stockpile material and the open-pit mineralization resulted in first quarter metal recoveries from the mill being lower than expected. This factor contributed to lower concentrate production and grades and lower metal content. Despite this, copper concentrate grades were between 24-25% in the first quarter. With the Jaime stockpile material processed by the end of May, the Company expects to be mining a higher proportion of sulphide ore in each of the next three quarters of 2011.

With improved plant and sulphide ore availability subsequent to quarter-end, production levels for April and May doubled over the level of production experienced in March. The doubling of production also resulted in cash costs¹ decreasing by approximately one-half from the reported first quarter cash costs¹ and this trend is expected to continue. As indicated above, once final commissioning of the regrind and cleaner circuit is completed and steady state mining of primary sulphide ore is achieved, the copper concentrate grade is expected to increase to approximately 28% to 30%.

Underground mining is also being ramped up with the mining of ore currently from the Mexicana zone. Underground operations were much slower than expected due to the delay in delivery of mine equipment and the difficulty in hiring suitably qualified mine operations personnel. The majority of the fleet has now been delivered and the Company has hired a mining contractor to assist in mine development, as well as the training of the Company's mine personnel. The next stages of underground mine development will continue to be in the Mexicana Zone as well as the high grade BW zone and the AA Sub Level Cave. Ore will be sourced from both open pit and underground during the remainder of 2011 and into 2012, with transition into full underground operations thereafter.

Throughout 2010 and into the first quarter of 2011, the Company continued to actively drill-test the high-grade resources within the Calcocita, Arroyos Azules, Glory Hole and BW zones. The purpose of this drill campaign was to: increase the drill density for both short and long term mining purposes; in-fill drill testing along strike to expand the database; and test the continuity of mineralization further at depth. In addition, a new zone, Zona CC, was discovered and returned high-grade drill results generally consistent with the existing resource base. As part of this program, results from 161 holes were released in 2009 and results from an additional 170 new and six historic holes were released during 2010, which continued to confirm grades and widths of the deposit. Drill results from another 39 holes were released in the first quarter of 2011.

The Company believes that there is strong potential at depth to increase the resources and subsequently significantly increase the size of the overall operation. In this regard, a 50,000 metre surface and underground drill program was initiated in 2010 to test the down-dip and along strike

¹ A cautionary note regarding non-GAAP measures is included in Section 18 of this MD&A.

potential of the mineralized system beyond the existing resource boundaries as part of an overall plan to investigate the possibility to develop a high tonnage bulk mining operation at the Aranzazu Mine. To date, the Company has released results from 29 deep drill holes located in the “Glory Hole/Tiro Azules” zone. The results demonstrate the resource in this area is still open at depth with grades and widths consistent with the main resource.

Based on the encouraging results both at depth and along strike, the Company will commence planning in 2011 for a major expansion program for the mine. Together with the extensive surface and underground drill program mentioned above, this work will include all necessary geotechnical and engineering studies. Based on the continuity of mineralized intersections and favourable ground conditions, the Company believes that the deposit is suited to a low cost bulk mining scenario such as sub-level caving and long-hole stoping.

Since taking over the Aranzazu Mine in June 2008, the Company has completed 183,166 metres of drilling. Aura Minerals expects to complete another updated resource estimate in the second quarter of 2011.

Arapiraca Project

The Arapiraca Project is located in the central-southern part of the State of Alagoas, Brazil, approximately 15 kilometres northwest of the city of Arapiraca and currently consists of 53 exploration licences totalling 86,400 hectares and one application for a mining concession of 392 hectares.

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

Based on the positive results of the PEA Study, the Company has continued with variability testwork to finalize the process flowsheet prior to awarding a feasibility study contract. Grinding simulation testwork was completed in the third quarter of 2010 and final design criteria work is being completed in the second quarter of 2011. The contract to complete a feasibility study is expected to be awarded by the end of the second quarter of 2011, with full completion of this study expected in the first quarter of 2012. With all essential permits in place, and with the excellent infrastructure nearby the project, the Company expects to commence negotiations for project financing and development during 2012, with a construction decision to follow later that year.

Non-Core Exploration Properties

The Company’s non-core exploration land holdings consist of the Cumaru project, the Inaja Greenstone Belt (the “Inaja Project”) and the North Carajas Belt claims, located in the State of Para, Brazil

(collectively, the “Para Properties”). In light of their early exploration stage, the Company has placed little focus on the Para Properties and incurs minimal holding costs thereon. The Company is considering options on these properties, such as joint venture agreements or outright sales thereof. In 2009, the Company granted an option to Vale S.A. to earn up to a 70% interest in the Inaja Project (the “Inaja Option”).

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

5. OUTLOOK

In the first quarter of 2011, the gold price exhibited a continued high level of volatility but overall continued its upward trend, rising over 2% to \$1,439 per ounce at quarter-end. Subsequent to quarter end, the gold price spiked into the mid \$1,500’s, but most recently has been trading in the \$1,520 - \$1,540 per ounce range. Since breaching the \$1,400 per ounce price level in mid-February, gold has essentially been trading in a \$1,400 - \$1,550 per ounce band, with the lower level supported by continued investment demand and uncertainty surrounding the timing of the global economic recovery and the upper level capped by short-term rallies in the United States dollar on favourable economic and earnings data, implying possible lower demand for gold as a safe haven investment. Against this backdrop, the gold price in the first quarter of 2011 increased with oil prices due to the political and social upheaval in the Middle East and northern Africa and the tragic earthquake and tsunami in Japan. Taking into consideration these market fundamentals, the Company expects near and mid-term gold prices to remain well supported, albeit with a high degree of volatility.

The price of copper trended lower in the first quarter of 2011, falling 3% to \$4.30 per pound at quarter-end. Since the end of the first quarter, the copper price has continued to trend lower to the \$4.00 - \$4.15 per pound range as of the date of this MD&A. The main contributors to the 10% correction in copper price since the end of 2010 has been an upward trend in London Metals Exchange (“LME”) inventories, concerns over future Chinese demand given their efforts to slow the inflation rate, and the broad-based correction in commodities in early May.

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

Since acquiring the San Andres Mine, the Company has focused on several important capital projects and operational improvements aimed at optimizing gold recovery. These include the completion of the new primary crusher-conveyor system in the second quarter of 2010 followed by the completion of the leach pad expansion, the water treatment plant and installation of a new stacker system during the third

quarter of 2010. The impact of these projects on production and cash costs¹ was seen in the second half of 2010 and, despite lower gold recoveries, the first quarter of 2011. In 2011, the Company expects annualized production of between 72,000 and 78,000 ounces of gold with cash costs¹ in the range of \$700 – \$750 per ounce. Lowered revised production guidance for 2011 is a result of the processing of additional mixed ore in the year, which has lower process recoveries. Increased cash cost¹ guidance is the result of the lower production and the associated increases to consumption of cement, lime and cyanide as a result of the mixed ore. As indicated above in *“Review of Mining Operations and Development and Exploration Projects –San Andres Mine”*, mining of more heavily oxidized ore will commence in the second half of 2011 from the next phase of the Twin Hills pit and is expected to result in increased recoveries.

Throughout most of 2010, the waste-bound nature of the ore at the Sao Francisco Mine resulted in higher waste dilution and lower average head grades, and consequently lower gold ounce production and higher unit cash costs¹. Additionally, the continued strengthening of the Brazilian real adversely impacted mine site cash costs¹. As discussed in *“Review of Mining Operations and Development and Exploration Projects –Sao Francisco Mine”*, the waste stripping program which began in early December 2010 was substantially completed at the end of the first quarter 2011, and normal operations resumed early in the second quarter of 2011. Concurrent with this waste stripping program, other necessary operational improvements were completed to improve plant availability and ore throughput. Subsequent to quarter-end, April and May head grades for the crusher-gravity ore have increased by 71%, to 0.72 g/tonne over the average head grade processed in the period prior to the temporary shutdown. Crusher-gravity ore head grades are expected to increase further to 0.85 g/tonne for the balance of 2011, with fourth quarter grades averaging 1.00 g/tonne, and to 1.14 g/tonne for 2012. Combined with additional ore tonnages which result from the reconfigured pit, the new mine plan, and additional contractor’s equipment scheduled for arrival early in the third quarter, the Company expects significant improvements in production and reductions in cash costs¹ going forward. After mid-2012, the grades are expected to continue to improve which should further increase annual gold production. As a result, by mid-2012, annualized production is expected to be 100,000 ounces of gold per year at estimated cash costs¹ of between \$800 - \$1,000 per ounce. For the current year, however, taking into consideration the second quarter re-start and the typical leach cycle, the Company’s guidance for 2011 is 55,000 – 60,000 ounces of gold production for this operation with full year cash costs¹ averaging between \$1,150 - \$1,250 per ounce. However, the Company expects fourth quarter cash costs¹ to trend downward to between \$1,000 - \$1,100 per ounce.

Like the Sao Francisco Mine, the Sao Vicente Mine faces the same exposure to the strengthening Brazilian real. Given the impact on mining operations of the rainy season in the first quarter, and lower than expected equipment availability in the first quarter and for April and May 2011, the Company is reducing production guidance for the Sao Vicente Mine to between 42,000 – 45,000 ounces of gold for 2011, with estimated cash costs¹ of between \$1,250 and \$1,350 per ounce. The Company believes there

¹ A cautionary note regarding non-GAAP measures is included in Section 18 of this MD&A.

are several opportunities to improve operational performance at the Sao Vicente Mine, some of which were started in the second half of 2010 and certain others continue to be implemented in 2011, such as modifying the heap leach stacking system to improve recoveries and reviewing the current process plant to upgrade plant availability and increase recoveries. Accordingly, with improved head grades and improved operating efficiencies and productivities expected from the operational improvements taking effect, the Company expects decreases in future cash costs¹ beginning later in 2011 and into 2012.

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

Gold Production Estimates	
San Andres Mine	72,000 - 78,000 oz
Sao Francisco Mine	55,000 - 60,000 oz
Sao Vicente Mine	42,000 - 45,000 oz
Total	169,000 - 183,000 oz

Plant commissioning at the Aranzazu Mine was substantially completed in January and commercial production was declared effective February 1, 2011. However, due to mill start-up issues during the first quarter, the targeted nameplate throughput rate of 2,600 tonnes of ore per day was only achieved late in the first quarter. However, mechanical issues, mainly with the grinding mills, prevented the operation from sustaining this level of throughput subsequent to March 31, 2011. These issues have now been overcome and sustained ore throughput rates have risen steadily subsequent to quarter-end and reached 2,200 – 2,400 tpd by mid-May. Resolution of these mechanical issues, combined with the transition to more primary sulphide ore and less oxide material, will allow the Aranzazu Mine to improve copper recoveries and sustain design tonnages. As a result, the Company has revised its 2011 production and cash cost¹ guidance to between 11-12 million pounds of copper, and approximately 8,000 ounces of gold and 220,000 ounces of silver. Cash costs¹ are estimated at \$1.25 – 1.50 per payable pound of copper, net of by-product credits from gold and silver, once steady state production is achieved.

Capital expenditure guidance for the balance of 2011 is approximately \$27 million, of which \$1.6 million relates to the completion of the dedicated stripping program at the Sao Francisco Mine and \$11.7 million relates to underground development and other machinery and equipment at the Aranzazu Mine. Remaining 2011 capital expenditures also include approximately \$2.7 million at the Sao Francisco Mine, \$5.7 million at the Sao Vicente Mine and \$5.3 million at the San Andres Mine.

Exploration expenses are forecast to be approximately \$6.0 million for the balance of 2011, which primarily includes \$1.3 million at the Aranzazu Mine and approximately \$4.0 million on the Arapiraca Project feasibility study later in 2011.

¹ A cautionary note regarding non-GAAP measures is included in Section 18 of this MD&A.

The Company believes that the commodity price environment and prospects for its business remain favourable and that the asset base will commence generating positive operating cash flows in the second half of 2011.

6. RESULTS OF OPERATIONS

Sales

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

Results of operations for the Aranzazu Mine are included from February 1, 2011, the date commissioning was substantially complete and commercial production was declared. Costs incurred to that date, to bring the asset to the condition necessary for it to be capable of operating in the manner intended by management, less revenues incurred to that date, have been capitalized.

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

<i>(In thousands of dollars)</i>	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Sales	\$ 53,789	\$ 19,791
Cost of goods sold	51,519	10,932
Gross profit	\$ 2,270	\$ 8,859

Total net sales for the three months ended March 31, 2011 were \$53,789,000, inclusive of local sales taxes paid on sales at the Company's gold mines of \$531,000. The Company's gross revenue is comprised of sales of gold from the Company's gold mines of \$52,097,000 and copper concentrate sales from the Aranzazu Mine, from February 1, 2011, of \$2,223,000.

Of the gross gold sales of \$52,097,000, \$25,656,000 related to the San Andres Mine, \$12,688,000 related to the Sao Francisco Mine, and \$13,753,000 related to the Sao Vicente Mine. For the quarter ended March 31, 2011, the Company sold 37,512 gold ounces from the Company's gold mines at an average realized price of \$1,388 per ounce, which is slightly higher than the market average price for the same period of \$1,385 per ounce (London PM Fix).

Sales for the quarter at the Aranzazu Mine related to the shipment of 1,240 dry metric tonnes (“DMT”) of copper concentrate, of which 873 DMT related to the period after the declaration of commercial production. Total concentrate shipment revenues for the quarter were \$3,210,000 or \$2,589 per DMT. The total copper concentrate shipped contained 580,127 payable pounds of copper, 463 payable ounces of gold and 13,261 payable ounces of silver. The Company realized an average price of \$9,664 per tonne (\$4.38 per pound) of copper, excluding the impact of quarter-end price adjustments, and average realized prices for gold and silver were \$1,383 per ounce and \$31.85 per ounce, respectively. Revenue related to concentrate shipments for the three months ended March 31, 2011 is comprised as follows:

<i>(In thousands of dollars)</i>	For the three months ended March 31, 2011
Copper revenue, net of treatment and refining charges	\$ 2,205
Gold by-product revenue	640
Silver by-product revenue	422
Price adjustments recorded	(57)
Total revenue	\$ 3,210
Less: pre-production revenue applied against property, plant and equipment cost	(987)
Total revenue recorded in the statement of income	\$ 2,223

Of the concentrate sales made in the first quarter, 367 DMT containing 183,223 payable pounds of copper, 153 ounces of gold and 3,313 ounces of silver, were sold prior to the declaration of commercial production on February 1, 2011. As indicated above, the net revenue related to these sales of \$987,000 was applied against the cost of the property, plant and equipment for the period and was not included in the statement of income.

Total net sales for the quarter ended March 31, 2010 were \$19,791,000 and consisted solely of 18,034 gold ounces from the San Andres Mine at an average realized price of \$1,097 per ounce.

Cost of Goods Sold and Gross Profit

For the three months ended March 31, 2011, the Company recorded total cost of goods sold of \$51,519,000, of which \$46,541,000 related to the cost of gold sold from the Company’s gold mines and \$4,978,000 related to the cost of copper concentrate sold in the period.

Cost of goods sold on gold sales of \$46,541,000 included cash operating costs of \$36,015,000 or \$960 per ounce and non-cash depletion and amortization charges for the quarter of \$10,526,000 or \$281 per ounce. On a per gold ounce basis, total cost of goods sold was \$1,241 per ounce.

Cost of goods sold on copper concentrate, from February 1, 2011, included cash costs of concentrate sold of \$3,844,000 or \$4,403 per DMT of concentrate and included a write-down of \$1,705,000, or \$1,953 per DMT, to bring inventory to its net realizable value. Together with the non-cash depletion and amortization for the period of \$1,134,000 or \$1,299 per DMT, total cost of goods sold relating to copper concentrate sales was \$4,978,000 or \$5,702 per DMT.

Cost of goods sold for the three months ended March 31, 2010 of \$10,932,000 relates entirely to gold sales at the San Andres Mine and includes cash costs of \$9,493,000 or \$526 per ounce, and non-cash depletion and amortization charges totalling \$1,439,000 or \$80 per ounce.

For the quarter ended March 31, 2011, the Company recorded gross profit of \$2,270,000, as compared to gross profit of \$8,859,000 for the same period in 2010.

Other Expenses and Operating Loss

Other expenses for the three months ended March 31, 2011 include general and administrative expenses of \$6,969,000 and exploration expenses of \$3,893,000. For the three months ended March 31, 2010, other expenses included general and administrative expenses of \$6,233,000 and exploration expenses of \$5,092,000.

General and administrative expenses for the three months ended March 31, 2011 of \$6,969,000 relate primarily to the running of the Company's corporate offices in Canada and Brazil and include: salaries, wages and benefits of \$2,361,000; share-based payment expense of \$1,944,000; professional and consulting fees of \$979,000; and general and administrative expenses of \$739,000. The remaining \$946,000 relates to other general expenditures, which include travel expenses, directors' fees, investor relations and filing fees, and amortization expense.

General and administrative expenses for the three months ended March 31, 2010 of \$6,233,000 include only costs associated with the corporate offices in Canada and include: salaries, wages and benefits of \$1,380,000; share-based payment expense of \$1,897,000; transaction costs associated with the Brazilian Mine Acquisition of \$1,297,000; professional and consulting fees of \$413,000; and general and administrative expenses of \$484,000. The remaining \$762,000 relates to other general expenditures, which include travel expenses, directors' fees, investor relations and filing fees, and amortization expense.

For the three months ended March 31, 2011, the Company incurred \$3,893,000 in exploration costs, consisting of \$898,000 related to the Arapiraca Project, \$1,194,000 relating to the Aranzazu Mine, \$1,494,000 relating to the Brazilian Mines, \$215,000 relating to the San Andres Mine, and \$92,000 on other non-core projects.

For the quarter ended March 31, 2010, the Company incurred \$5,092,000 in exploration costs, consisting of \$3,234,000 related to the Arapiraca Project, \$1,264,000 related to the Aranzazu Mine, \$468,000 related to the Brazilian Mines, and \$126,000 on other non-core projects.

For the three months ended March 31, 2011, the Company recorded an operating loss of \$8,592,000, which compares to an operating loss of \$2,466,000 for the three months ended March 31, 2010.

Finance and Other Income and Expenses, Taxes, and Net Profit (Loss)

For the three months ended March 31, 2011, the Company incurred finance costs of \$1,289,000, recorded interest and other income of \$165,000, recorded a gain on the restructuring of its contractual obligations of \$17,009,000 (See *Corporate Developments and Significant Transactions Affecting Results of Operations – Restructuring of Contractual Obligations*"), and recorded other net gains of \$829,000. For the three months ended March 31, 2010, the Company incurred finance costs of \$473,000, recorded interest and other income of \$104,000, and recorded other net gains of \$2,400,000.

Finance costs for the three months ended March 31, 2011 of \$1,289,000 included \$737,000 in accretion expense on the Company's provisions for mine closure and restoration and other long-term liabilities, and \$481,000 in interest expense on the promissory notes payable. Finance costs for the three months ended March 31, 2010 of \$473,000 included \$253,000 in accretion expense on the mine closure and restoration provisions and other long-term liabilities, and \$218,000 in interest expense on the promissory notes payable.

Interest and other income for the three months ended March 31, 2011 and 2010 of \$165,000 and \$104,000, respectively, primarily consists of interest income on the Company's cash and cash equivalents.

Other gains for the three months ended March 31, 2011 of \$829,000 consisted primarily of foreign exchange gains of \$1,253,000, an unrealized loss of \$712,000 on the Company's copper collar contracts, and a gain on the undesignated portion of the Company's cash flow hedges of \$390,000. Other gains for the three months ended March 31, 2010 totalled \$2,400,000 and consisted solely of foreign exchange gains.

Income tax expense for the three months ended March 31, 2011 totalled \$3,759,000 and consisted of \$2,659,000 in current income tax expense related to the San Andres Mine, and \$1,100,000 in deferred income tax expense, which included a charge of \$1,650,000 related to the tax impact of the gain recorded on the restructuring of contractual obligations. Income tax expense for the three months ended March 31, 2010 totalled \$910,000 and consisted of \$2,386,000 in current income tax expense related to the San Andres Mine and \$1,081,000 in foreign exchange losses on the translation of foreign deferred tax liabilities into the Company's reporting currency, offset by deferred income tax recovery of \$395,000.

For the three months ended March 31, 2011, the Company recorded a profit of \$4,363,000, which compares to a loss of \$1,345,000 for the three months ended March 31, 2010.

Other comprehensive income

Other comprehensive loss for the three months ended March 31, 2011 totalled \$1,053,000 and consisted of a loss on the translation of foreign subsidiaries from their functional currencies into the Company's reporting currency of \$908,000, and a change in fair value on the Company's cash flow hedges, net of tax impact, of \$145,000. Other comprehensive income for the three months ended March 31, 2010 totalled \$4,357,000 and consisted solely of a gain on the translation of foreign subsidiaries.

7. SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited interim consolidated financial information for the Company for each of the eight most recently completed quarters. Each of the 2010 quarters below have been restated to include relevant adjustments on the Company's transition to IFRS while the 2009 financial information is presented in accordance with Canadian GAAP and was not required to be restated to IFRS.

For the Quarters Ended: (In thousands of US dollars, except per share information)	March 31, 2011 (unaudited)	December 31, 2010 (unaudited)	September 30, 2010 (unaudited)	June 30, 2010 (unaudited)	March 31, 2010 (unaudited)	December 31, 2009 (unaudited)	September 30, 2009 ⁽³⁾ (unaudited) (restated)	June 30, 2009 ⁽³⁾ (unaudited) (restated)
Sales revenue	53,789	57,735	47,550	38,576	19,791	19,601	6,855	Nil
Working capital ⁽⁴⁾	42,303	50,202	81,906	105,218	153,249	40,526	57,780	30,642
Property, plant and equipment	375,445	358,710	370,061	358,250	200,277	182,627	169,173	89,345
Profit (loss) ⁽¹⁾	4,363	(26,369)	(18,062)	(12,625)	(1,345)	(5,911)	(13,173)	(3,556)
Profit (loss) per share (basic and diluted) ⁽²⁾	\$ 0.02	\$ (0.13)	\$ (0.09)	\$ (0.06)	\$ (0.01)	\$ (0.04)	\$ (0.09)	\$ (0.03)

(1) For the quarter ended March 31, 2011, inclusive of a gain on the restructuring of contractual obligations of \$17,009,000 and related deferred tax expense of \$1,650,000. For the quarter ended December 31, 2010, net of impairment charges of \$24,957,000. For the quarter ended March 31, 2009, net of an impairment charge of \$8,167,000 and a related deferred income tax recovery of \$2,777,000.

(2) For quarters ending prior to March 31, 2011, net loss per share on a diluted basis is the same as net loss per share on an undiluted basis, as all factors, which were considered in the calculation, are anti-dilutive.

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

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

The factors that have caused period to period variations include: several significant financings over the periods presented; the acquisition of the San Andres Mine on August 25, 2009; and the acquisition of the Brazilian Mines on April 30, 2010. Results for the quarters commencing with the quarter ended September 30, 2009 include revenues and operating expenses of the San Andres Mine acquired on August 25, 2009. Quarterly results for the quarters commencing with the quarter ended June 30, 2010 include revenues and operating expenses of the Brazilian Mines acquired on April 30, 2010. Operating costs at the Aranzazu Mine for the quarters ended June 30, 2009 and September 30, 2009 are reflected as costs of operations in care and maintenance. Operating costs at the Aranzazu Mine for the period from October 1, 2009 through January 31, 2011 were capitalized into assets under construction within property, plant and equipment as the mine was under construction during this period. Quarterly results for the quarter ended March 31, 2011 reflect revenues and operating expenses of the Aranzazu Mine from February 1, 2011, the date commissioning was substantially complete and commercial production was declared.

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

8. LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents generated from operating activities during the three months ended March 31, 2011 were \$3,455,000 (2010: \$3,705,000). Cash and cash equivalents used in investing activities during the same period were \$26,244,000 (2010: \$6,931,000), and consisted solely of the acquisition of property, plant and equipment for cash.

Cash and cash equivalents used in financing activities during the three months ended March 31, 2011 were \$3,554,000, and primarily included the \$5,000,000 in cash paid on the restructuring of the Company's contractual obligations, as further described in "*Corporate Developments and Significant Transactions Affecting Results of Operations – Restructuring of Contractual Obligations*", net of \$1,911,000 in cash proceeds generated from the exercise of warrants in the period. Cash generated from financing activities for the three months ended March 31, 2010 totalled \$68,469,000 and primarily included \$66,470,000 in net proceeds on the public offering completed in February 2010, and \$1,833,000 in proceeds on the exercise of warrants in the period. Cash and cash equivalents at March 31, 2011 consist primarily of interest-bearing cash deposit accounts held with major financial institutions. The Company believes that it is not exposed to significant credit risk on these financial instruments.

Included in cash and cash equivalents at March 31, 2011 are \$2,802,000 denominated in Canadian dollars, \$1,585,000 denominated in Brazilian reais, \$921,000 denominated in Honduran lempiras and \$495,000 denominated in Mexican pesos, which are subject to foreign currency rate fluctuations. The Company's remaining cash and cash equivalents are denominated in United States dollars and are not subject to foreign currency rate fluctuations. In conducting operations, the Company makes payments as appropriate from time to time in each of the above currencies and all proceeds of gold and copper concentrate sales are received in United States dollars. Accordingly, depending upon the planned spending levels on its Brazilian properties, and depending upon the timing of expenditures and receipts at the San Andres Mine, the Brazilian Mines, and the Aranzazu Mine operations, the Company will be subject to foreign currency rate fluctuations between these currencies and the United States dollar.

During the three months ended March 31, 2011, the Company completed commissioning of the Aranzazu Mine plant and re-commenced operations. Total capital expenditures incurred in the period on the Aranzazu Mine infrastructure and mine development were \$6.9 million, of which \$0.8 million related to capitalized stripping costs at the mine's open pits. For the remainder of 2011, the Company expects that the cost of underground mine development and other machinery and equipment at the Aranzazu Mine will be approximately \$11.7 million.

Other significant capital expenditures made in the three months ended March 31, 2011 included \$6.3 million in equipment and infrastructure at the Brazilian Mines and \$13.5 million in deferred stripping costs at the Sao Francisco Mine. The deferred stripping campaign at the Sao Francisco Mine was substantially completed as of March 31, 2011. A further \$1.6 million is expected for the completion of the stripping campaign in the second quarter. Remaining 2011 capital expenditures also include an estimated \$2.7 million at the Sao Francisco Mine, \$5.7 million at the Sao Vicente Mine and \$5.3 million at the San Andres Mine.

Exploration spending in the three months ended March 31, 2011 totalled \$3.9 million and for the remainder of 2011, exploration is expected to be approximately \$6.0 million, of which \$1.3 million is expected to be incurred at the Aranzazu Mine. Additionally, the Company expects to spend approximately \$5.0 million for the Arapiraca Project feasibility, of which \$4.0 million is expected to be incurred in the second half of 2011.

During the three months ended March 31, 2011, the Company sought and obtained the Credit Facility in order to ensure added flexibility and liquidity during the first half of 2011 while the Aranzazu Mine ramps up to full production levels. As of the date of this MD&A, the Company has drawn down \$20 million on the Credit Facility, leaving \$5 million available for draw down in future periods.

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

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

9. CONTRACTUAL OBLIGATIONS

For the three months ended March 31, 2011 and as of June 14, 2011, the Company has not entered into any contractual obligations that are outside of the ordinary course of business.

The Company's contractual obligations included the following as at March 31, 2011:

<i>(In thousands of US dollars)</i>	Total	2011	2012-2013	2014-2015	After 2015
NSR Royalty	\$ 12,500	\$ Nil	\$ 12,500	\$ Nil	\$ Nil
Operating leases (premises and other)	759	387	372	Nil	Nil
Capital lease obligations	12	12	Nil	Nil	Nil
Commitments related to capital projects ongoing	4,687	4,687	Nil	Nil	Nil
Mine closure and restoration	39,611	1,278	3,924	28,788	5,621
Total contractual obligations	\$ 57,569	\$ 6,364	\$ 16,796	\$ 28,788	\$ 5,621

The above table includes the Company's estimated obligation to reclaim the San Andres Mine, the Brazilian Mines, and the Aranzazu Mine following completion of mining activities at those sites. The Company has engaged specialized environmental consultants familiar with the Company's operations to provide estimates of the costs necessary to comply with existing reclamation standards in Brazil, Mexico and Honduras and to estimate the Company's mine closure and restoration obligations at each location. Based on the specialists' conclusions, the undiscounted amounts of the estimated obligations for restoration and closure of the operations, adjusted by estimated annual inflation at each location, are approximately \$39,611,000. While IFRS requires the Company to recognize the fair value for the mine closure and restoration obligation using a risk-free discount rate, the amount reflected in the above table represents the undiscounted amounts estimated at the time of payment. Ongoing reclamation costs incurred as part of normal mining operations are expensed as incurred.

On March 18, 2011, the Company secured a revolving Credit Facility for up to \$25,000,000 to be used for working capital purposes at the Aranzazu Mine and general corporate purposes. As of March 31, 2011, the Company had not drawn on the Credit Facility, but as of the date of this MD&A, the Company had drawn \$20 million. The Credit Facility matures on June 30, 2013.

The NSR Royalty is payable at 1.5% on the sales from the San Andres Mine and the Brazilian Mines, 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 has recorded this NSR Royalty at its estimated fair value of \$12,500,000 and has reflected this amount in the 2012-2013 period in the above table.

Other contractual obligations include an underlying 1% NSR royalty on copper production from the Aranzazu Mine, when, during any calendar month, the monthly average copper price as quoted by the LME equals or exceeds \$2.00 per pound, and underlying NSR's of 1.0% on gold, 0.75% on copper and 4% on all other mineral production from the Arapiraca Project. The Company also has NSR's on certain of its non-core projects.

10. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of March 31, 2011, other than as described in "Contractual Obligations", relating to certain royalty obligations in respect of the Aranzazu Mine, the Arapiraca Project and certain other non-core projects.

11. TRANSACTIONS WITH RELATED PARTIES

During the three months ended March 31, 2011, the Company was not party to any transactions with related parties, except as described in *"Corporate Developments and Significant Transactions Affecting Results of Operations – Restructuring of Contractual Obligations"*, whereby the Company completed the restructuring of certain obligations arising from the acquisition of the San Andres Mine and the Brazilian Mine Acquisition. This restructuring was considered a related party transaction given that the Company and Yamana have one common director, who recused himself from participating in the decisions and

voting matters with respect to the transaction, and that Yamana beneficially owned and exercised control over 23,344,261 common shares of the Company, representing approximately 11.2% of the common shares outstanding prior to the Debt Restructuring. Following the Debt Restructuring, Yamana currently owns and exercises control over 43,775,374 common shares of the Company, representing approximately 19.3% of the common shares outstanding.

12. PROPOSED TRANSACTIONS

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

13. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Effective January 1, 2011, the Canadian Accounting Standards Board required all public companies in Canada to adopt IFRS for interim and annual financial statements beginning on or after January 1, 2011. As the Company is required to present comparative financial information, the effective transition date for conversion to IFRS was January 1, 2010. The Company's first reporting period under IFRS is the three months ended March 31, 2011.

The Company has completed its IFRS conversion process, which included a scoping and planning phase, preparation of detailed assessments of IFRS standards and transition adjustments, and implementing the adjustments and changes within each of the Company's operations. On an ongoing basis, the Company will continue to monitor the preparation of financial information in accordance with IFRS, as well as continue to monitor ongoing changes in the IFRS standards which may impact the Company's reporting in future periods. The International Accounting Standards Board is currently working on several projects which could result in new or revised IFRS standards or IFRIC interpretations that could have an impact on the Company's financial reporting in future periods.

Note 30 to the Financial Statements includes further details on the significant transition adjustments between Canadian accounting principles and IFRS, and details on the Company's decisions on first-time adoption exemptions and accounting policies under IFRS are included in notes 2 and 3 of the Financial Statements, respectively.

Transition adjustments

As a result of the transition to IFRS, the Company recorded the following adjustments to shareholders' equity as of January 1, 2010, March 31, 2010 and December 31, 2010:

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

The changes made to previously reported comprehensive income (loss) for the three months ended March 31, 2010 and the year ended December 31, 2010 were as follows:

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

The Company's statement of cash flows did not change significantly under IFRS. The Company has presented interest paid on long-term debt as a financing activity, whereas under Canadian GAAP it was recorded as an operating activity. This change resulted in \$221,000 in interest payments being reclassified from operating to financing cash flows. There was no net impact on cash and cash equivalents as the result of this change.

Financial statement presentation

The Company has made several changes to its financial statement presentation as a result of adopting IFRS. The key changes are as follows:

- *Balance sheet classifications:* The Company has reclassified its resource properties, previously shown separately on the balance sheet, to either property, plant and equipment or intangible assets, depending on the nature of the asset. Goodwill is also presented within intangible assets on the balance sheet.
- *Income statement:* Under IFRS, the Company has chosen to present its income statement by function. As a result, amortization and depletion expenses are now included within either cost of goods sold or general and administrative expenses, and certain items which were previously presented separately on the Company's previously issued financial statements, such as stock-based compensation expense, are now shown within general and administrative expenses.
- *Finance costs:* Under IFRS, finance costs includes interest expense on debt, accretion expense related to the Company's provisions for mine closure and restoration, accretion expense related to other long-term liabilities, and any financing-related transaction costs. Previously, the Company had shown some of these items separately on the face of the financial statements.

Internal control activities

As a result of the changes in the Company's policies and procedures in the conversion to IFRS, the Company assessed the effectiveness of its internal controls over financial reporting and disclosure controls under the new accounting standards and did not identify any significant changes that were

required. During 2010, the Company's senior management and Audit Committee reviewed the accounting policies under IFRS and reviewed all of the transitional adjustments.

Information technology and systems

The transition to IFRS did not have a significant impact on the Company's information and technology systems, and does not expect any significant changes in future periods as a result of applying IFRS.

Business activities

The Company's transition to IFRS did not have a significant impact on its key performance indicators or ratios.

14. CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities as well as the reported revenues and expenses during the reporting period. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. The Company's accounting policies relating to work-in-process inventory valuation, depreciation and depletion of mineral property, plant and equipment and site reclamation and closure accruals are critical accounting policies that are subject to estimates and assumptions regarding reserves, recoveries, future metal prices and future mining activities. All estimates used are subject to periodic review and are adjusted as appropriate. Life of mine plans are prepared each year, so all estimates relating to mining activities, reserves, recoveries and gold prices are re-assessed annually, or more frequently as determined by management. Different assumptions would result in different estimates and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the unaudited interim consolidated financial statements materially and involve a significant level of judgment by management.

The Company's significant accounting policies are described in note 3 to the Financial Statements. Management's critical accounting estimates are applied in the accounting for provisions for mine closure and restoration, allocation of the purchase price for the Brazilian Mines, including any related goodwill, the impairment of long-lived assets and goodwill, and determination of proven and probable reserves.

Provisions for mine closure and restoration

The amounts recorded for mine closure and restoration obligations are based on estimates prepared by third party environmental specialists, if available, in the jurisdictions in which the Company operates or by environmental specialists within the Company. These estimates are based on remediation activities that are required by environmental laws, the expected timing of cash flows, and the credit-adjusted risk-free interest rate on which the estimated cash flows have been discounted. These estimates also include an assumption on the rate at which costs may inflate in future periods. Actual results could

differ from these estimates. The estimates on which these fair values are calculated require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices.

Determination of the fair values of assets acquired and liabilities assumed in business combinations

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

Impairment of long-lived assets

Management of the Company reviews and evaluates the carrying value of long-lived assets for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. If the total estimated future cash flows on a discounted cash flow basis are less than the carrying amount of the asset, an impairment loss is measured and assets are written down to fair value. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a long-lived asset is impaired, it is written down to its estimated fair value.

For the three months ended March 31, 2011, the Company did not identify any indicators of impairment for any of its long-lived assets, and as such no impairment analysis was prepared for the quarter.

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

Management's estimates of mineral prices, mineral resources, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of deferred mineral property costs. Although management has made its best estimate of these factors, it is possible that

material changes could occur, which may adversely affect management's estimate of the net cash flows expected to be generated from its properties.

15. FINANCIAL INSTRUMENTS AND DERIVATIVES

Financial instruments

Financial instruments that potentially subject the Company to interest rate and credit risk consist of cash and cash equivalents, accounts receivable, and long-term debt. In order to manage credit risk, the Company deposits cash and cash equivalents with high credit quality financial institutions.

As at March 31, 2011, the Company had not drawn down any amounts under the Credit Facility, however subsequent to the quarter-end, the Company drew down a total of \$20,000,000. The Credit Facility bears interest at LIBOR plus 2.75% and matures on June 30, 2013. Pursuant to the terms of the Credit Facility, the Company is required to maintain a total debt/EBIDTA ratio of not more than one to one for each reporting period, with the first reporting period being June 30, 2011.

As at March 31, 2011, the Company's credit risk is primarily related to the recovery of value added taxes and trade accounts receivable. The Company's \$5,861,000 in trade accounts receivable includes \$4,369,000 in gold sales at the Brazilian Mines, and \$1,201,000 related to copper concentrate sales at the Aranzazu Mine, each of which are due from a single customer. Of the \$9,447,000 in value added taxes receivable at March 31, 2011, \$2,525,000 is due in Honduras, \$6,792,000 is due in Mexico, and \$130,000 is due in Canada.

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

The Company is subject to credit risk related to trade receivables from the sale of metal in concentrate as its sale of concentrate to date has generally been made to a single customer. The Company believes that its credit risk exposure on sales of concentrate is limited as the Company sells its product to a large, international purchaser with a high credit rating whose historical level of default is minimal.

The Company is subject to price risk from fluctuations in market prices of gold, copper and other metals. In addition, in respect of metals in concentrate, there is a time lag between the time of initial payment on shipment and final settlement pricing, and changes in the price of gold, copper and other metals during this period impact the Company's revenues and working capital position. During and subsequent to the quarter, and 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 on June 30, 2013. This hedging requirement represents approximately 25% of the Aranzazu Mine's estimated production during this period and the instruments utilized by the Company to implement the program are zero-cost put/call collars.

A 10% change in the average gold price for the period, with all other variables held constant, would have impacted the Company's income for the three months ended March 31, 2011 by \$4,612,000. With the

Aranzazu Mine just having completed commissioning during the quarter, a 10% change in the average copper price for the period, with all other variables held constant, would have impacted the Company's income for the three months ended March 31, 2011 by \$175,000. A 10% change in the price of silver would not have a significant impact on the Company's income for the period.

Foreign exchange

As the Company's primary operating activities are in Honduras, Mexico and Brazil, foreign exchange risk exposures arise from transactions denominated in foreign currencies. Financial instruments that impact the Company's net loss or other comprehensive loss due to currency fluctuations include: cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities denominated in Canadian dollars, Honduran lempiras, Brazilian reais or Mexican pesos. The Company's net revenues from its Honduran, Brazilian and Mexican operations, including treatment charges and royalties are substantially denominated in United States dollars, however, the majority of all other operating expenses are in Honduran lempiras, Brazilian reais and Mexican pesos, respectively. At March 31, 2011, the Company had cash and cash equivalents of \$9,301,000, of which \$2,802,000 was held in Canadian dollars, \$3,497,000 in United States dollars, \$1,585,000 in Brazilian reais, \$921,000 in Honduran lempiras, and \$495,000 in Mexican pesos. The Company has limited exposure to fluctuations of the Honduran lempira, as this currency is pegged to the United States dollar; however, significant fluctuations in the Mexican peso, Brazilian real, or Canadian dollar could expose the Company to currency risk.

Cash flow hedges

In light of the Brazilian Mine Acquisition, the Company established a hedging facility during the first quarter of 2010, such that it will be able to enter into financial instruments to hedge against the risk of an increase in the value of the Brazilian real against the United States dollar. During the second quarter of 2010, the Company entered into several forward contracts to hedge against the risk of an increase in the value of the Brazilian real versus the United States dollar, with respect to a portion of the expected real-denominated operating expenditures at the Brazilian Mines. The contracts which remained unsettled as of March 31, 2011 were as follows:

Year of Settlement	Brazilian Real Notional Amount	Contract Fixed Rate
	<i>(In thousands)</i>	
2011	R\$ 22,825	2.07500
2012	R\$ 11,006	2.20120
	R\$ 33,831	2.11450

The Company's forward currency contracts were designated as hedges and have been accounted for as cash flow hedges. For the three months ended March 31, 2011, the Company recognized realized gains on the effective portion of cash flow hedges of \$620,000 which were reclassified from other comprehensive income into the statement of income in the quarter, net of deferred income taxes of \$177,000. In addition, the Company recognized unrealized gains of \$415,000 in the quarter ended March 31, 2011, which were recorded in other comprehensive income, net of a future income tax impact of \$117,000.

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

Copper collar contracts

On March 29, 2011, and April 12, 2011, the Company entered into contracts with Barclay's PLC to hedge a total of 6,000 tonnes of copper from the Aranzazu Mine between May 1, 2011 and June 30, 2013. The derivative instruments entered into were in the form of zero-cost put/call collars with a floor price of \$3.25 per pound of copper and a ceiling price averaging \$5.08 per pound of copper. These instruments were entered into to satisfy the Company's hedging requirements under the terms of the Credit Facility.

These derivatives are not designated as hedges by the Company, and are marked to their market values at the end of each reporting date. Adjustments to the market value are included in the statement of income in other gains and losses. For the three months ended March 31, 2011, the Company recorded a loss of \$712,000 with respect to the forward contracts for 3,000 tonnes of copper which were outstanding as of this date.

16. CORPORATE GOVERNANCE

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

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

17. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting

The Company's management is responsible for designing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS. Based on a review of the internal control procedures as of December 31, 2010, and as there were no changes in ICFR in the three months ended March 31, 2011 which have materially affected or are reasonably likely to materially affect ICFR, management of the Company believes its internal controls and procedures are appropriately designed and operate effectively in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Disclosure controls and procedures

The Company's management is also responsible for the design and effectiveness of disclosure controls and procedures ("DC&P") to provide reasonable assurance that material information related to the Company is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2010 and have concluded that these procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them. There were no changes in DC&P in the three months ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, its ICFR.

Limitation of scope

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

18. NON-GAAP PERFORMANCE MEASURES

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

Cash costs per ounce of gold produced and per pound of copper produced

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

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

<i>(In thousands of dollars except for ounces of gold and total cash cost per ounce)</i>	For the quarter ended March 31, 2011	For the quarter ended March 31, 2010
Cost of goods sold	\$ 46,541	\$ 10,932
Less: Amortization and depletion	(10,526)	(1,439)
Inventory movements and adjustments	(5,878)	21
Total cash cost	\$ 30,137	\$ 9,514
Gold ounces produced	34,169	19,299
Average cash cost per ounce of gold produced	\$ 882	\$ 493

The following table provides a reconciliation from the Financial Statements to the total cash cost per pound of payable copper produced:

<i>(In thousands of dollars except for pounds of copper and total cash cost per pound)</i>	For the period February 1 to March 31, 2011	For the quarter ended March 31, 2010
Cost of goods sold	\$ 4,978	\$ -
Less: Amortization and depletion	(1,134)	-
Inventory movements and adjustments	590	-
Cash production costs	\$ 4,434	\$ -
Less: Estimated by-product credits	(1,620)	-
Plus: Estimated selling costs	352	-
Total cash costs net of by-product credits	\$ 3,166	-
Payable copper pounds produced	649,800	-
Average cash cost per payable copper pound produced	\$ 4.87	\$ -

Adjusted earnings or loss and adjusted earnings or loss per share

Adjusted earnings or loss and adjusted earnings or loss per share are calculated by taking the Company's net profit (loss) and excluding the following items net of any tax impact: (a) non-recurring revenue and expense items; (b) share-based payment expense; (c) unrealized foreign exchange gains and losses; (d) unrealized gains and losses on derivative financial instruments; and (e) impairment losses. A reconciliation of net earnings or loss to adjusted earnings or loss and adjusted earnings or loss per share is included under the heading "First Quarter 2011 Financial and Operating Highlights".

19. RISK FACTORS

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

20. DISCLOSURE OF SHARE DATA AS AT JUNE 14, 2011

- (a) shares authorized: an unlimited number of common shares without par value.
- (b) shares issued and outstanding: 227,331,039 common shares.
- (c) stock options outstanding as at June 14, 2011:

Expiry Date	Exercise Price (C\$)	Outstanding Stock Options
July 23, 2011	3.23	10,000
July 25, 2011	2.50	240,000
August 15, 2011	5.80	47,500
August 20, 2011	3.16	37,500
August 22, 2011	3.75	16,000
August 22, 2011	0.775	7,500
August 22, 2011	3.50	1,250
August 31, 2011	3.84	25,000
October 31, 2011	3.16	50,000
December 31, 2011	4.95	360,000
December 31, 2011	3.50	100,000
March 30, 2012	3.85	360,000
March 30, 2012	3.75	916,000
May 17, 2012	5.90	400,000
May 31, 2012	4.63	250,000
June 26, 2012	7.10	100,000
July 16, 2012	6.90	50,000
July 19, 2012	7.85	460,000
August 23, 2012	5.90	30,000
September 25, 2012	6.60	30,000
December 6, 2012	5.80	12,400
January 28, 2013	4.95	420,000
January 29, 2013	4.95	120,000
February 8, 2013	5.30	140,000
May 13, 2013	7.50	900,000

Expiry Date	Exercise Price (C\$)	Outstanding Stock Options
August 14, 2013	5.35	183,000
December 30, 2013	0.775	2,572,665
September 11, 2014	3.16	780,000
October 19, 2014	3.26	20,000
November 2, 2014	3.23	760,000
December 14, 2014	4.19	80,000
February 8, 2015	3.63	90,000
February 17, 2015	3.91	90,000
March 15, 2015	4.00	200,000
March 29, 2015	3.84	131,250
April 9, 2015	3.50	2,050,000
April 12, 2015	3.52	60,000
April 19, 2015	3.34	100,000
May 28, 2015	4.24	90,000
June 7, 2015	4.25	250,000
August 20, 2015	3.70	240,000
September 7, 2015	3.70	270,000
November 19, 2015	3.74	70,000
December 1, 2015	3.84	80,000
December 10, 2015	3.98	400,000
December 13, 2015	3.98	100,000
January 10, 2016	3.68	320,000
April 11, 2016	2.63	20,000
April 12, 2016	2.63	1,518,000
Total:		15,558,065

(d) as of June 14, 2011 there were no warrants outstanding.

21. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains or incorporates by reference “forward-looking information” under applicable Canadian securities legislation. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking statements, including any information as to the Company’s strategy, plans or future financial or operating performance. Forward-looking statements are characterized by words such as “plan,” “expect”, “budget”, “target”, “project”, “intend”, “believe”, “anticipate”, “estimate” and other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to, the impact of

general business and economic conditions, global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future conditions, fluctuating metal prices (such as gold, copper, silver, nickel and iron ore), currency exchange rates (such as the Canadian dollar, Brazilian real, Mexican peso and the Honduran lempira versus the United States Dollar), possible variations in ore grade or recovery rates, changes in accounting policies, changes in the Company's corporate resources, changes in project parameters as plans continue to be refined, changes in project development and production time frames, the possibility of project cost overruns or unanticipated costs and expenses, higher prices for fuel, steel, power, labour and other consumables contributing to higher costs and general risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, unexpected changes in mine life, final pricing for concentrate sales, unanticipated results of future studies, seasonality and unanticipated weather changes, costs and timing of the development of new deposits, success of exploration activities, successful completion of proposed acquisitions, permitting time lines, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation and labour disputes, as well as those risk factors discussed or referred to in the Company's AIF under the heading "*Item 4 – Risk Factors*". Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and results as at and for the periods ended on the dates presented in the Company's plans and objectives and may not be appropriate for other purposes.

22. ADDITIONAL INFORMATION

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