



Aura Minerals Inc.

AURA MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2009

Dated as of May 12, 2009

TABLE OF CONTENTS

1.	DATE OF MD&A AND OTHER INFORMATION	3
2.	COMPANY HIGHLIGHTS AND OVERALL PERFORMANCE	3
3.	REVIEW OF OPERATIONS AND PROJECTS	4
4.	RESULTS OF OPERATIONS.....	8
5.	SUMMARY OF QUARTERLY RESULTS.....	10
6.	LIQUIDITY AND CAPITAL RESOURCES.....	11
7.	CONTRACTUAL OBLIGATIONS.....	12
8.	OFF-BALANCE SHEET ARRANGEMENTS.....	13
9.	TRANSACTIONS WITH RELATED PARTIES.....	13
10.	PROPOSED TRANSACTIONS.....	13
11.	CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION	13
12.	CRITICAL ACCOUNTING ESTIMATES	14
13.	FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS.....	15
14.	CORPORATE GOVERNANCE	16
15.	DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING	16
16.	INTERNATIONAL FINANCIAL REPORTING STANDARDS.....	17
17.	ENVIRONMENTAL RISK MANAGEMENT	17
18.	RISK FACTORS	18
19.	DISCLOSURE OF SHARE DATA AS AT MAY 12, 2009.....	18
20.	FORWARD-LOOKING STATEMENTS.....	19
21.	ADDITIONAL INFORMATION.....	20

1. DATE OF MD&A AND OTHER INFORMATION

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, 2009 and related notes thereto (the "Financial Statements") which have been prepared in accordance with Canadian generally accepted accounting principles. In addition, this MD&A should be read in conjunction with the 2008 audited consolidated financial statements, the related management discussion and analysis and the 2008 Annual Information Form ("AIF") as well as other information relating to Aura Minerals as filed on SEDAR at www.sedar.com. All figures are in Canadian dollars unless otherwise noted.

This MD&A has been prepared as at May 12, 2009 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, 2009.

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.

2. COMPANY HIGHLIGHTS AND OVERALL PERFORMANCE

Aura Minerals is a widely-held Canadian resource company listed on the Toronto Stock Exchange (trading symbol: ORA) that owns the Aranzazu copper-gold-silver mine in Zacatecas, Mexico (the "Aranzazu Project") and is also developing its advanced stage Serrote de Laje copper-gold-iron ore deposit (the "Serrote Deposit") and secondary "Coboclo Deposit" at its wholly-owned Arapiraca project (the "Arapiraca Project") in the State of Alagoas, Brazil. The Company also has extensive exploration land holdings in Brazil, including iron ore and nickel targets in the Carajas region, State of Para.

Company Highlights

Arapiraca Project

- finalized all work on the environmental baseline studies for the Serrote Deposit and in January 2009 submitted the Installation Licence ("LI") application to the Alagoas State Environmental Agency. The LI is the final licence required to allow the Serrote Deposit to proceed to construction;
- on April 9, 2009, issued the 2009 Technical Report (defined below), which set out an updated resource estimate at the Serrote Deposit (the "2009 Resource"), which includes a Measured and Indicated category of 195.9 million tonnes grading 0.49% Cu, 15.48% Fe and 0.09 g/t Au, and an additional Inferred category of 31.2 million tonnes grading 0.49% Cu, 14.01% Fe and 0.09 g/t Au (at a 0.30% Cu equivalent cut-off) and a preliminary resource estimate at the Caboclo Deposit, which includes a Measured and Indicated category of 7.6 million tonnes grading 0.57% Cu, 19.34% Fe and 0.16 g/t Au, and an additional Inferred category of 4.6 million tonnes grading 0.57% Cu, 14.24% Fe and 0.11 g/t Au (at a 0.30% Cu equivalent cut-off); and
- mobilized a drill rig to site to commence drilling at the newly discovered Canaa target, which is 300 metres to the east of the Serrote Deposit, and conduct further in-fill drilling at the Serrote and Caboclo Deposits.

Aranzazu Project

- released drill hole results from Aura Minerals' first phase drill campaign including seven from the recently discovered high-grade Calcocita zone; and
- mobilized one drill rig to site to continue drilling the high-grade resources within the Calcocita, Arroyos Azules and BW zones for conversion into proven and probable reserves.

Other Projects

- Aura Gold Mineracao Ltda. ("AGM"), the Company's subsidiary holding a 100% interest in the Inaja Project (defined below), and Companhia Vale do Rio Doce ("Vale") entered into an option agreement dated March 13, 2009 (the "Inaja Option Agreement"), the details of which are discussed in this MD&A under the heading "*Review of Operations and Projects – Para Properties*".

Overall Performance

The Company recorded a net loss for the three months ended March 31, 2009 of \$11,592,000, which included exploration expenditures of \$2,873,000, an impairment charge to resource properties of \$8,744,000, non-cash stock-based compensation of \$1,078,000, and a future income tax recovery of \$2,847,000. See “*Results of Operations*”.

In the fourth quarter of 2008, the sharp downturn in commodity prices, brought about by a weakening worldwide economic outlook, and deteriorating credit markets necessitated the suspension of mining operations at the Aranzazu Project on December 10, 2008. Concurrently, the Company deferred all capital projects at the Aranzazu Project, including underground development work, and developed a cash preservation plan in light of the economic uncertainties going forward. During the first quarter of 2009, general economic conditions saw some improvement, with a concurrent improvement in the copper price. Copper recovered favourably throughout the quarter and closed at US\$2.05 per pound on April 30, 2009. This compares to a closing price of US\$1.31 on December 31, 2008. Although operations at the Aranzazu Project remain on care and maintenance, the Company has recommenced drilling and is updating its mine planning, process testwork and infrastructure upgrades towards a planned re-start of mining operations at 3,000 tonnes-per-day (“tpd”) in 2010. Current care and maintenance costs at the Aranzazu Project are expected to be approximately \$550,000 per quarter, and the Company estimates that the current drill program on the newly-discovered, high-grade areas will be approximately US\$1.6 million for the year. The Company continues to monitor market conditions and may decide that additional changes to operating and/or capital expenditure plans may be required going forward.

As at March 31, 2009, the Company had cash and cash equivalents of \$37,428,000, no debt and no significant purchase obligations or other financial commitments. Working capital as of the balance sheet date also includes \$3,143,000 in value added taxes which the Company expects to recover in the second quarter of 2009. Further, the Company continues to examine its options on certain non-core assets. During the quarter, the Company received US\$3,000,000 (\$3,775,000) pursuant to the Inaja Option Agreement, as described under the heading *Review of Operations and Projects – Para Properties*”. The amount has been applied as a reduction of the carrying value of the Inaja Project in accordance with applicable accounting standards.

3. REVIEW OF OPERATIONS AND PROJECTS

Arapiraca Project

The property is located in the central-southern part of the State of Alagoas approximately 15 kilometres northwest of the city of Arapiraca and currently consists of 138 exploration licences totalling 252,800 hectares, one application for an exploration licence of 7.5 hectares and one application for a mining concession of 392 hectares.

The Arapiraca Project is readily accessed from Maceio, the capital city of the State of Alagoas, via highways AL101S, BR101 and AL220, a distance of approximately 160 kilometres, and from the airport, Zumbi dos Palmares, about 140 kilometres to the centre of the Serrote Deposit. All highways are paved and in good condition. Maceio is served by several daily flights from most major Brazilian cities by commercial airlines.

A one metre gauge railroad (5 kilometre distance from the Arapiraca Project) passes through the city of Arapiraca and connects with the Atlantic ports of Suape, Aracaju and Salvador. The Arapiraca Project is approximately 586 kilometres by rail to Camacari in the State of Bahia, the site of Brazil's only copper smelter (Caraiba Metais). The Xingo high tension power line (500 kilovolts) passes 15 kilometres north of the Arapiraca Project and the region is serviced by two water pipelines from the Sao Francisco River, one 600 millimetre diameter and the other 450 millimetre diameter with a total capacity of 1,200 cubic metres per hour. Additional water lines and a new 230 kilovolt power line are in the planning stages for the Arapiraca region, which will further benefit the project development.

The recently completed exploration program, which commenced during the second quarter of 2007, focused on the two main areas on the Arapiraca Project, being the advanced Serrote Deposit and the secondary “Caboclo Deposit”, with the objective of confirming currently known mineralization and defining additional mineralization. The current exploration program has now expanded to include the newly discovered “Canaa target” only 300 metres to the east of the Serrote Deposit. Further particulars are discussed below.

The Serrote Deposit

At the time of the acquisition of the Arapiraca Project, a technical due diligence study on the Serrote Deposit and a *National Instrument 43-101 – Standards of Disclosure for Mineral Projects* (“NI 43-101”) compliant report was prepared by Watts, Griffis and McOuat Limited (“WGM”), consultants to the Company. Velasquez Spring, P.Eng. Senior Geologist and Dorota el-Rassi, P.Eng. Geological Engineer of WGM were the Qualified Persons for this report dated June 6, 2007 and entitled, “Technical Due Diligence on the Arapiraca Copper-Gold Property, State of Alagoas, Brazil for Aura Gold Inc.” (the “2007 Technical Report”). This report confirmed that the mineral resource was classified as an Inferred mineral resource containing 111.3 million tonnes at 0.55% Cu and 0.16 g/t Au, using a 0.2% Cu cutoff grade (the “2007 Resource”).

Since then, the Company completed 17,572 metres of in-fill and step-out drilling at the Serrote Deposit during 2007 and 37,584 metres during 2008.

On June 23, 2008, the Company announced the completion of an updated resource estimate at the Serrote Deposit (the “2008 Resource”), which demonstrated a significant increase from the 2007 Resource reported in the 2007 Technical Report. Highlights of the 2008 Resource at a 0.20% Cu cut-off included a new Measured and Indicated category of 130 million tonnes grading 0.57% Cu, 15.11% Fe, 0.09 g/t Au and 0.07% Ni, and an additional Inferred category of 22 million tonnes grading 0.48% Cu, 19.58% Fe, 0.13 g/t Au and 0.09% Ni.

The 2008 Resource was included in the NI 43-101 compliant report prepared by Geosim Services Inc. (“Geosim”), consultants to the Company. Ronald G. Simpson, P.Geo of Geosim was the Qualified Person for this report dated August 7, 2008 and entitled, “Mineral Resource Update Serrote Da Laje Copper-Gold Deposit, State of Alagoas, Brazil” (the “2008 Technical Report”). This report was filed on SEDAR on August 7, 2008.

On February 26, 2009, the Company announced the completion of the 2009 Resource, being a further updated resource estimate at the Serrote Deposit, which demonstrated a significant increase from the 2008 Resource reported in the 2008 Technical Report. Highlights of the 2009 Resource at a 0.30% Cu equivalent cut-off include a Measured and Indicated category of 195.9 million tonnes grading 0.49% Cu, 15.48% Fe and 0.09 g/t Au, and an additional Inferred category of 31.2 million tonnes grading 0.49% Cu, 14.01% Fe and 0.09 g/t Au.

The 2009 Resource was included in the NI 43-101 compliant technical report, dated April 9, 2009 and entitled, “Mineral Resource Update Serrote Da Laje and Caboclo Deposits of the Arapiraca Copper-Gold-Iron Ore Project, State of Alagoas, Brazil” (the “2009 Technical Report”), also prepared by Geosim. Mr. Simpson, P.Geo of Geosim was the Qualified Person for this report. The 2009 Technical Report was filed on SEDAR on April 9, 2009.

Drilling is planned at the Serrote Deposit to follow-up on the high-grade holes drilled late in 2008 near the centre of the deposit. The zone remains open to the east and west of these holes and drilling is planned to target these areas.

Other Developments on the Serrote Deposit

The Company finalized all work on the environmental baseline studies for the Serrote Deposit and no environmental issues were identified. In January 2009, the Company submitted the LI application to the Alagoas State Environmental Agency. The LI is the final licence required to allow the Serrote Deposit to proceed to construction. The local state authorities have been kept fully apprised of all work leading up to the LI submittal and the formal review process by the state environmental agency has been completed. The Company is now awaiting formal state approval and receipt of the LI which is expected in 30-45 days.

The preliminary economic assessment (“PEA”) is well advanced, as discussed further below, and is expected to be issued late in the second quarter of 2009.

The PEA, which is based on the Serrote Deposit, will review mine development options, infrastructure, site layout, metallurgy, development timelines, as well as capital and operating costs.

Site geotechnical work, including diamond drilling and rock strength analysis, has been completed for the pit walls, waste dump stability, and all major equipment foundation locations. The Company has also completed significant metallurgical testwork to determine copper, gold and magnetite recovery. To date, these results have shown that good recovery can be expected for all three products in two separate saleable concentrates.

Process plant facilities and layouts are complete. The major equipment has been sized and budget costs have been obtained. The tailings dam preliminary design is also complete.

The preferred power line route has been selected and discussions are ongoing with both the state government and the power supply company to determine final supply rates. Upgrade work is almost complete on an existing nearby rail line and discussions are ongoing with the rail company and port authorities for transport of iron ore and copper concentrates.

The Alagoas State government is currently implementing a public private participation program with an independent contractor to construct a water system to supply the town of Arapiraca, the neighbouring municipalities and the Arapiraca Project.

The Caboclo Deposit

To date, the Company has completed drilling 53 holes totaling 7,598 metres at the Caboclo Deposit, located approximately 15 kilometres north of the Serrote Deposit.

The Caboclo Deposit was drilled in the 1990's by Vale, which identified a number of shallow copper, gold and iron ore targets, based on 18 drill holes. Follow-up drilling by the Company was designed to better define these targets and test additional "blind" targets in the Caboclo area. The area itself is much larger than the Serrote Deposit, covering approximately 12 square kilometres, with little or no surface exposure. This drilling campaign was very successful with over 80% of the drill holes intercepting mineralization. Drilling not only confirmed the extension of the targets drilled by Vale, but also defined a new target approximately 1,000 metres from any previous drilling.

The Company has completed a preliminary resource estimate on the Caboclo Deposit, which is also included in the 2009 Technical Report. The highlights, at a 0.30% Cu equivalent cut-off, include a Measured and Indicated category of 7.6 million tonnes grading 0.57% Cu, 19.34% Fe and 0.16 g/t Au, and an additional Inferred category of 4.6 million tonnes grading 0.57% Cu, 14.24% Fe and 0.11 g/t Au.

The Canaa Target

The Company has mobilized a diamond drill rig to the Arapiraca Project to commence drilling at the newly discovered Canaa target only 300 metres to the east of the current Serrote Deposit. This large target coincides with strong copper and nickel soil geochemistry anomalies. First stage drilling is designed to intercept mineralization at the shallower portion of the target. If successful, this could add to the overall Serrote Deposit resource and continue to extend the overall mine life beyond the currently planned 12 years of operation.

Arapiraca Regional Exploration

Regional exploration continues to identify and define new copper, iron and gold targets. This work will continue on a limited basis, but to conserve cash, no drilling is currently planned.

Aranzazu Project

The Company acquired a 100% interest in all of the mining concessions, plant, surface and water rights and other assets relating to the Aranzazu Project (formerly known as the El Cobre Project) in Zacatecas, Mexico on June 5, 2008. The Aranzazu Project consists of approximately 12,960 hectares of land centred on the Arroyos Azules underground mine, an 1,800-tpd mill and all equipment. The operation produces a copper-gold-silver concentrate via flotation.

The Aranzazu Project is readily accessed via paved highway from the city of Zacatecas located 250 kilometres to the southwest and from the city of Saltillo located 112 kilometres to the northeast. Both Zacatecas and Saltillo have modern airports with daily flights to and from Mexico City and the United States.

To preserve cash resources in light of weakening metal prices in the second half of 2008, all mining activities at the Aranzazu Project were temporarily suspended on December 10, 2008 and all capital projects, including underground development work, were deferred.

Operations

Process plant throughput (including down time for upgrades and repairs) from the time Aura Minerals acquired the Aranzazu Project on June 5, 2008 to the December 10, 2008 suspension of operations, was approximately 150,000 tonnes, averaging 790 tpd at a head grade of 0.69% Cu, 0.25 g/t Au and 7.92 g/t Ag. Concentrate production from acquisition through suspension of operations was approximately 3,130 dry metric tonnes ("DMT"), averaging

25.91% Cu, 5.00 g/t Au and 246.70 g/t Ag. There has been no processing of ore or production of copper concentrates since the suspension date and the mine remains on care and maintenance.

For the quarter ended March 31, 2009, the Company shipped 41 DMT of concentrate, representing the remaining concentrate inventory held at December 31, 2008. The average price of copper realized on this shipment was US\$1.51 per pound. Average realized prices for gold and silver were US\$897.50/oz and US\$11.91/oz, respectively. In aggregate, by-product credits amounted to US\$7,800 or US\$0.33/lb of copper. Treatment and refining charges on these shipments amounted to US\$9,600 or US\$0.41/lb of copper.

The Company did complete the rebuild of the third 600-tpd mill during the fourth quarter of 2008, which will increase processing throughput to approximately 1,800 tpd. This is significantly higher than the 600 tpd average when the Company assumed operational control.

Concurrently with the planned drilling discussed in the section below, the Company is continuing to monitor metal prices and review exploration and development plans, costs, mine plans and capital expenditures for the Aranzazu Project with a planned re-start of operations at 3,000 tpd currently projected for 2010.

Exploration

Prior to the acquisition of the Aranzazu Project on June 5, 2008, the previous operator completed a 42,797 metre drill program during 2007 and 2008 (the "2007/08 Program"). The Company's current exploration program commenced immediately after acquiring the Aranzazu Project, with the objective of upgrading resources in the Arroyos Azules zone for ongoing mine planning purposes and defining reserves in several high-grade zones, as discussed further below.

During the second half of 2008, the Company released four batches of drill hole results from the 161 drill holes completed during the 2007/08 Program. The results confirmed the continuity of the mineralized system at the Aranzazu Project, the presence of high-grade continuous chutes within these mineralized systems and the down-dip continuity of these high-grade chutes. In addition, the results identified two new zones on either end of the known extent of the current resource, being the BW Extension which is proximal to the high-grade BW zone (less than 100 metres) and the Catarroyo zone on the eastern extension of the ore body.

On March 3, 2009, the Company released drill hole results, which included the last set of holes drilled as part of the 2007/08 Program and drill holes completed by Aura Minerals in late 2008, which include holes drilled as part of a follow-up program to the 2007/08 Program.

This most recent drilling by Aura Minerals targeted the high-grade ore chutes which will become part of the new mine plan for re-start of operations. This drilling intercepted a new splay chute, the "Calcocita Zone", off the main skarn mineralization (Hole UAZ-009 returned 21.00 metres of 7.57 % Cu, 1.47 g/t Au and 38.70 g/t Ag).

Based on the results of follow-up drilling at the Calcocita Zone, the high-grade mineralization and general continuity of the zone has been confirmed. Any resources defined in the Calcocita Zone could be mined in the near term, as it is close to the existing mine adit. As a result, the Company has mobilized a drill rig to site to advance the high-grade resources within the Calcocita, Arroyos Azules and BW zones into proven and probable reserves. Concurrent with this the Company will complete detailed metallurgical testwork to optimise grade and recovery of copper and precious metals before the planned re-start of operations

Para Properties

The Company's other exploration projects in Brazil include the Cumaru project, the Inaja Greenstone Belt (the "Inaja Project") and the North Carajas Belt claims, which together total approximately 200,588 hectares in the State of Para (collectively, the "Para Properties"). The Para Properties were held by the Company prior to the reverse take-over transaction through which the Company acquired the Arapiraca Project. Based on the change of focus of the Company from exploration to mine development and production and in light of the early exploration stage of the Para Properties, the Company decided to reconsider its options to realize value from the Para Properties. Such options may include joint venture agreements or outright sale. To conserve cash resources, minimal exploration is planned on the Para Properties during 2009. While the Company is considering its options on these properties, areas of low potential may be dropped by the Company to reduce holding costs. Exploration activities conducted on the Para Properties during fiscal 2008 are detailed in the AIF dated March 23, 2009 under the heading "*Item 4.5 – Other Mineral Properties – The Para Properties*", a copy of which is filed on SEDAR at www.sedar.com.

On March 31, 2009, the Company elected not to make a US\$100,000 payment due to the optionor of the Cumaru (Gradaus) property and allowed the option agreement to terminate as of that date. Notwithstanding, the optionor has granted the Company a right of first refusal on the property of six months from the date of the agreement's termination. As a result, the Company's carrying value in the Cumaru (Gradaus) property, of \$8,744,000, was written off in the quarter ended March 31, 2009.

On March 13, 2009, AGM and Vale entered into the Inaja Option Agreement, wherein AGM granted Vale the option to earn a 51% interest in the Inaja Project by making a cash payment of US\$3,000,000 within fifteen days from the execution of the Inaja Option Agreement and then expending US\$6,000,000 in exploration work within four years from the execution of the Inaja Option Agreement. Vale may then earn an additional 19% interest by funding and delivering a bankable feasibility study within 36 months of electing to earn such additional interest. Once a joint venture is formed, should either party's interest in the Inaja Project be diluted below 10%, its interest will be converted into a 2% net smelter return royalty. The payment of US\$3,000,000 (\$3,775,000) was received on March 25, 2009, and has been applied as a reduction to the carrying value of the Inaja Project.

4. RESULTS OF OPERATIONS

Revenues

The Company's sole source of revenue is the sale of copper concentrate from the Aranzazu Project. Revenues from sales of 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 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.

Due to the temporary suspension of operations at the Aranzazu Project, sales for the three months ended March 31, 2009 consisted of 41 DMT of copper concentrate which were held in inventory at December 31, 2008. The price was fixed at the time of shipment, and as such there will be no price adjustments in future quarters related to this shipment. Further, as the Company fixed the price of copper for all unsettled shipments made to December 31, 2008, there were no price adjustments during the first quarter of 2009 related to shipments made in 2008. Revenue related to the first quarter 2009 shipments is comprised as follows:

<i>(In thousands, except per tonne amounts)</i>	\$ CAD	\$ USD
Copper revenue, net of treatment and refining charges	\$ 31	\$ 25
Gold by-product revenue	5	4
Silver by-product revenue	5	4
Total sales	\$ 41	\$ 33
Average net sales price per tonne of concentrate recorded	\$ 995	\$ 800
Average foreign exchange rate (USD \$1 = CAD \$) for the period	1.2443	

There were no sales revenues or costs of goods sold recorded for the quarter ended March 31, 2008.

Costs of Mining Operation

Costs of mining operation include costs and expenses associated with the ongoing operation of the Aranzazu Project while under care and maintenance. Such costs include salaries and wages for key personnel, supervisory, administrative and security staff, professional fees and other services, and ongoing maintenance costs for the mine site. For the three months ended March 31, 2009, costs of mining operations totalled \$691,000.

Non-cash depletion and amortization relate to the property, plant and equipment at the Aranzazu Project. Depletion is calculated on a unit of production basis, and as such the results for the three months ended March 31, 2009 do not include any depletion due to the temporary suspension of operations. Various pieces of equipment are being charged on a declining balance method, and amortization expense for the period relates only to those pieces

of equipment which were in use in the period. The accretion costs represent charges incurred on the asset retirement obligation. Total depletion, amortization and accretion charges for the three months ended March 31, 2009 were \$98,000.

Other Income (Expenses) and Net Loss

Other expense items for the three months ended March 31, 2009 include stock-based compensation of \$1,078,000, exploration expenditures of \$2,873,000, an impairment charge to resource properties of \$8,744,000, a foreign exchange gain of \$310,000, and other general and administrative expenses of \$1,395,000, offset by interest income of \$89,000. Other expense items for the three months ended March 31, 2008 include stock based compensation of \$5,459,000, exploration expenditures of \$4,200,000, a foreign exchange gain of \$15,000, and other general and administrative expenses of \$3,176,000, offset by interest income of \$934,000.

The stock-based compensation relates to the vesting in the period of previously granted options and of any new options granted during the three months ended March 31, 2009. Included in stock-based compensation for the three months ended March 31, 2009 is \$81,000 (2008 - \$111,000) relating to the amortization of the fair value of the 3,500,000 common shares (the "Signing Shares") issued to the President and CEO during the quarter ended March 31, 2008 as described below.

Pursuant to the terms of an employment agreement dated April 3, 2007, as amended January 28, 2008, the Signing Shares are held in escrow to be released upon certain milestones being achieved (see note 12(c)) of the Financial Statements). The fair value of the Signing Shares was determined to be based on the market value of the Company's common shares at the time of the initial employment agreement. During the three months ended March 31, 2009, 934,636 shares were released from escrow, and the total fair value of these shares of \$626,000 was reversed out of contributed surplus and credited to capital stock. On April 28, 2009, the remaining 2,565,364 Signing Shares were released from escrow as a result of the Company having issued the 2009 Technical Report on the Arapiraca Project, in which the 2009 Resource establishes aggregate mineral resources under any classification in excess of 210 million tonnes. Accordingly, the remaining unrecognized expense of \$1,069,000 related to the shares held escrow at March 31, 2009, which was being recognized on a straight-line basis over the five year period, will be recognized in the second quarter of 2009.

Included in other general and administrative expenses of \$1,395,000 are: salaries and benefits of \$721,000, which reflect amounts related to corporate office staff; professional fees of \$34,000 which consist of legal, consulting fees and quarterly review fees; and amortization of \$105,000. The remaining general and administrative expenses of \$535,000 include: investor relations and corporate development costs; travel costs associated with ongoing travel to the Company's projects in Brazil and Mexico; occupancy costs; filing, listing and transfer agent costs; directors' fees and expenses; and shareholder communications costs. These reflect normal course expenditures for a public company involved in mineral exploration outside of Canada.

Other general and administrative expenses for the three months ended March 31, 2008 were \$3,176,000 and included: salaries and benefits of \$2,057,000, which reflect amounts related to the corporate office staff; professional fees of \$340,000; and amortization of \$113,000. Included in salaries and benefits for this period is an amount of \$1,614,000 paid as compensation to the President and CEO for income tax payable on account of receipt of the Signing Shares as described above. The remaining general and administrative expenses of \$666,000 reflect costs related to operating the Company's corporate offices in Vancouver.

For the three months ended March 31, 2009, the Company incurred \$2,873,000 in exploration costs, representing the exploration and development work conducted on the Company's non-producing properties for which economically recoverable reserves have not yet been established. Of these expenditures, \$1,510,000 related to the Arapiraca Project and included: consulting costs of \$505,000; geological and assay related costs of \$133,000; and salaries and benefits of \$411,000. During the three months ended March 31, 2009, the Company incurred \$30,000 in exploration expenditures on Cumaru, \$161,000 on Cumaru-Gradaus, \$740,000 on Inaja and \$26,000 on North Carajas. These expenditures reflect the property maintenance costs and the limited exploration programs on the properties, and for the Inaja Project, include the final option payments of US\$173,000 as well as \$80,000 representing the value of 400,000 common shares issued to satisfy the Company's remaining share issue obligations under the Inaja property option agreements. A further \$406,000 in exploration expenditures were incurred on the Aranzazu Project during the quarter.

For the three months ended March 31, 2008, exploration expenses incurred amounted to \$4,200,000, of which \$3,040,000 related to the Arapiraca Project. The largest single expense item for the Arapiraca Project was drilling of \$1,277,000. Exploration expenditures on the Company's other projects amounted to \$1,160,000, of which \$666,000 was incurred on Inaja.

Interest income generated on invested funds amounted to \$89,000 for the three months ended March 31, 2009. The Company holds its cash and cash equivalents in interest bearing chequing accounts and bankers' acceptance notes ("BAs"), all with maturities of 90 days or less. Interest income for the three months ended March 31, 2008 amounted to \$934,000, as a result of a higher average cash balance and higher interest rates during that period.

The foreign exchange gain of \$310,000 recorded during the three months ended March 31, 2009 reflects the holding of Brazilian reals and Mexican pesos, and the strengthening of those currencies against the Canadian dollar during the quarter. This compares to a net foreign exchange gain of \$15,000 for the three months ended March 31, 2008.

For the three months ended March 31, 2009, the Company recorded a future income tax recovery of \$2,847,000 reflecting the tax effect on the resource property impairment charge, a reversal of a portion of the future income tax liability set up on acquisition of the Aranzazu Project, and the impact of foreign currency fluctuations on the future income tax liabilities. The Company incurred no future income tax recovery or expense for the three months ended March 31, 2008.

Capital Expenditures

During the three months ended March 31, 2009, total additions to property, plant and equipment were \$158,000. Of this amount, \$128,000 related to capital projects in process at the Aranzazu Project, and the remaining \$30,000 related to equipment purchased at the Company's Brazil and corporate office locations.

During the three months ended March 31, 2008 total additions to property, plant and equipment were \$427,000 of which \$105,000 related to vehicles for the Brazil exploration team, \$106,000 related to leasehold improvements at the Vancouver corporate office, \$151,000 related to computer equipment and software, and the remaining \$65,000 related to other equipment and furniture and fixtures, primarily at the Vancouver corporate office.

5. SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected consolidated financial information for the Company for each of the eight most recently completed quarters.

For the Quarters Ended:	Mar 31, 2009 (unaudited)	Dec 31, 2008 (unaudited)	Sept 30, 2008 (unaudited) (restated)	Jun 30, 2008 (unaudited) (restated)	Mar 31, 2008 (unaudited) (restated)	Dec 31, 2007 (unaudited) (restated)	Sept 30, 2007 (unaudited) (restated)	Jun 30, 2007 (unaudited) (restated)
(In thousands of Canadian dollars, except per share information)								
Sales Revenue	41	1,182	1,641	458	Nil	Nil	Nil	Nil
Working Capital (deficit)	39,905	40,620	58,301	76,942	90,115	96,047	96,324	(605)
Resource Properties ⁽¹⁾	14,408	26,927	31,872	26,402	26,402	26,402	56,706	536
Net Loss ⁽²⁾	11,592	16,974	14,112	12,637	11,886	27,127	11,573	Nil
Net Loss per Share (basic and fully diluted) ⁽³⁾	\$ 0.02	\$ 0.03	\$ 0.02	\$ 0.03	\$ 0.02	\$ 0.06	\$ 0.03	\$ Nil

(1) Net of impairment charges of \$8,744,000, \$5,065,000 and \$30,304,000 taken in the quarters ended March 31, 2009, December 31, 2008 and December 31, 2007, respectively. Balance of resource properties as at March 31, 2009 is also net of the Inaja property option payment received of \$3,775,000.

(2) For the quarter ended March 31, 2009, net of an impairment charge of \$8,744,000 and a related future income tax recovery of \$2,973,000. For the quarter ended December 31, 2007, net of an impairment charge of \$30,304,000 and a related future tax recovery of \$10,303,000. For the quarter ended December 31, 2008, net of an impairment charge of \$5,065,000 and a future income tax recovery of \$1,722,000.

(3) Net loss per share on a fully 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.

Commencing with the quarter ended June 30, 2008, quarterly results include revenues and operating expenses of the Aranzazu Project, acquired on June 5, 2008. All results shown in the above table for the quarter ended September 30, 2008 and for prior quarters are restated to reflect the change in accounting policy regarding the expensing of previously deferred exploration costs. For further explanation of period to period variations, see *“Review of Operations and Projects”* and *“Results of Operations”*.

6. LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents used in operating activities during the three months ended March 31, 2009 was \$6,027,000. Cash and cash equivalents generated from investing activities during the period was \$3,624,000 and comprised \$3,775,000 received from Vale in relation to the Inaja property option agreement, offset by additions to property, plant and equipment of \$151,000. There were no financing activities during the period. As a result, the decrease in cash and cash equivalents during the three months ended March 31, 2009 was \$2,403,000.

As at March 31, 2009, the Company had cash and cash equivalents of \$37,428,000 and working capital of \$39,905,000. Its cash and cash equivalents at March 31, 2009 include Bankers Acceptances (“BAs”) issued by a Canadian chartered bank and interest-bearing cash deposit accounts held with a Canadian chartered bank, all with maturities of 90 days or less. The Company believes that it is not exposed to significant credit risk on financial instruments issued by the Canadian chartered banks.

The functional currency of the Company is the Canadian dollar. Included in cash and cash equivalents at March 31, 2009 are \$796,000 denominated in United States dollars, \$4,069,000 denominated in Brazilian reais and \$4,000 denominated in Mexican pesos which are subject to foreign currency rate fluctuations. In conducting its operations, the Company makes payments as appropriate from time to time in United States dollars, Brazilian reais and Mexican pesos, and all proceeds of 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 its Aranzazu Project operations, the Company will be subject to foreign currency rate fluctuations between these currencies and its functional currency.

The Company has implemented a rigorous planning and budgeting process to help determine the funding requirements to support the Company’s current operations and expansion and development plans. The Company’s objective is to ensure that there are sufficient committed financial resources to meet its short-term requirements for a minimum of twelve months. Positive cash flows generated at the Aranzazu Project have not been achieved and future cash flows will depend on metal pricing, exchange rates, taxes, and a number of other factors often outside of the Company’s control, as well as the level of production achieved, the production costs which result from such levels of production and capital expenditure programs required to achieve such levels of production.

In view of the commodity price environment in late-2008, the Company commenced a review of all work programs and expenditures, including 2009 mine plans and capital and operating budgets with a view to preserving cash resources during the forecast economic downturn. As a result, the Company announced on December 10, 2008, that all mining activities at the Aranzazu Project were temporarily suspended and that all capital projects, including underground development work, would be deferred. These measures were taken to allow the Company to preserve cash resources while at the same time maximizing its ability to deliver metal into future higher metal price environments.

Based on results from this most recent drilling on the newly-discovered Calcocita Zone, the Company has mobilized a drill rig to site to advance the high-grade resources within the Calcocita, Arroyos Azules and BW zones into proven and probable reserves. Concurrent with this drilling, mine planning and costing continues towards a planned re-start of operations at 3,000 tpd in 2010. The Company estimates that this program will cost approximately US\$1.6 million over the balance of 2009. Until operations at Aranzazu are restarted, the Company expects that the ongoing care and maintenance costs at the Aranzazu Project to be approximately \$550,000 per quarter. The Company continues to monitor market conditions and may decide that additional changes to operating and/or capital expenditure plans may be required going forward.

As described under the heading *“Review of Operations and Projects – Other Developments on the Serrote Deposit”*, the Company has significantly advanced the Serrote Deposit and, in January 2009, submitted the LI application to the Alagoas State Environmental Agency. The Company is currently completing a PEA based on all work completed to date and will then complete the detailed feasibility study and subsequent engineering work

based on additional planned metallurgical testwork. The Company estimates that, for the balance of 2009, such activities in Brazil will cost approximately \$4 million.

Future exploration and development of the Company's other properties in Brazil is also dependent on future copper prices, the availability of additional financing, or on the ability of the Company to joint venture the properties such that the Company's obligations may be reduced. As described under the heading "Review of Operations and Projects – Para Properties", the Company received US\$3,000,000 (C\$3,775,000) from Vale pursuant to the Inaja Option Agreement, dated March 13, 2009. Until such time as Vale has made the required expenditures and delivered a bankable feasibility study or the agreement is terminated, the Company will have no further financial obligation on the property, at which time the Company could decide to maintain its share of the joint venture or be diluted.

The Company believes that recent events, in particular, the current global economic recession and the deterioration of the credit markets, may impact its ability to raise additional capital or to do so on acceptable terms. The availability of credit on acceptable terms could make it difficult for the Company to raise the required capital to build some or all of its projects on anticipated timelines, and the sale of additional equity capital may not be available, or if available, may result in substantial dilution to existing shareholders. The Company will manage its liquidity risk by reviewing the risk characteristics of its underlying assets, by curtailing any non-essential expenditures in order to conserve cash resources, by focusing on cash producing properties and/or, if necessary, by considering the sale of certain non-core assets. Failure to obtain sufficient financing may result in a delay to, or indefinite postponement of, exploration, development, or production on any or all of the Company's properties, or even a loss of property interests.

7. CONTRACTUAL OBLIGATIONS

For the three months ended March 31, 2009 and as of May 12, 2009, the Company has not entered into any contractual obligations that are outside of the ordinary course of business.

As at March 31, 2009, the Company's contractual obligations included:

<i>(In thousands of Canadian dollars)</i>	Total	2009	2010-2011	2012-2013	After 2013
Operating leases (premises and other)	\$ 828	\$ 191	\$ 409	\$ 228	\$ Nil
Capital lease obligations	20	6	14	Nil	Nil
Equipment purchases	Nil	Nil	Nil	Nil	Nil
Reclamation obligations	3,226	Nil	Nil	Nil	3,226
TOTAL Contractual Obligations	\$ 4,074	\$ 197	\$ 423	\$ 228	\$ 3,226

The above table represents the Company's estimated obligation to reclaim the Aranzazu Project properties after the minerals have been mined from the site. The Company engaged a specialist environmental consultant familiar with the Aranzazu Project to provide an estimate of the costs necessary to comply with existing reclamation standards in Mexico and to estimate the Company's asset retirement obligation. Based on the external consultant's conclusions, the undiscounted amounts of the estimated obligations for restoration and closure of the Aranzazu Project, adjusted by an estimated annual inflation of 3.5% and by a market risk premium of 3%, are approximately \$3,226,000, and are estimated to be incurred over a 4 year period beginning after ten years. While generally accepted accounting principles require the Company to recognize the fair value for the asset retirement obligation using a credit adjusted risk-free discount rate, the amount reflected in the above table represents the undiscounted amounts estimated at the time of payment. Ongoing reclamation costs incurred as part of normal mining operations are expensed as incurred.

Certain senior officers and employees of the Company have change of control provisions in their consulting and employment agreements which provide for payments ranging from one to three times their then current annual salary upon the occurrence of such event and subject to certain conditions.

Copper production from the Aranzazu Project is subject to an underlying 1% net smelter return royalty when during any calendar month the monthly average copper price as quoted by the London Metal Exchange (“LME”) equals or exceeds US\$2.00 per pound.

8. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

9. TRANSACTIONS WITH RELATED PARTIES

During the three months ended March 31, 2009, the Company was not party to any transactions with related parties as defined by the CICA Handbook.

10. PROPOSED TRANSACTIONS

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

11. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has adopted the following accounting standards and policies:

Exploration and development expenditures

During the fourth quarter of 2008, the Company changed its accounting policy for exploration costs, choosing to expense exploration costs as they are incurred. This policy was adopted effective January 1, 2008 and was applied retroactively.

As a result of this change in accounting policy, the Company has re-stated its results for the three months ended March 31, 2008 from those previously reported. The Company has increased stock-based compensation expense by \$311,000, amortization expense by \$100,000, and exploration expenses by \$4,200,000. As a result of these changes, net loss increased by \$4,611,000 and loss per share increased by \$0.01. Cash flows used in operating activities increased by \$4,030,000 and cash flows used in investing activities decreased by the same amount. In addition, opening deficit for the comparative period was increased by \$7,088,000 as a result of the retroactive application of the change in accounting policy to 2007.

Goodwill and intangible assets

On January 1, 2009, the Company was required to adopt CICA Section 3064, Goodwill and Intangible Assets. This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and other intangible assets. The adoption of this standard did not have any impact on the Company’s consolidated financial statements.

Credit Risk and Fair Value of Financial Assets and Liabilities

In January 2009, the CICA issued EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.” The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments.

This standard is effective for the Company’s fiscal year beginning January 1, 2009 with retrospective application. The adoption of this EIC did not have a significant effect on the Company’s consolidated financial statements.

Mining Exploration Costs

In March 2009, the CICA issued EIC-174, “Mining Exploration Costs.” The EIC provides guidance on accounting for capitalization and impairment of exploration costs. This standard is effective for our fiscal year beginning January 1, 2009. The adoption of this EIC did not have an effect on the Company’s consolidated financial statements.

The Company will be required to adopt the following newly issued accounting standards and policies:

Business Combinations and Related Sections

In January 2009, the CICA issued Section 1582 “Business Combinations” to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards (“IFRS”). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests,” which replace Section 1600 “Consolidated Financial Statements.” Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 “Business Combinations.”

12. 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. 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 consolidated financial statements materially and involve a significant level of judgment by management. The Company’s accounting policies are described in note 2 to the Company’s annual audited financial statements for the year ended December 31, 2008. Management’s critical accounting estimates are applied in the accounting for asset retirement obligations, allocation of the purchase price for the Aranzazu Acquisition, the impairment of long-lived assets, the determination of stock-based compensation and accounting for income taxes.

Asset Retirement Obligations

The amounts recorded for asset retirement obligations are based on estimates prepared by third party environmental specialists in the jurisdictions in which the Company operates. These estimates are based on remediation activities that are required by environmental laws, the expected timing of cash flows, and the credit-adjusted risk-free interest rate on which the estimated cash flows have been discounted. These estimates also include an assumption on the rate at which costs may inflate in future periods. Actual results could differ from these estimates. The estimates on which these fair values are calculated require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws, and regulations and remediation practices.

Allocation of the purchase price of the Aranzazu Acquisition

Generally Accepted Accounting Principles require the Company to record the identifiable assets and liabilities acquired as part of a business combination at their fair values. In the Financial Statements, the Company has recorded the final allocation of the purchase price of the Aranzazu Project. The determination of these fair values requires extensive judgment, and was prepared based on information which was available at the reporting date. The Company made these determinations with the assistance of independent third party valuers, who provided 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 each mineral property for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of

the asset, an impairment loss is measured and assets are written down to fair value which is normally the discounted value of future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired, it is written down to its estimated fair value in accordance with the CICA Handbook Section 3063 "Impairment of Long-Lived Assets".

Management tested the Aranzazu Project at December 31, 2008 based on third party consensus forecasts of metal prices and exchange rates, on current resources, ore grades and mine plans, on expected throughput capacities and processing yields, on operating and capital cost estimates, expected reclamation costs, and on applicable tax rates in Mexico. It was determined that the potential future cash flows from the Aranzazu Project on an undiscounted basis were in excess of its carrying amount, and that no impairment was required as of December 31, 2008. There have been no changes in circumstances or events during the three months ended March 31, 2009 that would indicate any need for the Company to update this evaluation. With the exception of the Cumaru (Gradaus) claims which were abandoned and written-off during the three months ended March 31, 2009, management reviewed the status of the Company's other projects and expects that their carrying values are recoverable.

Management's estimates of mineral prices, mineral resources, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of deferred mineral property costs. Although management has made its best estimate of these factors, it is possible that material changes could occur which may adversely affect management's estimate of the net cash flows expected to be generated from its properties.

Stock-based compensation

Management is required to make significant estimates about future volatility and the period in which stock options will be exercised. The selection of the volatility factor, and the estimate of the period in which an option will be exercised will have a significant impact on the cost recognized for stock-based compensation. The estimates concerning volatility are based on various factors, including reference to historical volatility and a review of volatilities used by peer companies. The Company does not solely depend on its past share price history as an indicator of volatility due to the limited period that the Company's common shares have been publicly traded. This estimate is not necessarily an accurate indicator of volatility which will be experienced in the future. Management assumes that stock options will remain unexercised until immediately prior to their expiry date, which may not be the case.

Future income tax assets and liabilities

The determination of the Company's tax expense for the year and its future tax liabilities and assets involves significant estimation and judgment by management involving a number of assumptions. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of future tax assets and liabilities. Management also makes estimates of the future earnings which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities which may interpret tax legislation differently. These differences may affect the final amount or the timing of the payment of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

13. FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. In order to manage this risk, the Company deposits cash and cash equivalents with high credit quality financial institutions or in government-issued T-Bills. Further, as the Company's capital structure is comprised of equity attributable to common shareholders, the Company has no externally imposed debt requirements. In management's opinion, the Company is not exposed to significant interest rate or credit risk arising from these financial instruments.

The Company is subject to concentrations of credit risk related to trade accounts receivable as all of its sales revenues are made to a single customer. However, due to the suspension of operations in mid-December 2008, the company has no trade receivable balances at March 31, 2009. As a result, the Company's credit risk at March

31, 2009 is primarily related to the recovery of value added taxes. Of the \$3,143,000 in value added taxes receivable at March 31, 2009, \$3,124,000 is due in Mexico, and \$19,000 is in Canada. The Company is expecting the recovery of the value added taxes to fall within the second quarter of 2009.

As the Company's primary operating activities are in Mexico and Brazil, foreign exchange risk exposures arise from transactions denominated in foreign currencies. Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: cash and cash equivalents, accounts receivable and accounts payable denominated in US Dollars, Brazilian reais or Mexican pesos. The Company's net revenues from its Mexican operations are exposed to foreign exchange risk as commodity sales, treatment charges and royalties are substantially denominated in US dollars, whereas the majority of all other operating expenses are in Mexican Pesos. As at March 31, 2009, the Company had not entered into any financial instruments to hedge currency risks, such as foreign exchange forward sales contracts or the use of puts and calls.

The Company is subject to price risk from fluctuations in market prices of copper and other metals. In addition, there is a time lag between the time of initial payment on shipment and final settlement pricing, and changes in the price of copper and other metals during this period impact the Company's revenues and working capital position. As the Company fixed metal prices at the time of shipment for the sole concentrate shipment in January 2009, the Company will not recognize any price adjustments on unsettled shipments as a result of continued fluctuations in commodity prices subsequent to March 31, 2009. During the period and as at March 31, 2009, the Company had not entered into any derivative contracts for the sale of any future concentrate or metal production.

The profitability of the Company's operations is highly correlated to the market prices of these metals, as is the ability of the Company to develop its other properties. If metal prices were to decline for a prolonged period below the cost of production of the Company's mine, it may not be feasible to recommence production. The events in the global financial markets since mid-2008 have had a profound impact on the global economy. Virtually all industries, including mining for precious and base metals, are impacted by these market conditions, which have included: a sharp contraction in the credit markets resulting in a widening of credit risk spreads and higher costs of funding; a deterioration in the credit ratings of numerous large financial institutions, devaluations and high volatility in global equity, commodity, foreign exchange and precious metals markets and a corresponding lack of market liquidity; and a slowdown in economic activity that is affecting major global economies. These events could have a significant impact on the Company and are discussed further in "*Liquidity and Capital Resources*".

14. 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.

Effective May 7, 2009, Mr. Philip Martin resigned as a director. Accordingly, 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 financial statements prior to their submission to the Board for approval. The Audit Committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters. The Company also retains its external auditors to perform quarterly reviews of its interim financial statements and review its annual financial statements.

15. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in internal control over financial reporting during the quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

In preparing their certifications of interim filings, as required 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 design of DC&P and ICFR to exclude controls, policies and procedures of Aranzazu Holding, SA de CV, which acquired the Aranzazu Project on June 5, 2008. Management considers this acquisition material to the Company’s overall results of operations, financial position and cash flows and believes that the internal controls and procedures at the Aranzazu Project have a material effect on overall internal control over financial reporting. Management’s review of the internal controls and procedures at the Aranzazu Project is ongoing. The Aranzazu Project operations comprise 100% of the Company’s consolidated revenues of \$41,000 and 69% of the total consolidated assets of \$172,348,000 as at March 31, 2009.

16. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company will be required to adopt IFRS for its interim and annual financial statements beginning on January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. Management has drafted a transition plan to IFRS and, based on the work performed to date, has identified several potential impacts to the Company’s financial statements as a result of adopting IFRS, with the major differences being:

- i. The overall presentation of the financial statements will change significantly, as the Company complies with increased disclosure requirements under IFRS and differing presentations of the balance sheet and statements of income and cash flows.
- ii. Currently, IFRS rules surrounding mineral property costs and exploration costs are undergoing changes by the standard setters, and the results of changes to IFRS 6 “*Resource Properties*” could have a significant impact to the Company on transition.
- iii. The adoption of IFRS 21 “*Foreign Currency Transactions*” could result in significant changes to the Company’s consolidation procedures. In addition, the identification of functional currencies for each of the Company’s subsidiaries could result in changes to foreign currency translation procedures as well as the Company’s reporting currency.

Management is also in the process of assessing the impact of IFRS adoption on the Company’s internal controls over financial reporting, disclosure controls, information systems, financial reporting expertise and other business activities, such as foreign currency and hedging activities. The technical implementation team is currently focusing their efforts on the higher impact areas and has continued with ongoing training sessions provided by external advisors. Currently, there are no matters that would be influenced by GAAP measures, such as debt covenants, capital requirements and compensation arrangements that would be impacted by the transition to IFRS.

17. ENVIRONMENTAL RISK MANAGEMENT

With the acquisition of the Aranzazu Project during the second quarter of 2008, the Company transitioned from an exploration and development company to an operating company.

The risk factors involved in an operating company are generally greater than those of an exploration company. Aura Minerals is currently undertaking a detailed assessment of all the potential environmental risks associated with the Aranzazu Project on a “going forward” basis. This assessment involves the Company’s technical staff and external international and Mexican consulting groups who are fully conversant in Mexican environmental regulations and requirements.

The operation will require certain upgrades to transition from the previous Mexican environmental rules and regulations to the current system. A review and detailed documentation has been completed for the Company by its external consultants, which outline all work costs associated with the upgrades and the time frame to complete such work. This review has found no major risks, nor any major capital or operating costs associated with the ongoing environmental upgrades.

Notwithstanding the temporary suspension of operations, the company is continuing with certain upgrades to transition to the current environmental rules and regulations.

Aura Minerals is also developing corporate policies and systems to measure and manage the risks and requirements associated with safety, health and the environment. These policies and systems will ensure that the

Company operates in accordance with local and international laws and will also incorporate all aspects and issues associated with local community relations and social responsibility.

The policies and systems have been reviewed and approved by the Company's Environmental, Health, Safety and Social Responsibility Committee and Board and adopted by the Company.

As the Company's Arapiraca Project and Para Properties are currently in the exploration phase, environmental controls and management relate to drilling and, in some cases, surface trenching. These activities are monitored on a continual basis by the Company's Environmental Manager in Brazil. The Company has a comprehensive hazardous materials management and spill control plan in place to cover such items as diesel fuel, oil and drilling additives.

All exploration activities are executed under the rules of the Brazilian environmental agencies, which regulate drilling and surface exploration and the permitting related thereto. Regular inspections are conducted by the environmental agencies and to-date, the Company has met or exceeded all requirements.

In the event the Company determines that an exploration property or area does not warrant further expenditure, a detailed environmental and abandonment report must be completed, reviewed and accepted by the environmental agencies prior to them providing the Company with a release on such property or area.

18. 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 AIF dated March 23, 2009, 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.

19. DISCLOSURE OF SHARE DATA AS AT MAY 12, 2009

(a) shares authorized: an unlimited number of common shares without par value

(b) shares issued and outstanding: 593,417,506 common shares.

i. stock options outstanding as at May 12, 2009 :

Number	Exercise Price	Date of Expiry
297,100	\$0.50	March 30, 2010
1,650,000	\$0.50	July 25, 2011
150,000	\$0.63	March 30, 2010
450,000	\$0.75	March 30, 2010
300,000	\$0.50	May 7, 2010
1,000,000	\$0.75	May 7, 2010
300,000	\$0.99	May 7, 2010
1,000,000	\$0.155	May 7, 2010
4,770,000	\$0.75	March 30, 2012
130,000	\$0.75	December 17, 2009
1,880,000	\$0.77	March 30, 2012
2,000,000	\$1.18	May 17, 2012
2,500,000	\$1.42	June 26, 2012
250,000	\$1.38	July 13, 2012
4,000,000	\$1.57	July 19, 2012
40,000	\$1.57	December 19, 2009

	Number	Exercise Price	Date of Expiry
	150,000	\$1.18	August 23, 2012
	1,000,000	\$1.24	May 13, 2009
	150,000	\$1.32	September 25, 2012
	432,800	\$1.16	December 6, 2012
	4,700,000	\$0.99	January 28, 2013
	1,250,000	\$0.99	January 29, 2013
	700,000	\$1.06	February 8, 2013
	4,600,000	\$1.50	May 13, 2013
	150,000	\$1.68	January 20, 2010
	112,500	\$1.68	October 31, 2009
	935,000	\$1.07	August 14, 2013
	500,000	\$0.29	October 29, 2013
	300,000	\$0.16	November 12, 2013
	18,616,668	\$0.155	December 30, 2013
	400,000	\$0.23	January 12, 2014
Total	54,634,068		

ii. warrants outstanding as at May 12, 2009:

Expiry date	Grant date fair value	Number outstanding	Exercise price
November 29, 2009	\$ 1,717	2,222,250	\$ 1.49

20. FORWARD-LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain statements contained herein constitute forward-looking statements. Forward-looking statements include, but are not limited to, statements with respect to the future price of copper, gold, silver, nickel and iron ore, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to the integration of acquisitions; risks related to international operations; actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of copper, gold, silver, nickel and iron ore; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the AIF dated March 23, 2009 under the heading “*Item 4.3 - 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 as 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. Accordingly, readers should not place undue reliance on forward-looking statements.

21. 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.