



**Aura Minerals Inc.**

**AURA MINERALS INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010**

**Dated as of August 11, 2010**

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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 and six months ended June 30, 2010 and related notes thereto (the "Financial Statements") which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In addition, this MD&A should be read in conjunction with the 2009 audited annual consolidated financial statements, the related management discussion and analysis and the 2009 Annual Information Form ("AIF") dated March 26, 2010 as well as other information relating to Aura Minerals as filed on SEDAR at [www.sedar.com](http://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 August 11, 2010 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 and six months ended June 30, 2010.*

*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.*

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## 1. BACKGROUND AND CORE BUSINESS

Aura Minerals is a Canadian mid-tier gold production company focused on the acquisition, exploration, development and operation of gold and base metal projects in the Americas. The Company's operating assets includes the producing San Andres gold mine in Honduras (the "San Andres Mine"), and the producing Sao Francisco gold mine (the "Sao Francisco Mine") and Sao Vicente gold mine (the "Sao Vicente Mine") in Brazil (collectively, the "Brazilian Mines"), which were acquired on April 30, 2010. Other significant assets include the copper-gold-silver Aranzazu project in Zacatecas, Mexico (the "Aranzazu Project"), which is being prepared to re-commence operations in the third quarter of 2010, and 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 an objective and clear vision of building an intermediate gold producing company through responsible, sustainable growth. This objective 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. SECOND QUARTER AND YEAR-TO-DATE HIGHLIGHTS

- Closed the acquisition of the Brazilian Mines on April 30, 2010 and reduced the cash and promissory note consideration by a combined \$13.2 million, as a result of the net free cash flow generated by the Brazilian Mines from the date of the acquisition agreement.
- Gold sales of 32,024 ounces for the quarter and 50,058 ounces year-to-date for net sales of \$38,576,000 and \$58,367,000, respectively;
- Realized average price of gold sold was \$1,215 per ounce for the quarter, which compares to a market average price of \$1,197 per ounce (London PM Fix), and realized average price of gold sold of \$1,178 per ounce year-to-date, which compares to a market average price year-to-date of \$1,153 per ounce (London PM Fix);
- Gold production of 35,304 ounces and 54,603 ounces for the three and six months ended June 30, 2010, with on-site average cash costs<sup>1</sup> of gold produced of \$851 per ounce and \$724 per ounce, respectively, comprised of the following:

<sup>1</sup> A cautionary note regarding non-GAAP measures is included in Section 20 of this MD&A.

	For the three months ended June 30, 2010		For the six months ended June 30, 2010	
	Ounces Produced	Cash Costs <sup>1</sup>	Ounces Produced	Cash Costs <sup>1</sup>
San Andres	15,739	\$ 638	35,038	\$ 558
Sao Francisco (from May 1, 2010)	10,931	1,125	10,931	1,125
Sao Vicente (from May 1, 2010)	8,634	893	8,634	893
Total / Average	35,304	\$ 851	54,603	\$ 724

<sup>1</sup> A cautionary note regarding non-GAAP measures is included in Section 20 of this MD&A.

- Mine operating profit of \$9,835,000 for the quarter and \$18,568,000 for the six months ended June 30, 2010;
- Net loss for the quarter of \$13,328,000 or \$0.07 per share and \$14,598,000 or \$0.08 per share for the six months ended June 30, 2010;
- Adjusted loss and adjusted loss per share are as follows:

	For the three months ended June 30, 2010	For the six months ended June 30, 2010
<i>(In thousands of dollars except per share amounts)</i>		
Net loss per the Financial Statements	\$ (13,328)	\$ (14,598)
Unrealized foreign exchange (gains) losses	(469)	606
Stock-based compensation	5,726	7,647
Non-recurring transaction costs	1,414	2,711
Adjusted loss <sup>1</sup>	\$ (6,657)	\$ (3,634)
Adjusted loss per share <sup>1</sup>	\$ (0.03)	\$ (0.02)

<sup>1</sup> A cautionary note regarding non-GAAP measures is included in Section 20 of this MD&A.

- Continued to advance the engineering and mine development at the Aranzazu Project toward a planned restart of operations in the third quarter of 2010;
- During and subsequent to the quarter, released results from ongoing exploration and definition drilling program at the Aranzazu Project, including the first four deep drill holes, with an emphasis on increasing the overall resource base along strike and at depth;
- Appointed new Vice President, Human Resources, Mr. Keith Harris-Lowe; and
- Ended the quarter with \$85.2 million in cash and cash equivalents.

### 3. CORPORATE DEVELOPMENTS AND SIGNIFICANT TRANSACTIONS AND FACTORS AFFECTING RESULTS OF OPERATIONS

#### *Brazilian Mine Acquisition*

The Company and its beneficially held subsidiary, Mineracao Apoena S.A., entered into an asset purchase agreement (the "Asset Purchase Agreement") on July 17, 2009 to purchase the assets and liabilities of the Brazilian Mines (the "Brazilian Mine Acquisition"). The Brazilian Mine Acquisition closed on April 30, 2010. The Brazilian Mines, comprising the Sao Francisco and Sao Vicente gold mines, are open-pit heap-leach operations, which together produced 132,249 ounces of gold in 2009.

Consideration paid to the vendors pursuant to the Asset Purchase Agreement included:

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

In addition, the Brazilian Mine Acquisition includes deferred purchase price consideration payable to the vendors of \$28,404,000, inclusive of a \$3,154,000 adjustment, as described below. The deferred purchase price consideration is payable as to 50% of all net free cash flow from the Brazilian Mines from and after the date of the Asset Purchase Agreement that exceeds the cumulative net free cash flow of \$135,000,000.

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

A preliminary allocation of the purchase price to the assets and liabilities acquired is presented in note 5 to the Financial Statements.

As a result of CICA Section 1582 "Business Combinations", which was early adopted by the Company effective January 1, 2010, new standards became applicable in determining the carrying amount of the assets acquired and liabilities assumed, as well as goodwill. The new standards require that an estimate of the fair value of any deferred consideration payable be recorded as a liability and included in the purchase price of the Brazilian Mines. Under the previous business combination standards in CICA Section 1581, the value of the deferred consideration payable was not likely to have been recognized. Accordingly, the purchase price for the Brazilian Mines includes \$24,949,000 relating to the fair value of the deferred purchase price consideration described above.

The new standards also require any share consideration issued in connection with a business combination be valued as of the date that the shares were issued, being the closing date of the transaction. Under the previous business combination standards in CICA Section 1581, share consideration was valued at the date of the announcement of transaction. Accordingly, as part of the consideration for the Brazilian Mines included 13,859,533 common shares of Aura Minerals, the total value of these shares, determined to be the Company's share price on the day prior to closing on April 30, 2010, was \$53,760,000. Had the Company applied the standards under CICA Section 1581, the total value of the share consideration, based on the five-day weighted average of the Company's closing share price on June 10, 2009, would have been approximately \$33,000,000. As a result, the Company attributes a portion of the \$21,168,000 value of goodwill arising on the acquisition of the Brazilian Mines to the increase in share price from the day the transaction was negotiated and announced in June 2009 to the closing date on April 30, 2010.

## *Financing*

On February 4, 2010, the Company and Zoneplan Limited (the "Selling Shareholder" or "Zoneplan") closed a bought deal public offering of 18,000,000 common shares from the treasury of the Company and 6,000,000 previously issued common shares of the Company from the holdings of the Selling Shareholder at a price of C\$4.20 per offered common share for aggregate gross proceeds of C\$100,800,000 (\$93,968,000) of which C\$75,600,000 (\$70,476,000) is attributable to the Company (the "2010 Offering").

## *Change in Measurement and Reporting Currency*

Effective October 1, 2009, the Company changed its measurement and reporting currency from the Canadian dollar to the United States dollar. The change in measurement currency occurred as a result of a change in the nature of the Company's operations following the acquisition of the San Andres Mine, while the change in reporting currency was made in order to better reflect the Company's operating activities and to improve the financial statement users' ability to compare the Company's financial results with other producing companies in the mining industry. The methodology used in the change in measurement and reporting currency and the impact on the prior period's consolidated financial statements is reflected in note 2 to the Financial Statements. Accordingly, all comparative financial information in this MD&A has been restated to reflect the Company's results as if they had been historically reported in United States dollars.

## 4. OPERATIONS REVIEW

### *San Andres Mine*

The San Andres Mine is an open-pit heap leach gold mine, which is located in the highlands of western Honduras, in the municipality of La Union, Department of Copan about 150 kilometres southwest of the city of San Pedro Sula. The mine has been in production since 1983 and has well developed infrastructure.

Since acquiring the San Andres Mine on August 25, 2009, the Company's focus has been as follows:

- Ongoing operational improvements with a focus on leaching operations to increase overall recovery and reduce on-site cash costs;
- Completion of an expansion project, consisting of a new primary crusher-conveyor system and a new agglomeration system. The new crusher-conveyor system, which was fully commissioned in April 2010, has significantly reduced ore haulage distances providing an opportunity to increase throughput. A new mobile stacker has been delivered to site and will be fully commissioned in the third quarter. Once complete, this will increase the rate of ore stacked on the leach pad, which will improve throughput and gold production; and
- Planning an exploration drilling program to increase the reserve and resource base.

Production at the San Andres Mine during the quarter decreased 18% from the first quarter of 2010. Lower than expected gold production during the second quarter 2010 was a result of the early onset of the rainy season combined with significantly higher than normal rainfall, which impacted the mining operations, the crushing and conveyor systems and the grade of the heap leach solutions. With the early onset of the heavy rains, several weeks' worth of blasted inventory in the pit became saturated, resulting in materials handling difficulties both in the pit and in the downstream crushing/conveying systems. Normal practice during the rainy season is to maintain a minimum blasted inventory and compact the blasted muck to allow water run-off, thereby reducing moisture content of the ore and minimizing materials handling issues. Furthermore, the new crusher-conveyor system consists of over 4 kilometres of conveyors which prior to the early onset of rains had not yet been covered to protect against rainfall. This added to overall moisture content and materials handling issues. These covers are now installed. As a result of the materials handling issues experienced during the quarter, primary crusher throughput

was reduced during May and June. Significant rainfall in the ponds also resulted in dilution of the pregnant leach solution, which in turn resulted in fewer ounces recovered during the quarter. These ounces remain in inventory and will be recovered over an extended period. In addition, during the quarter, standard testing of treated water prior to discharge revealed trace levels of cobalt. A new pilot water treatment plant with a resin filtration system has been installed on site this quarter. Pilot plant testing with a resin ion exchange product has been conducted on site, with excellent results. Treated water has resulted in lowering the cobalt in the solution to levels significantly below discharge limits. Discharging of treated water meeting permitted limits has started with this pilot plant. A full-scale plant will be installed during the third quarter. Until the water treatment facility is fully operational, pond levels will remain high and contribute to the lower 2010 guidance due to the need to process lower grade pregnant solutions. Several improvements have also been completed on the new crusher/conveyor system which will be further enhanced by the installation of a vibrating grizzly to break up wet clay-rich ore feeding the primary crusher, and the installation of a surfactant foam injection system ahead of the primary and secondary crushers. This will allow for better handling of the wet clay-rich material. The grizzly and the foam injection system are expected to be installed during the fourth quarter.

The table below sets out selected operating information for the San Andres Mine for the first half of 2010:

<b>Operating Information</b>	<b>Q1 2010</b>	<b>Q2 2010</b>	<b>Year-to-Date</b>
Ore mined (tonnes)	<b>1,217,655</b>	<b>1,059,103</b>	<b>2,276,758</b>
Waste mined (tonnes)	<b>32,368</b>	<b>199,658</b>	<b>232,026</b>
Total mined (tonnes)	<b>1,250,023</b>	<b>1,258,761</b>	<b>2,508,784</b>
Waste-to-ore ratio	<b>0.03</b>	<b>0.19</b>	<b>0.10</b>
Ore plant feed (tonnes)	<b>1,244,024</b>	<b>1,062,565</b>	<b>2,306,589</b>
Grade (g/tonne)	<b>0.77</b>	<b>0.73</b>	<b>0.75</b>
Production (ounces)	<b>19,299</b>	<b>15,739</b>	<b>35,038</b>
Sales (ounces)	<b>18,034</b>	<b>18,474</b>	<b>36,508</b>
Average cash cost of gold produced (\$/ounce) <sup>1</sup>	<b>\$ 493</b>	<b>\$ 638</b>	<b>\$ 558</b>

<sup>1</sup>A cautionary note regarding non-GAAP measures is included in Section 20 of this MD&A.

Total waste and ore mined during the three month period ended June 30, 2010 was 1,258,761 tonnes, an increase of 1% over the previous quarter. Ore tonnes mined in the second quarter of 2010 were 1,059,103 or 13% lower than the previous quarter. The San Andres Mine had a waste-to-ore ratio of 0.19 to 1, as compared to 0.03 to 1 in the previous quarter. Based on the mine plan, the Company expects a 2010 waste-to-ore ratio of approximately 0.15 to 1.

Total plant feed during the quarter ended June 30, 2010 was 1,062,565 tonnes of ore, a decrease of 15% from the previous quarter, a result of materials handling issues caused by the higher than normal rainfall experienced in May and June, as discussed above.

As stated, production of gold during the second quarter was affected by the higher than normal rainfall, making it difficult to crush and stack the planned tonnage, and which diluted the leach solution feeding the ADR plant. For the quarter ended June 30, 2010, ore plant feed had an average grade of 0.73 g/tonne, which compares to the Company's 2010 mine plan of 0.75 g/tonne, and was lower than the previous quarter's ore plant feed of 0.77 g/tonne. Production is also dependent upon ore grade and process recoveries, both 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 are 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 second quarter of 2010 (calculated as the number of ounces produced during the period to the number of contained ounces stacked during the period) was 63%, consistent with the recovery for the first quarter of 2010, but below the recovery of 86% for the fourth quarter of 2009. Final gold recovery is determined when leach pad areas are reclaimed and production reconciled. Initial lab column test work indicates that gold recoveries at the San Andres Mine are in the range of 75-85% between mixed oxide-sulphide ore and oxidized ore. Additional column test work is ongoing.

As a result of the above factors, gold production for the second quarter of 2010 was 15,739 ounces, an 18% decrease from the 19,299 ounces of gold produced in the first quarter of 2010. The new stacking system, which is currently in the final stages of erection, is expected to be in operation in the third quarter of this year. This, together with the ongoing materials handling improvements, will allow a higher rate of ore stacking, reduce ore compaction on the pads and is expected to increase gold production going forward.

Cash operating costs 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.

Cash operating costs of \$638 per ounce of gold produced in the second quarter of 2010 were approximately 29% higher than the \$493 per ounce reported for the first quarter of 2010. The increase was a direct result of the lower production and the higher allocation of fixed costs to the fewer gold ounces produced during the quarter. Mining costs per ounce increased by 14%, despite total waste and ore being only 1% higher than the previous quarter. This was due to the re-handling operations required by the large amount of wet blasted inventory, offset by savings from the new crusher-conveyor system. Similarly, other cash costs per ounce, which include the costs of insurance, refining and transportation, increased by approximately 11% in the second quarter over the first quarter 2010. These costs are more variable in nature and thus increased less than plant and processing costs, which have a significant fixed-cost component, and general and administrative expenses, which are also generally comprised of fixed costs. As a result, plant and processing costs per ounce increased by approximately 28%, and general and administrative expenses per ounce increased by approximately 61% over the prior quarter. Operating costs at the San Andres Mine are not affected by fluctuations in the Honduran lempira as that currency is tied to the United States dollar.

#### *Sao Francisco Mine and Sao Vicente Mine*

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

Since acquiring the Sao Francisco Mine on April 30, 2010, the Company's focus has been on advancing the following key operational initiatives, with the objective of increasing productivity, improving overall gold recovery and lowering cash operating costs over the next four to six months:

- Updating the mine plan to improve grade control and mine contractor productivity;
- Upgrading the current crushing plant to increase feed to the gravity circuit, which will improve the leaching characteristics of run-of-mine ore previously not crushed. This change will also have a secondary benefit of reducing ore haulage distance;

- Increasing the water supply and screen size feeding the gravity circuit to allow a higher proportion of crushing plant feed to be treated through the gravity circuit; Installation of a new carbon regeneration kiln to improve the carbon loading efficiency; and
- Completing an exploration program focused on drilling out extensions to the main shear zone to increase the current reserve and resource base.

The Company has also recently identified several other potential improvements to both increase production and decrease cash costs. These include:

- Changing the leach operations so that the crushed ore pad becomes an on-off operation. This is expected to significantly improve the recovery cycle, and also separate the crushed ore from the run-of-mine dump leach ore, thereby improving overall leach kinetics. The Company is commencing detailed bottle roll and column leach test work at site to determine the leach kinetics and is also completing a capital and operating cost study to determine the overall cost benefits.
- Treating of the gravity slimes product in a small tank leach circuit to recover any residual gold. Currently, this stream of up to 500 tonnes per day (“tpd”) is untreated and sent to a storage pond. Samples completed to date indicate that this material contains approximately 1g/tonne Au. Limited bottle roll testing to date indicates that treatment in a simple tank leach circuit would recover up to 90% of this gold. Limited sampling of the existing material in the pond returned grades of over 1.5g/tonne Au and bottle roll test work also shows recoveries in the 90% range. Therefore, the Company has commenced a detailed sampling and metallurgical test work program to assess the amount of material in the existing pond and to size and cost a suitable treatment circuit for this material and the ongoing gravity slimes product. Initial indications are that this circuit would have a positive impact on annual gold production and cash costs.

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.

Like the Sao Francisco Mine, the Company’s focus for the Sao Vicente Mine will be operational improvements to increase productivity, improve overall gold recovery and lower cash operating costs. Ongoing operational initiatives include:

- Upgrading the crushing and process plant to increase equipment availability and thereby improve plant throughput and reduce operating costs. Such improvements will include installation of certain critical standby equipment;
- Installing of a second train of carbon columns to improve gold extraction from solution;
- Constructing additional leach pad space, beginning in the third quarter of 2010; and
- Conducting a definition and expansion drilling program to improve the mine planning and grade control and to increase the resource base. Drilling nearby targets identified for increased production, the preliminary program results of which are expected late in third quarter 2010.

Additionally, given the close proximity of the Sao Francisco Mine to the Sao Vicente Mine, a review of all work functions at the Brazilian Mines is being undertaken to improve the efficiency of the operations. A number of administrative functions will be shared to streamline the organization for the two operations. With both the Sao Francisco and Sao Vicente operations being heap leach operations with long leach cycles, it will take approximately four to six months to see the expected benefits in production and costs from the ongoing and planned improvements.

The table below sets out selected operating information for the Brazilian Mines for the period from May 1 to June 30, 2010:

<b>Operating Information for the period from May 1 to June 30, 2010</b>	<b>Sao Francisco</b>	<b>Sao Vicente</b>
Ore mined (tonnes)	833,813	562,899
Waste mined (tonnes)	2,314,340	1,070,009
Total mined (tonnes)	3,148,153	1,632,908
Waste-to-ore ratio	2.78	1.90
Ore plant feed (tonnes)	782,000	581,000
Grade (g/tonne)	0.46	0.49
Production (ounces)	10,931	8,634
Sales (ounces)	6,928	6,622
Average cash cost of gold produced (\$/ounce) <sup>1</sup>	\$ 1,125	\$ 893

<sup>1</sup> A cautionary note regarding non-GAAP measures is included in Section 20 of this MD&A.

Production at the Sao Francisco Mine was 10,931 ounces during the two months of the quarter attributable to Aura Minerals. The average monthly production during this period has decreased 15% from the monthly average production in the first quarter of this year and 20% from the monthly average for 2009. The decrease is primarily attributable to lower grade ore of 0.46 g/tonne, which is 19% lower than the 0.57 g/tonne average of 2009 and for the first quarter 2010. This mining of lower than average grades was due to the fact that the higher grade material scheduled for mining is waste bound. Since acquiring the operations in May, the Company has put considerable effort into improving the mine plan for longer-term, sustainable operations. This has necessitated the mining of lower than average grade and rescheduling of waste movement. Several ongoing equipment repairs and upgrades are also underway to ensure proper equipment availability over the longer term. The Company has also had to complete construction of a large in-pit water collection sump to ensure that mining operations can continue during the rainy season which normally occurs from October to February. These overall operational and mining improvements will allow the Company to access higher-grade ore commencing in mid-September. However, the Company expects that the need to continue to increase waste stripping over the next few quarters will negatively impact both production and costs prior to the Sao Francisco Mine achieving sustainable levels of production in 2011. Based on this, the stripping ratio at the Sao Francisco Mine, shown above as the waste-to-ore ratio of 2.78, is significantly above the 1.93 waste-to-ore ratio for 2009.

It should also be noted that immediately upon acquisition, the Company was presented with an 18% increase in load/haulage rates at both operations by the contractors which, under the circumstances, was presented as non-negotiable. Accordingly, the Company is in the process of completing a detailed review of such costs at the operations with the view to replacing the existing fleet with an owner operated fleet consisting of larger size equipment more appropriate to the current and future operations.

Production at the Sao Vicente Mine was 8,634 ounces during the two months of the quarter attributable to Aura Minerals. Average monthly production levels over this period have remained consistent with levels prior to Aura Minerals' ownership, as have ore grades. During the balance of 2010, the Company expects ore grade to remain at 0.49 g/tonne. The stripping ratio at the Sao Vicente Mine has increased to 1.90 from 1.00 to 1, following Aura Minerals' assuming operational control. The Company will continue to strip at a rate of approximately 2.0 to 1 until a sustainable waste-to-ore ratio is achieved, planned for year-end.

The cash costs of production of \$1,125 per ounce and \$893 per ounce at the Sao Francisco Mine and Sao Vicente Mine, respectively, were impacted by the requirement under Canadian GAAP for business acquisitions to state opening inventories at their fair values. Accordingly, these costs were determined based on the market price of gold on April 30, 2010 of \$1,179 per ounce (London PM Fix), less both cash

and non-cash costs estimated to complete production of the gold inventories. Cash production costs at the Sao Vicente Mine of \$893 per ounce are lower than the cash costs at the Sao Francisco Mine, due in part to the non-cash costs, being depreciation and depletion per ounce, which were estimated to be higher at the Sao Vicente Mine as a result of fewer proven and probable reserves over which to allocate the depreciation and depletion base.

Generally, average cash costs of production at the Sao Francisco Mine, as reported by the vendors, have been increasing since mid-2009. Similarly, average cash costs of production at the Sao Vicente Mine have also increased since the start of commercial production in September 2009. Additionally, as stated, effective May 1, 2010, both operations were impacted by an 18% increase to the mine contractors' rates and an 8% increase to hourly employee wages. Offsetting these increases was a 45% reduction in cyanide consumption at both operations.

## 5. DEVELOPMENT AND EXPLORATION REVIEW

### *Aranzazu Project*

The Aranzazu Project consists of approximately 10,445 hectares of exploration concessions centred on the Arroyos Azules underground mine, a 1,800 tpd mill which the Company is currently upgrading to 2,600 tpd. The operation is designed to produce a copper-gold-silver concentrate via flotation.

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. As a key component for the next stage of growth, the Company continues to advance the engineering, mine development and mill upgrades for a planned restart of mining operations in the third quarter 2010. In addition, confirmatory metallurgical test work is ongoing for the continued optimization of copper and gold recovery. Total capital expenditures associated with the restart of the Aranzazu Project were originally estimated to be \$25 million. With minor scope changes and general escalation, this cost is now estimated to be \$30 million. The capital expenditures include new ramp development, stope development, mine infrastructure including additional mine ventilation and some additional mine equipment. Also included are the upgrades to the process plant to expand the capacity to 2,600 tpd, with further upgrades to be studied to increase throughput to 3,000 tpd.

The Company also completed approximately 25,000 metres of close-spaced core drilling at the high-grade resources within the Calcocita, Arroyos Azules, Glory Hole and BW zones for conversion of resources into proven and probable reserves as part of the planned restart of operations. As part of this program, results from 161 holes were released in 2009 and 35 new and six historic holes during the first four months of 2010. A further 56 in-fill and definition drill holes were released after the quarter-end which continue to confirm grades and widths of the ore-body. The Company also believes there is significant potential at depth to increase the resources and subsequently significantly increase the size of the overall operation. In this regard, the Company has commenced a 50,000 metre surface and underground drill program to test the down-dip and along strike potential of the mineralized system beyond the current resource boundaries as part of an overall plan to investigate the possibility to develop a high tonnage bulk mining operation at the Aranzazu Project. The Company recently released results from the four deep drill holes located in the "Glory Hole/Tiro Azules" zone. The results clearly show the resource in this area is still open at depth with grades and widths consistent with the main resource. Ongoing deep drilling will test the other zones along strike. If successful, the Company will immediately commence planning of 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. With the wide mineralization and favourable ground conditions, the Company believes that the ore-body is suited to a low cost bulk mining scenario such as sub-level caving, similar to that used at several other operations. The Company also plans to drill the nearby El Cobre deposit, which was an operating mine for over 30 years and remains open along strike and down-dip. Several samples have been collected from historic dumps at El Cobre with average grades above 2% Cu and 2g/tonne Au. The total expenditures associated with the above exploration program are estimated to be \$24 million.

On November 2, 2009, the Company issued updated resource estimates using 0.5% and 0.8% copper cut-offs and based on all drilling completed to September 2009 (the "2009 Aranzazu Project Resource"). The cut-offs are based on copper values only. The 2009 Aranzazu Project Resource was included in the National Instrument 43-101 ("NI 43-101") compliant report dated December 7, 2009, and entitled "NI 43-101 Technical Report and Resource Estimate on the Aranzazu Property, Zacatecas State, Mexico" prepared for Aura Minerals by William J. Lewis, B.Sc., P. Geo of Micon International Limited ("Micon"). This report was filed on SEDAR on December 7, 2009.

#### **Aranzazu Resource Estimate – 0.5% Cu only cut-off**

<b>Resource Category</b>	<b>Tonnes (000)</b>	<b>Cu %</b>	<b>Au g/t</b>	<b>Ag g/t</b>
Measured	2,960	1.04	0.47	9.99
Indicated	21,121	1.01	0.39	8.96
<b>Measured and Indicated</b>	<b>24,082</b>	<b>1.01</b>	<b>0.40</b>	<b>9.09</b>
Inferred	8,674	0.82	0.18	4.39

#### **Aranzazu Resource Estimate – 0.8% Cu only cut-off**

<b>Resource Category</b>	<b>Tonnes (000)</b>	<b>Cu %</b>	<b>Au g/t</b>	<b>Ag g/t</b>
Measured	1,740	1.33	0.63	12.93
Indicated	11,107	1.34	0.48	11.70
<b>Measured and Indicated</b>	<b>12,848</b>	<b>1.34</b>	<b>0.50</b>	<b>11.87</b>
Inferred	3,217	1.17	0.28	6.44

For the 2009 Aranzazu Project Resource, historical drilling by previous owners did not include assaying for gold or silver and, therefore only 51% of the holes comprising the resource estimate contain assay results for gold, and only 63% of the holes contain assay results for silver. Where no gold or silver assays existed, a zero value was applied. Therefore, with additional drilling and assaying for gold and silver, the grades will likely improve and better reflect the precious metals content in the concentrate during operations.

This resource estimate, based on the 0.8% Cu cut-off, will now be used for reserve definition and detailed mine design at the BW, Mexicana and Arroyos Azules zones for the ongoing development and the planned mine restart. An updated resource estimate and a first reserve estimate for the Aranzazu Project are expected in the third quarter of 2010.

#### *Arapiraca Project*

The Arapiraca Project 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 95 exploration licences totalling 164,583 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. ("GeoSim") and Brian Kennedy, P.Eng. (the "PEA Study"). This report was filed on SEDAR on September 30, 2009.

The PEA Study supports an open pit and concentrator processing 41,000 tpd of ore feed producing a copper-gold concentrate and an iron rich (67% Fe) magnetite concentrate. Highlights of the PEA Study include the following:

- The Serrote Deposit contains 157.4 million tonnes of mineable sulphide material in the Measured and Indicated categories (64.8 million tonnes in the Measured and 92.6 million tonnes in the Indicated category), with an additional 12.2 million tonnes in the Inferred category, which only represents approximately 7% of the total tonnes;
- Average annual copper production is expected to be 137 million pounds with the average in the first three years totalling approximately 155 million pounds;
- Average annual magnetite production is expected to be approximately 1.3 million tonnes of concentrate;
- The average life of mine cash cost for copper is estimated at \$0.82 per pound including by-product credits for iron and gold sales;
- The expected after tax net present value is \$325 million at a 10% discount rate and the after-tax internal rate of return is 25.4%; and
- The expected payback period is 2.8 years. Commodity prices assumed for the financial analysis are \$2.00 per pound of copper, \$800 per ounce of gold and \$0.85 per dry metric tonne unit of iron ore fines.

Based on the positive results of the PEA Study, the Company has continued with final variability test work in order to finalize the process flowsheet prior to awarding a feasibility study contract. Once the final process flowsheet has been settled, the Company will advance the feasibility study in the fourth quarter of 2010 and it is expected to take approximately six months to complete.

In connection with the Caboclo Deposit, the Company completed a preliminary resource estimate on the deposit, which is 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", prepared for the Company by Mr. Ronald G. Simpson, P.Geo., of Geosim. This report was filed on SEDAR on April 9, 2009. 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 Company has now completed follow-up drilling at the Caboclo Deposit and is awaiting assay results. This drilling could result in additional near-surface higher-grade copper and gold ore, which could be fed to the concentrator in the early years of operation thereby further enhancing project economics. Updated resource estimates for the Serrote Da Laje and Caboclo Deposits are expected in the third quarter of 2010.

#### *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"). 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 granted an option to Vale S.A. to earn up to a 70% interest in the Inaja Project (the "Inaja Option").

In connection with Inaja Option, Vale S.A. has invested over \$1.1 million in exploration work across the entire area (about 100,000 hectares) of the Inaja Project, including a 4,000 line-kilometre airborne magnetic survey, a 280 line-kilometre detailed geological mapping of iron formations and ultramafic rocks, sampling of stream sediments over 651 sites and 86 line-kilometre of detailed ground magnetic-radiometric survey.

The geological mapping and interpretation of the magnetic data demonstrates the presence of banded iron formation horizons totalling up to 60 kilometres in strike length along the belt, in segments from 200 metres to 3,000 metres in length, 30 metres to 50 metres thick, continuous at depth and repetitive across the strike in places. Surface sampling and magnetic gradients indicate the presence of both magnetite and hematite rich iron formations in places. The available geological and geophysical data suggest the presence of a potential large iron ore resource. Vale S.A. is now preparing a comprehensive drilling program to test the characteristics and volume of these iron formations.

Areas of known nickel geochemical anomalies associated with ultramafic rocks at the western end of the belt show intermediate magnetic responses. Five targets for nickel and copper sulphide deposits in this geological environment are also being investigated by Vale S.A. Future follow-up work by Vale S.A. includes soil geochemistry, mapping and drilling.

The Company is also reviewing options to realize value from the other Para Properties. Such options may include joint venture agreements or outright sale. While the Company is considering its options on these properties, areas of low potential may be dropped by the Company to reduce holding costs. Minimal exploration was conducted by the Company on the Para Properties during the first quarter and none is planned for the balance of 2010.

## 6. OUTLOOK

Since acquiring the San Andres Mine, the Company's focus has been the completion of the new primary crusher-conveyor system and stacking system and the implementation of a number of operational improvements, which are on-going to optimize gold recovery and reduce cash costs. The commissioning of the new crusher-conveyor system was completed in the second quarter 2010. Completion of the leach pad expansion and installation of a new stacker system is expected during the third quarter 2010; however, due to the impact on the operation of the heavy rains experienced in the second quarter, the Company is lowering 2010 production guidance for San Andres to approximately 82,000 ounces of gold. The Company expects cash costs<sup>1</sup> at the San Andres Mine to return to the previous guidance of between \$480-520 per ounce once rainfall normalizes. Cash costs<sup>1</sup> at the San Andres Mine are expected to decrease in 2011 and beyond as additional operational improvements at the mine are expected to result in higher throughputs and increased recoveries.

Implementation by the Company of certain of the operational initiatives, described in Section 4, "*Operations Review*", commenced immediately upon assuming operating control of the Brazilian Mines on April 30, 2010. Certain of these initiatives will have a near term effect on operating efficiencies and costs and certain others, including the capital programs described below, will take longer to implement. However, the Company expects that the need to increase waste stripping at both operations over the next few quarters will negatively impact both production and costs prior to the mines achieving sustainable levels of production in 2011. The Company will provide cost guidance on the Brazilian Mines later in the fourth quarter once it has fully assessed the impact of ongoing operational upgrades. As a result of the operational improvements requiring more implementation time than initially anticipated, production guidance for 2010 for both the Sao Francisco Mine and the Sao Vicente Mine is reduced, to 50,000 to 55,000 ounces and 25,000 to 30,000 ounces, respectively.

Estimated 2010 gold production per mine, based on eight months of production from the Brazilian Mines is summarized in the table below:

### **Gold Production Estimates**

San Andres Mine	82,000 oz
Sao Francisco Mine	50,000 - 55,000 oz
Sao Vicente Mine	25,000 – 30,000 oz
<b>Total</b>	<b>157,000 – 167,000 oz</b>

These estimates do not include any production from the Aranzazu Project, which is scheduled to restart operations in the third quarter of 2010, with ramp up continuing to year end. The Company continues to advance the engineering, mine development and mill upgrades, and the Aranzazu Project is expected to produce approximately 20 million pounds of copper, 12,000 ounces of gold, and 140,000 ounces of silver on an annualized basis once targeted capacity is achieved.

Capital expenditure guidance for 2010 remains at approximately \$65 million. Of this amount, \$18 million is being spent at the San Andres Mine for the new stacking system, completion of the Phase 4 leach pad expansion, and the remaining expenditures related to the crusher-conveyor system which was started in 2009 and fully commissioned in April 2010. The balance of 2010 capital expenditures includes: \$30 million for completion of the underground development and mill upgrades associated with the restart of the Aranzazu Project; and an estimated \$17 million for engineering studies and capital projects to optimize the production process, including the treatment of existing tailings and upgrades to increase crusher throughput and gravity recovery at the Sao Francisco Mine, and sustaining capital at both Brazilian mines.

Organic growth continues to be a significant focus for Aura Minerals in 2010 and beyond. Exploration expenses are forecast to be approximately \$28 million for all of 2010 and the first half of 2011. Most of the exploration spending will focus on the Aranzazu Project, where the Company has commenced a large underground and deep drilling program to delineate resources to potentially support a bulk-tonnage underground operation. The Aranzazu Project's \$24 million exploration program includes surface drilling and development of underground drilling stations as part of a large underground drill program, as well as a regional program at the Aranzazu Project. The Company is forecasting \$3 million for ongoing exploration and definition drilling at the Brazilian Mines in order to upgrade and expand the resource base at each of those mines. The remaining exploration budget is allocated to drilling at the San Andres Mine to upgrade resources to reserves.

At the Arapiraca Project, the Company plans to advance the Serrote Deposit through to the feasibility study level, and will continue its work aimed at further defining copper recovery and concentrate grades and optimizing the process flowsheet for the feasibility study. Additional drilling is ongoing at the Arapiraca Project to convert Inferred resources to the Measured and Indicated categories.

The Company believes that the long term environment and prospects for its business remain favourable, and with approximately \$80 million in cash and cash equivalents as of August 11, 2010 and cash flows from three gold operations, the Company is well financed to fund its immediate capital, development and exploration plans, as well as provide funding for development of additional projects through acquisitions.

## **7. RESULTS OF OPERATIONS**

### **Comparing the three months ended June 30, 2010 to the three months ended June 30, 2009**

#### *Sales and Cost of Goods Sold*

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.

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

<i>(In thousands of dollars)</i>	<b>For the three months ended June 30, 2010</b>	For the three months ended June 30, 2009
<b>Financial information</b>		
Sales	\$ 38,576	\$ -
Cost of goods sold	28,741	-
Mine operating profit	\$ 9,835	\$ -

Total net sales for the quarter ended June 30, 2010 were \$38,576,000, inclusive of local sales taxes paid of \$335,000. The Company's gross revenue is comprised of sales of \$21,943,000 from the San Andres Mine, \$8,675,000 from the Sao Francisco Mine and \$8,293,000 from the Sao Vicente Mine. For the quarter ended June 30, 2010, the Company sold 32,024 gold ounces at an average realized price of \$1,215 per gold ounce, which compares to a market average price for the same period of \$1,197 per ounce (London PM Fix).

The Company recorded no sales of copper concentrate from the Aranzazu Project during the three months ended June 30, 2009.

For the three months ended June 30, 2010, cash costs of gold sold totalled \$22,857,000 or \$714 per ounce and included a net smelter return royalty of \$120,000 or approximately \$4 per ounce. Together with the non-cash depletion, amortization and accretion charges for the period of \$5,884,000 or \$183 per ounce, cost of goods sold was \$28,741,000 or \$897 per ounce.

#### *Other Expenses and Operating Loss*

Other expenses for the three months ended June 30, 2010 include exploration expenses of \$6,599,000, stock-based compensation of \$5,726,000, general and administrative expenses of \$3,213,000, transaction costs related to the Brazilian Mine Acquisition of \$1,414,000, and amortization of \$232,000. For the three months ended June 30, 2009, other expenses included exploration expense of \$1,814,000, stock-based compensation of \$1,503,000, general and administrative expenses of \$1,090,000, costs of operations in care and maintenance of \$423,000, and amortization of \$77,000.

For the three months ended June 30, 2010, the Company incurred \$6,599,000 in exploration costs, including expenditures of \$2,064,000 related to the Arapiraca Project, comprised of: consulting costs of \$364,000; drilling costs of \$670,000; geological and assay related costs of \$129,000; salaries and benefits of \$443,000; and other costs of \$458,000. Exploration expenses on the Aranzazu Project during the quarter totalled \$3,547,000 and included: drilling costs of \$2,926,000, geological and assay related costs of \$281,000, consulting costs of \$107,000 and other costs of \$233,000. Exploration expenditures for the second quarter of 2010 also include \$77,000 on the Company's non-core projects in Brazil, \$147,000 on the San Andres Mine, and \$764,000 on the Brazilian Mines.

For the three months ended June 30, 2009, the Company incurred \$1,814,000 in exploration costs, including expenditures of \$1,126,000 related to the Arapiraca Project, comprised of: consulting costs of \$281,000; geological and assay costs of \$37,000; salaries and benefits of \$352,000; and other costs of \$456,000. The Company incurred \$617,000 in exploration expenses on the Aranzazu Project during the three months ended June 30, 2009, relating primarily to drilling, geological and assay costs, and consulting costs. In addition, the Company incurred \$71,000 in exploration expenses during the quarter on the non-core projects in Brazil.

The stock-based compensation expense for the three months ended June 30, 2010 of \$5,726,000 (2009: \$1,503,000) relates to the vesting in the year of previously granted options and of new options granted during the quarter.

General and administrative expenses for the three months ended June 30, 2010 of \$3,213,000 relate to the running of the Company's corporate offices in Canada and Brazil and include: salaries and benefits of \$1,640,000; professional fees of \$190,000 which consist of legal, consulting and review and other accounting fees; general and office expenditures of \$584,000; travel costs of \$347,000; consulting fees of \$79,000; investor relations and filing fees of \$159,000; occupancy costs of \$135,000; and directors' fees of \$79,000.

General and administrative expenses for the three months ended June 30, 2009 of \$1,090,000 include: salaries and benefits of \$568,000; professional fees of \$90,000; general and office expenditures of \$57,000; travel costs of \$49,000; consulting fees of \$39,000; investor relations and filing fees of \$120,000; occupancy costs of \$66,000; and directors' fees of \$101,000.

For the three months ended June 30, 2009, cost of operations in care and maintenance total \$423,000 and relate to the Aranzazu Project. Of this amount, \$372,000 relates to salaries and wages, professional fees and general maintenance and administration costs of the operation while in care and maintenance. Amortization of \$28,000 and accretion of \$23,000 are also included in the costs of operations in care and maintenance. Depletion is calculated on a unit of production basis, and as such, results for the three months ended June 30, 2009 do not include any depletion on the Aranzazu Project mineral property. The amortization recorded in the period only covers those pieces of equipment in use at the site. Effective October 1, 2009, the Aranzazu Project ceased to be in care and maintenance, as the Company began mine development and upgrade work. As a result, substantially all operating costs at the Aranzazu Project for the three months ended June 30, 2010 are capitalized into projects in process.

Amortization for the three months ended June 30, 2010 of \$232,000 (2009: \$77,000) relates to the Company's corporate and Brazil locations, as well as amortization on the equipment in use at the Aranzazu Project. The amortization reflects the depreciation taken on the property, plant and equipment at these locations, which primarily consists of computer equipment and software, leasehold improvements, and office furniture and fixtures.

For the three months ended June 30, 2010, the Company recorded an operating loss of \$7,349,000, which compares to an operating loss of \$4,907,000 for the three months ended June 30, 2009.

#### *Other Income and Expenses, Taxes, and Net Loss*

Interest expense for the three months ended June 30, 2010 amounted to \$527,000, and relates primarily to interest paid on the promissory notes payable in connection with the acquisitions of the San Andres Mine and the Brazilian Mines. The Company had no interest expense for the three months ended June 30, 2009.

Other income for the three months ended June 30, 2010 includes income generated on invested funds of \$223,000 and a gain of \$282,000 recorded upon marking the portion of the Company's forward currency contracts not designated as hedges to their market value. These gains are offset by a loss of \$332,000 on marketable securities during the period. Other income for the three months ended June 30, 2009 relates solely to income generated on investment funds totalling \$28,000.

The foreign exchange loss of \$3,360,000 recorded during the three months ended June 30, 2010 reflects the effects of the Company's assets and liabilities held in foreign currencies, primarily Canadian dollars, Brazilian Reals and Mexican Pesos, and the fluctuation of those currencies against the United States dollar during the period. In comparison, the Company recorded a foreign exchange gain of \$1,325,000 for the three months ended June 30, 2009.

For the three months ended June 30, 2010, the Company recorded a future income tax recovery of \$461,000, reflecting the reversal of a portion of the future income tax liability set up on the acquisitions of the San Andres Mine and the Aranzazu Project, as well as adjustments due to changes in the temporary differences between tax and accounting values of assets and liabilities. For the three months ended June 30, 2010, the Company also recorded a current income tax expense of \$2,726,000 relating to income tax

payable on earnings at the San Andres Mine. For the three months ended June 30, 2009, the Company recorded a future income tax expense of \$2,000, reflecting the changes in the temporary differences between tax and accounting values of assets and liabilities. During the second quarter of 2009 the Company had no current tax expense.

For the three months ended June 30, 2010, the Company recorded a net loss of \$13,328,000. This compares to a loss of \$3,556,000 recorded for the three months ended June 30, 2009.

Other comprehensive income for the quarter ended June 30, 2010 includes the recognition of a gain on the effective portion of cash flow hedges of \$1,161,000 relating to the Company's forward currency contracts which have been designated as hedges and have been accounted for as cash flow hedges. Other comprehensive income for the quarter ended June 30, 2009 includes a gain of \$10,185,000 resulting from the Company's change in measurement and reporting currency as further described in note 2 to the Financial Statements.

### **Comparing the six months ended June 30, 2010 to the six months ended June 30, 2009**

#### *Sales and Cost of Goods Sold*

Total net sales for the six months ended June 30, 2010 were \$58,367,000, inclusive of local sales taxes paid of \$591,000. The Company's gross revenue for the six months ended June 30, 2010 comprised of sales of \$41,990,000 from the San Andres Mine, \$8,675,000 from the Sao Francisco Mine and \$8,293,000 from the Sao Vicente Mine. For the six months ended June 30, 2010, the Company sold 50,058 gold ounces at an average realized price of \$1,178 per gold ounce, which compares to a market average price for the same period of \$1,153 per ounce (London PM Fix).

Revenue for the six months ended June, 2009 related to the final shipment of 41 dry metric tonnes ("DMT") of copper concentrate from the Aranzazu Project sold in January 2009 after operations at the project were suspended. The sale of copper concentrate for the six months ended June 30, 2009 is summarized as follows:

*(In thousands of dollars, except per tonne amounts)*

Copper revenue, net of treatment and refining charges	\$	27
Gold by-product revenue		4
Silver by-product revenue		4
<b>Total concentrate sales</b>	<b>\$</b>	<b>35</b>
Average net sales price per tonne of concentrate recorded	\$	854

For the six months ended June 30, 2010, cash costs of gold sold totalled \$32,327,000 or \$646 per ounce and included a net smelter return royalty of \$221,000 or approximately \$4 per ounce. Together with the non-cash depletion, amortization and accretion charges for the period of \$7,472,000 or \$149 per ounce, cost of goods sold was \$39,799,000 or \$795 per ounce.

#### *Other Expenses and Operating Loss*

Other expenses for the six months ended June 30, 2010 include exploration expenses of \$11,691,000, stock-based compensation of \$7,647,000, general and administrative expenses of \$6,053,000, transaction costs related to the Brazilian Mine Acquisition of \$2,711,000, and amortization of \$443,000. Of the \$2,711,000 in transaction costs expensed during the six month period, \$1,000,000 represents deferred transactions costs which were included in the Company's consolidated balance sheet as of December 31, 2009. As a result of the adoption of CICA Sections 1582, 1601 and 1602 on Business Combinations, the Company expensed the deferred transaction costs effective January 1, 2010.

For the six months ended June 30, 2009, other expenses also included exploration expense of \$4,102,000, stock-based compensation of \$2,369,000, general and administrative expenses of \$2,159,000, costs of operations in care and maintenance of \$1,047,000, amortization of \$160,000, and an impairment charge on resource properties of \$8,167,000.

For the six months ended June 30, 2010, the Company incurred \$11,691,000 in exploration costs, including expenditures of \$5,298,000 related to the Arapiraca Project comprised of: consulting costs of \$1,070,000; drilling costs of \$1,790,000; geological and assay related costs of \$224,000; salaries and benefits of \$1,058,000; and other costs of \$1,156,000. Exploration expenses on the Aranzazu Project during the period totalled \$4,811,000 and included drilling costs of \$3,806,000, geological and assay related costs of \$430,000, consulting costs of \$196,000 and other costs of \$379,000. Exploration expenditures for the six months ended June 30, 2010 also include \$203,000 on the Company's non-core projects in Brazil, \$147,000 on the San Andres Mine, and \$1,232,000 on the Sao Francisco and Sao Vicente Mines.

For the six months ended June 30, 2009, the Company incurred \$4,102,000 in exploration costs, including expenditures of \$2,303,000 related to the Arapiraca Project, comprised of: drilling costs of \$176,000; consulting costs of \$654,000; geological and assay costs of \$144,000; salaries and benefits of \$680,000; and other costs of \$649,000. The Company incurred \$964,000 in exploration expenses on the Aranzazu Project during the six months ended June 30, 2009, which related primarily to drilling, geological and assay costs, and consulting costs. In addition, the Company incurred \$835,000 in exploration expenses on the non-core projects in Brazil.

The stock-based compensation expense for the six months ended June 30, 2010 of \$7,647,000 (2009: \$2,369,000) relates to the vesting in the year of previously granted options and of new options granted during the period.

General and administrative expenses for the six months ended June 30, 2010 of \$6,053,000 relate to the running of the Company's corporate offices in Canada and Brazil and include: salaries and benefits of \$3,020,000; professional fees of \$462,000 which consist of legal, consulting and review and other accounting fees; general and office expenditures of \$947,000; travel costs of \$603,000; consulting fees of \$220,000; investor relations and filing fees of \$398,000; occupancy costs of \$245,000; and directors' fees of \$158,000.

General and administrative expenses for the six months ended June 30, 2009 of \$2,159,000 include: salaries and benefits of \$1,147,000; professional fees of \$119,000; general and office expenditures of \$118,000; travel costs of \$106,000; consulting fees of \$106,000; investor relations and filing fees of \$274,000; occupancy costs of \$134,000; and directors' fees of \$155,000.

For the six months ended June 30, 2009, cost of operations in care and maintenance total \$1,047,000 and relate to the Aranzazu Project. Of this amount, \$840,000 relates to salaries and wages, professional fees and general maintenance and administration costs of the operation while in care and maintenance. Amortization of \$166,000 and accretion of \$41,000 are also included in the costs of operations in care and maintenance. Depletion is calculated on a unit of production basis, and as such, results for the six months ended June 30, 2009 do not include any depletion on the Aranzazu Project mineral property. The amortization recorded in the period only covers those pieces of equipment in use at the site. Substantially all operating costs at the Aranzazu Project for the six months ended June 30, 2010 are capitalized into projects in process.

Amortization for the six months ended June 30, 2010 of \$443,000 (2009: \$160,000) relates to the Company's corporate and Brazil locations, as well as amortization on the equipment in use at the Aranzazu Project.

For the six months ended June 30, 2010, the Company recorded an operating loss of \$9,977,000, which compares to an operating loss of \$17,992,000 for the six months ended June 30, 2009.

#### *Other Income and Expenses, Taxes, and Net Loss*

Interest expense for the six months ended June 30, 2010 amounted to \$748,000, and relates primarily to interest paid on the promissory notes payable in connection with the acquisitions of the San Andres Mine and the Brazilian Mines. The Company had no interest expense for the six months ended June 30, 2009.

Other income for the six months ended June 30, 2010 of \$277,000 includes income generated on invested funds of \$327,000, and a gain of \$282,000 recorded upon marking the undesignated portion of the Company's forward currency contracts to their market value. These are offset by a loss of \$332,000

on marketable securities during the period. Other income for the six months ended June 30, 2009 relates solely to income generated on investment funds totalling \$100,000.

The foreign exchange gain of \$121,000 recorded during the six months ended June 30, 2010 reflects the effects of the Company's assets and liabilities held in foreign currencies, primarily Canadian dollars, Brazilian Reals and Mexican Pesos, and the fluctuation of those currencies against the United States dollar during the period. In comparison, the Company recorded a foreign exchange gain of \$2,866,000 for the six months ended June 30, 2009.

For the six months ended June 30, 2010, the Company recorded a future income tax recovery of \$841,000, reflecting the reversal of a portion of the future income tax liability set up on the acquisitions of the San Andres Mine and the Aranzazu Project, as well as adjustments due to changes in the temporary differences between tax and accounting values of assets and liabilities. For the six months ended June 30, 2010, the Company recorded a current income tax expense of \$5,112,000 relating to income tax payable on earnings at the San Andres Mine. For the six months ended June 30, 2009, the Company recorded a future income tax recovery of \$2,774,000, primarily due to the future income tax recovery on the impairment charge to resource properties. During the six months ended June 30, 2009 the Company had no current tax expense.

For the six months ended June 30, 2010, the Company recorded a net loss of \$14,598,000. This compares to a loss of \$12,252,000 recorded for the three months ended June 30, 2009.

Other comprehensive income for the six months ended June 30, 2010 includes the recognition of a gain on the effective portion of cash flow hedges of \$1,161,000 relating to the Company's forward currency contracts which have been designated as hedges and have been accounted for as cash flow hedges. Other comprehensive income for the six months ended June 30, 2009 includes a gain of \$4,719,000 resulting from the Company's change in measurement and reporting currency as further described in note 2 to the Financial Statements.

## **Capital Expenditures**

During the three and six months ended June 30, 2010, total additions to property, plant and equipment and mineral properties were \$170,703,000 and \$177,745,000, respectively. Included in these amounts is \$157,347,000 relating to the value attributable to the Brazilian Mines' fixed assets, mineral properties and goodwill acquired on April 30, 2010. For further details, refer to "*Corporate Developments and Significant Transactions and Factors affecting Results of Operations – Brazilian Mine Acquisition*" and to Note 5 of the Financial Statements. Of the remaining additions of \$13,356,000 and \$20,398,000 for the three and six months ended June 30, 2010, \$7,277,000 and \$11,607,000, respectively, related to additions to equipment and capital projects at the San Andres Mine, \$156,000 related to new equipment at the Brazilian Mines, \$5,302,000 and \$7,626,000, respectively, related to mine development, capital projects and capitalized operating costs at the Aranzazu Project, and \$621,000 and \$1,009,000, respectively, related to the Company's head office and Brazil office locations.

Included in the \$157,347,000 of additions related to the Brazilian Mines, is \$73,378,000 attributable to the fair value of the property, plant and equipment, as estimated by management with the assistance of independent third party valuers. A further \$82,969,000 attributable to the preliminary fair value of mineral properties was estimated by management at the time of acquisition based on the mines' life-of-mine plans and using management's best estimates and assumptions, including the following: estimated future recoverable mine production based on proven and probable reserves, measured, indicated and inferred resources, metal grades and recoveries; metal prices, exchange rates, tax rates and operating and abandonment costs; and expected capital expenditures to be made over the life-of-mine.

## 8. 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.

For the Quarters Ended:  (In thousands of US dollars, except per share information)	June 30, 2010 (unaudited)	March 31, 2010 (unaudited)	Dec 31, 2009 (unaudited)	Sept 30, 2009 <sup>4</sup> (unaudited) (restated)	June 30, 2009 <sup>4</sup> (unaudited) (restated)	Mar 31, 2009 <sup>4</sup> (unaudited) (restated)	Dec 31, 2008 <sup>4</sup> (unaudited) (restated)	Sept 30, 2008 <sup>4</sup> (unaudited) (restated)
Sales Revenue	38,576	19,791	19,532	6,924	Nil	35	1,056	1,466
Working Capital <sup>(5)</sup>	105,218	153,249	40,526	57,780	30,642	31,450	33,339	54,784
Property, plant and equipment	351,970	187,095	182,627	189,824	89,345	83,241	85,416	99,343
Resource Properties <sup>(1)</sup>	15,108	15,108	14,427	14,427	12,349	10,132	21,684	31,929
Net Loss <sup>(2)</sup>	13,328	1,270	12,982	6,102	3,556	8,697	16,825	13,991
Net Loss per Share (basic and diluted) <sup>(3)</sup>	\$ 0.07	\$ 0.01	\$ 0.09	\$ 0.04	\$ 0.03	\$ 0.07	\$ 0.14	\$ 0.12

(1) Net of impairment charges of \$8,167,000 and \$4,159,000 taken in the quarters ended March 31, 2009 and December 31, 2008, respectively. Balance of resource properties as at March 31, 2009 is also net of the Inaja Project option payment received of \$3,000,000.

(2) For the quarter ended March 31, 2009, net of an impairment charge of \$8,167,000 and a related future income tax recovery of \$2,777,000. For the quarter ended December 31, 2008, net of an impairment charge of \$4,159,000 and a future income tax recovery of \$1,414,000.

(3) 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.

(4) 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.

(5) 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 two year period; the acquisition of the Aranzazu Project on June 5, 2008; the acquisition of the San Andres Mine on August 25, 2009, and the acquisition of the Brazilian Mines on April 30, 2010.

Quarterly results for the quarters ended September 30, 2008, December 31, 2008 and March 31, 2009 reflect revenues and operating expenses of the Aranzazu Project, acquired on June 5, 2008. Results for the quarters ended September 30, 2009, December 31, 2009, March 31, 2010, and June 30, 2010 include revenues and operating expenses of the San Andres Mine, acquired on August 25, 2009. Quarterly results for the quarter ended June 30, 2010 include revenues and operating expenses of the Brazilian Mines acquired on April 30, 2010. The Aranzazu Project was placed in care and maintenance in mid-December 2008 due to the prevailing market conditions and commodity price environment. Ongoing operating costs at the Aranzazu Project are reflected as costs of operations in care and maintenance for the three quarters ended September 30, 2009, after which these costs were capitalized into projects in process.

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

## 9. LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents used in operating activities during the three and six months ended June 30, 2010 were \$12,898,000 and \$9,362,000, respectively. Cash and cash equivalents used in investing activities during the three and six months ended June 30, 2010 were \$5,766,000 and \$12,751,000, respectively, and included \$11,242,000 and \$17,492,000 of property, plant and equipment acquired for cash, and \$50,858,000 in cash paid for the acquisition of the Sao Francisco and Sao Vicente Mines. Investing activities for the six month period ended June 30, 2010 also included \$681,000 paid for the acquisition of resource properties acquired related to the Arapiraca Project. Total cash and cash equivalents used in investing activities for the three and six months ended June 30, 2010 are net of the release of the \$56,866,000 in restricted cash from escrow just prior to the acquisition of the Brazilian Mines.

Cash and cash equivalents generated from financing activities during the three and six months ended June 30, 2010 were \$1,621,000 and \$70,313,000, respectively of which \$8,000 and \$66,478,000, respectively, related to the net proceeds from the 2010 Offering. Cash generated from financing activities for the three and six months ended June 30, 2010 also includes \$319,000 and \$706,000, respectively, from the exercise of options during the period and \$1,294,000 and \$3,129,000, respectively, from the exercise of warrants. As a result, the decrease in cash and cash equivalents for the three months ended June 30, 2010 was \$17,043,000, and the increase in cash and cash equivalents for the six months ended June 30, 2010 was \$48,200,000. As at June 30, 2010, the Company had working capital of \$105,218,000, which included cash and cash equivalents of \$85,178,000. Cash and cash equivalents at June 30, 2010 consist primarily of interest-bearing cash deposit accounts held with Canadian chartered banks. The Company believes that it is not exposed to significant credit risk on these financial instruments.

Included in cash and cash equivalents at June 30, 2010 are \$64,520,000 denominated in Canadian dollars, \$2,756,000 denominated in Brazilian Reais, \$178,000 denominated in Honduran Lempiras and \$267,000 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 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 Project operations, the Company will be subject to foreign currency rate fluctuations between these currencies and the United States dollar.

In order to manage cash resources, 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.

During the first half of 2010, the Company made progress on the plant and infrastructure upgrades at the Aranzazu Project in preparation for a planned re-start of operations later in 2010. Total capital expenditures associated with the restart of the Aranzazu Project, including underground development work, mill upgrades and capitalized operating costs prior to recommencing operations, are estimated to be \$30 million, as described under the heading "*Development and Exploration Review – Aranzazu Project.*" Of this amount, \$11.6 million was spent during the six months ended June 30, 2010. In addition, during the first quarter of 2010, the Company completed the construction of the crusher-conveyor system at the San Andres Mine. This project was started in 2009 and commissioning was completed in early April. Other capital expenditures associated with the San Andres Mine include the new stacking system and completion of the Phase 4 leach pad expansion, and, along with the cost of completing the crusher-conveyor system, are estimated to be \$18 million in 2010, of which \$7.6 million was spent to June 30, 2010. Additionally, the Company expects to incur further capital expenditures at the Brazilian Mines of approximately \$17 million for: engineering studies to optimize process, including the treatment of existing tailings; upgrades to increase crusher throughput and gravity recovery at the Sao Francisco Mine; and sustaining capital at both operations.

As described under the heading “*Development and Exploration Review – Aranzazu Project*,” most of the Company’s estimated \$27 million in exploration spending will focus on the Aranzazu Project, where the Company has commenced a large underground drill program to delineate resources to support a bulk-tonnage underground operation. The Aranzazu Project’s \$24 million exploration program includes surface drilling and development of underground drilling stations as part of the underground drill program as well as a regional program at the Aranzazu Project. The Company is also forecasting \$3 million for the Brazilian Mines to complete exploration and definition drilling in order to upgrade and expand the resource base at each of those mines. The remaining exploration budget is allocated to drilling at the San Andres Mine to upgrade resources to reserves.

The above expenditures will be funded from the Company’s current cash and cash equivalents of \$85,178,000, cash flows generated from current operations at the Company’s operating mines and cash flows expected following the restart of the Aranzazu Project in the third quarter 2010. Based on the expected levels of operations and the available cash resources and current metal prices, the Company believes it is fully financed to achieve its 2010 growth objectives.

The Company has a number of new financial commitments as a result of the acquisition of the San Andres Mine and the Brazilian Mines, most notably the payment of interest and principal on the promissory notes payable and deferred purchase price consideration payable (see “*Contractual Obligations*”). The Company anticipates that these obligations will be paid out of cash flows generated from operations.

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. Although there have been numerous indications of economic recovery since mid-2009, increased levels of volatility and market turmoil could adversely impact the Company’s results of operations and planned growth. These events could have a significant impact on the Company.

## 10. CONTRACTUAL OBLIGATIONS

For the three months ended June 30, 2010 and as of August 11, 2010, except as described under “*Corporate Developments and Significant Transactions and Factors Affecting Results of Operations - Financing and Brazilian Mine Acquisition*,” 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 June 30, 2010:

<i>(In thousands of US dollars)</i>	<b>Total</b>	<b>2010</b>	<b>2011-2012</b>	<b>2013-2014</b>	<b>After 2014</b>
Promissory notes payable	\$ 64,247	\$ Nil	\$ 38,848	\$ 25,399	\$ Nil
Operating leases (premises and other)	933	225	683	25	Nil
Capital lease obligations	27	2	19	6	Nil
Commitments related to capital projects ongoing	19,492	19,492	Nil	Nil	Nil
Reclamation obligations	36,933	1,402	3,521	24,149	7,861
<b>Total contractual obligations</b>	<b>\$121,632</b>	<b>\$ 21,121</b>	<b>\$ 43,071</b>	<b>\$ 49,579</b>	<b>\$ 7,861</b>

The above table includes the Company's estimated obligation to reclaim the San Andres Mine, the Brazilian Mines, and the Aranzazu Project properties following completion of mining activities at those sites. The Company has engaged specialist environmental consultants familiar with its projects to provide estimates of the costs necessary to comply with existing reclamation standards in Brazil, Mexico and Honduras and to estimate the Company's asset retirement 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 an estimated annual inflation and by a market risk premium at each location, are approximately \$36,933,000. While Canadian GAAP requires 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.

The purchase consideration for the San Andres Mine and the Brazilian Mines include deferred purchase price consideration in the amounts of \$14,750,000 and \$28,404,000, respectively, which are not included in the above table. Such consideration is payable as to 50% of all net free cash flow from the San Andres Mine and Brazilian Mines, once net free cash flows exceed \$79,000,000 and \$135,000,000, respectively. To the extent that the net free cash flow threshold for the San Andres Mine has been reached before the cumulative net free cash flow threshold for Brazilian Mines, 50% of all net free cash flow from the San Andres Mine shall continue to be payable, up to and until the deferred purchase price consideration related to the Brazilian Mines has been paid in full, and vice versa. As of June 30, 2010, net free cash flows generated by the San Andres Mine since August 26, 2009 and by the Brazilian Mines from the date of the Asset Purchase Agreement on July 17, 2009, were \$7,108,000 and \$10,949,000, respectively.

Certain senior officers and employees of the Company have change of control provisions in their consulting and employment agreements that 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.

#### 11. OFF-BALANCE SHEET ARRANGEMENTS

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

#### 12. TRANSACTIONS WITH RELATED PARTIES

During the three and six months ended June 30, 2010, the Company was not party to any transactions with related parties as defined by the CICA Handbook.

However, on April 30, 2010, the Company completed the purchase of the assets and liabilities from Yamana Gold Inc. ("Yamana") of the Brazilian Mines, as described under the heading "*Corporate Developments and Significant Transactions and Factors Affecting Results of Operations – Brazilian Mine Acquisition.*" The Company and Yamana currently have one common director, but had two common directors at the date of the Asset Purchase Agreement, both of whom recused themselves from

participating in the decisions and voting matters with respect to the transaction. Subsequent to the close of the Brazilian Mine Acquisition, Yamana holds approximately 11.3% of the outstanding common shares of the Company, assuming no exercise of Aura Minerals' outstanding stock options or broker warrants.

On February 4, 2010, the Company and Zoneplan, a subsidiary of Cyprus River Holdings Ltd. ("Cyprus River"), which is a majority shareholder in the Company, closed the 2010 Offering. After giving effect to the 2010 Offering, Cyprus Holdings beneficially owns, controls or directs, directly or indirectly, 51,968,400 common shares, representing approximately 25.1% of the common shares of the Company outstanding as at the date of this MD&A.

### 13. PROPOSED TRANSACTIONS

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

### 14. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

#### **Changes in accounting policy**

##### *Hedge Accounting*

Effective May 1, 2010, the Company elected to adopt CICA Section 3865, "Hedges", which establishes the accounting treatment of derivative financial instruments designated as hedges. The Company adopted this standard in anticipation of entering into forward currency contracts during the quarter ended June 30, 2010. The Company has applied this standard on a prospective basis from May 1, 2010. Further information related to hedge accounting is included in note 4(a) to the Financial Statements.

##### *Goodwill*

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

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

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

##### *Business Combinations 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."

The Company has elected to adopt CICA Sections 1582, 1601 and 1602 on a prospective basis, effective January 1, 2010. As a result of the application of these new standards, the Company expensed \$1,000,000 in deferred transaction costs in the quarter ended March 31, 2010 that were included in the Company's consolidated balance sheet as of December 31, 2009. Additionally, the Company expensed \$1,414,000 and \$1,711,000 in transaction costs for the three and six months ended June 30, 2010, respectively. All such transaction costs related to the Brazilian Mine Acquisition.

### **New accounting pronouncements**

#### *Multiple deliverable revenue arrangements*

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

## **15. 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 accounting policies are described in note 3 to the Company's annual audited consolidated financial statements for the year ended December 31, 2009. Management's critical accounting estimates are applied in the accounting for inventories, asset retirement obligations, allocation of the purchase price for the San Andres Mine and the Brazilian Mines, including any related goodwill, the impairment of long-lived assets, the determination of the fair value of warrants and stock-based compensation and accounting for income taxes.

### **Revenue recognition**

The Company's sales of concentrates made by the Aranzazu Project are sold under pricing arrangements where the final prices are determined by quoted market prices in a period subsequent to the date of sale. As a result, the estimated revenue for a given period is recorded based on forward metal prices for the expected date of final settlement, resulting in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value recorded as adjustments to revenue as they occur. These adjustments also reflect changes in quantities arising from final weight and assay calculations. In periods of unusual price volatility, the effect of mark-to-market price adjustments related to the quantity of metal in concentrates which remains to be settled with independent smelters could be significant.

## **Inventories**

Product inventory, in-process inventory and ore stockpiles are valued at the lower of average production costs or net realizable value.

The Company records the cost of mining ore stacked on its leach pads and in process at its mines as in-process inventory, and values in-process inventory at the lower of cost or estimated net realizable value. These costs are included in cost of sales on the basis of ounces of gold recovered. The assumptions used in the valuation of in-process inventories include estimates of metal contained in the ore stacked on leach pads, assumptions of the amount of metal stacked that is expected to be recovered from the leach pads, the amount of metal in circuit at its process plants, and an assumption of the metal price expected to be realized when the metal is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its in-process inventories, which would reduce the Company's earnings and working capital.

## **Asset retirement obligations**

The amounts recorded for asset retirement 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.

## **Allocation of the purchase price to assets and liabilities acquired**

Canadian GAAP requires 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 only completed a preliminary allocation of the purchase prices for both the San Andres Mine and the Brazilian Mines. 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. The fair values for the San Andres Mine acquisition and the Brazilian Mine Acquisition may be revised by the Company as additional information becomes available.

## **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."

As of December 31, 2009, management reviewed and updated the Aranzazu Project impairment analysis performed at December 31, 2008, which was based on: third party consensus forecasts of metal prices and exchange rates; current resources, ore grades and mine plans; expected throughput capacities and processing yields; operating and capital cost estimates; expected reclamation costs; and applicable tax rates in Mexico. As a result of this review, the Company determined that no impairment in the carrying value of the Aranzazu Project was required as of December 31, 2009, and no further information has come to the Company's attention that would change management's conclusion as of June 30, 2010. Management also 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 and warrants**

Management is required to make significant estimates about future volatility and the period in which stock options and warrants will be exercised. The selection of the volatility factor and the estimate of the period in which a stock option or a warrant will be exercised will have a significant impact on the cost recognized for stock-based compensation and share issue costs, respectively. 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 and warrants 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 period and 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.

## **16. 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, restricted cash and promissory notes payable. In order to manage credit risk, the Company deposits cash and cash equivalents with high credit quality financial institutions.

In connection with the acquisition of the San Andres Mine during 2009 and the Brazilian Mine Acquisition on April 30, 2010, the Company's capital structure now includes promissory notes payable as well as equity attributable to common shareholders. The interest rate on the promissory notes payable is fixed at the six-month LIBOR plus 3% and the Company is therefore subject to fluctuations in LIBOR. The Company has not entered into any financial instruments to hedge against unfavourable changes in interest rates, but may choose to actively manage its exposure to interest rate risk in the future. Based on the current level of debt and cash and cash equivalents, for the six months ended June 30, 2010, an increase in interest rates of 100 basis points (1 percent) would have decreased net loss and comprehensive loss for the period by approximately \$112,000. Additionally, other than requirements to maintain and prudently operate its business and pay interest and principal as per the terms of the promissory notes, the Company has no externally imposed financial covenants.

As at June 30, 2010, the Company's credit risk is primarily related to the recovery of value added taxes. There were no trade receivables outstanding as of June 30, 2010 from the sale of gold or of copper concentrate. Of the \$6,322,000 in value added taxes receivable at June 30, 2010, \$2,692,000 is due in Honduras, \$2,755,000 is due in Mexico, \$799,000 is due in Brazil, and \$76,000 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 dore 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, when operations at the Aranzazu Project resume, its credit risk exposure on sales of concentrate will be limited as the Company sells its product to a large, international purchaser with 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 the quarter and as at June 30, 2010, the Company had not entered into any derivative contracts for the sale of any future concentrate or metal production. A 10% change in the average gold price for the period, with all other variables held constant, would have impacted the Company's loss for the three and six months ended June 30, 2010 by \$3,300,000 and \$4,800,000, respectively. As the operations of the Aranzazu Project have not yet recommenced, for the three and six months ended June 30, 2010, fluctuations in copper prices would not have materially affected the Company's results of operations.

### **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 US dollars; however, the majority of all other operating expenses are in Honduran Lempiras, Brazilian Reais and Mexican Pesos, respectively. At June 30, 2010, the Company had cash and cash equivalents of \$85,178,000, of which \$64,520,000 was held in Canadian dollars, \$17,457,000 in United States dollars, \$2,756,000 in Brazilian Reias, \$178,000 in Honduran Lempiras, and \$267,000 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.

### **Derivatives**

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 quarter ended June 30, 2010, the Company entered into the following 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:

<b>Year of Settlement</b>	<b>Brazilian Real Notional Amount</b>	<b>Contract Fixed Rate</b>
	<i>(In thousands)</i>	
2010	<b>R\$ 19,204</b>	<b>1.92040</b>
2011	<b>R\$ 34,676</b>	<b>2.03970</b>
2012	<b>R\$ 11,006</b>	<b>2.20120</b>
	<b>R\$ 64,886</b>	<b>2.02770</b>

The Company's forward currency contracts have been designated as hedges and have been accounted for as cash flow hedges. For the three and six months ended June 30, 2010, the Company recorded an unrealized gain on the effective portion of cash flow hedges of \$1,161,000 which was recorded in other comprehensive income for the quarter and six months ended June 30, 2010. The Company also recorded a gain on the undesignated portion of the cash flow hedges of \$282,000, which was recorded in the statement of operations for the quarter and six months ended June 30, 2010.

## 17. 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 six individuals, five 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.

## 18. 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 Canadian GAAP. Based on a review of the internal control procedures as of June 30, 2010, 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.

### ***Changes to internal control over financial reporting***

Other than changes to ICFR as a result of the acquisition of the Brazilian Mines on April 30, 2010, there have been no changes in ICFR during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, ICFR.

### ***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 June 30, 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.

### ***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 San Andres Mine and 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 San Andres Mine and the Brazilian Mines have a material effect on overall ICFR. Management's review of the internal controls and procedures at the San Andres Mine and the Brazilian Mines is ongoing.

## 19. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company will be required to adopt International Financial Reporting Standards (“IFRS”) for its interim and annual consolidated financial statements effective January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of all quarterly results reported by the Company for the year ended December 31, 2010, as well as an opening IFRS balance sheet as of January 1, 2010.

During 2009, the Company completed an initial diagnostic review of the significant differences between IFRS and Canadian GAAP, in order to identify areas that could significantly impact the Company’s financial reporting. In many areas, the Company’s policy and transition election choices will impact the effect that the conversion to IFRS has on the Company’s financial reporting. As such, during 2009 the Company began the process of selecting appropriate accounting policy choices and determining the transition elections it plans to use. As a result of the above process, the Company expects the following areas to be significantly impacted by the Company’s transition to IFRS:

### i. **Impairment of assets:**

The Company will be required under IFRS to perform an annual assessment of impairment for all long-lived assets, whether or not there are indicators of impairment. If the assessment is done using a cash flow model, the use of discounted cash flows is required in order to calculate the asset’s recoverable amount for comparison with the asset’s carrying value. IFRS also permits the reversal of impairments for long-lived assets in certain circumstances, which could lead to increased volatility in the recognition of impairments as compared with Canadian GAAP.

### ii. **Foreign currency transactions**

The Company currently translates its integrated foreign subsidiaries using the temporal method, whereby monetary assets and liabilities are translated using the current rate method, non-monetary assets are translated at historical exchange rates, with resulting foreign exchange differences shown in earnings. Under IFRS, all assets and liabilities of foreign subsidiaries with functional currencies other than the United States dollar will be translated using the current rate method, and all resulting foreign exchange differences will be shown as a separate component of equity.

### iii. **Asset retirement obligations**

Under Canadian GAAP, the Company had been recognizing its asset retirement obligations based on the legal requirements in the countries in which the Company operates. Under IFRS, the Company will also have to consider constructive obligations where such obligations are probable (defined as ‘more likely than not’, or greater than 50%). The IFRS standard also contains some specific measurement differences that could affect the Company’s obligations, such as the discount rate used and the values placed on the expected future costs. The Company is currently assessing its choices under the new standard in order to determine the final impact of the application of IFRS on the Company’s asset retirement obligations.

### iv. **Provisions and contingencies**

Under IFRS, contingent assets and liabilities must be assessed in legal and constructive terms and are required to be recognized if they are probable (defined as ‘more likely than not’ or greater than 50%). The Company continues to assess its provisions and contingencies under the terms of this standard.

### v. **Property, plant and equipment**

Under IFRS, the Company will be required to apply componentization concepts to its property, plant and equipment, and will be required to perform an annual review of the estimates of useful life, residual value, and depreciation methods, in addition to the annual review for impairment. The Company expects to use only the historical cost accounting method to value its assets under IFRS.

vi. **Share-based compensation and warrants:**

Under IFRS, the Company will be required to estimate the percentage of options that are expected to vest, which could alter the expense that is to be applied over the vesting period. At the end of each period, the Company will then assess the actual number vested as compared to the estimated number vested and adjust the expense as required. In addition, there may be some small measurement differences under IFRS that will need to be considered. In addition, as the Company issues warrants in Canadian dollars but has a functional currency of the United States dollar, any warrants outstanding as of the transition date to IFRS will be treated as embedded derivatives. Under the IFRS accounting rules, the warrants will be marked to their market value as of each reporting date, and will be presented as a liability on the Company's balance sheet.

vii. **Presentation and disclosure**

The overall presentation and disclosure of the Company's financial statements will change under IFRS, as a result of implementing the IFRS presentation and disclosure requirements. These changes could result in significant differences in the presentation of the Company's statement of cash flows, balance sheet and statement of operations. In addition, it is expected that the Company will have additional disclosures in the notes to the consolidated financial statements in order to comply with the requirements of IFRS.

viii. **Taxes**

The Company expects the accounting for income taxes to differ in some areas and continues to assess the impact of accounting for income taxes under IFRS.

During 2009, the Company also performed a high level analysis of the impact of IFRS on the Company's accounting processes, internal controls procedures, and information technology systems. Based on this review, management has not identified any significant impacts that are likely to occur as a result of the transition to IFRS.

During the first half of 2010, the Company completed an initial draft of the financial statement presentation and note disclosures required for the conversion to IFRS and commenced work on the preparation of the opening balance sheet as of January 1, 2010. Throughout the remainder of 2010, the Company plans to complete some of the other key activities related to the conversion, including: completion of the opening balance sheet as of January 1, 2010; making final accounting policy and transition election choices; consulting with the Company's subsidiary locations to allow for a smooth transition; and obtaining appropriate training for the Company's staff.

The Company's audit committee has been kept informed of management's plans and decisions to date, and the Company plans to continue to provide the audit committee with updates through 2010 as the conversion project progresses.

## 20. 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 Canadian GAAP 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 Canadian GAAP.

### **Cash costs per ounce**

Cash costs are presented as they represent an industry standard method of comparing certain costs on a per unit basis. Total cash costs 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 are divided by ounces to arrive at per ounce cash costs.

The following table provides a reconciliation to the Financial Statements of 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>	<b>For the three months ended June 30, 2010</b>	<b>For the six months ended June 30, 2010</b>
Mine operating expenses	\$ 22,737	\$ 32,106
Net smelter return royalties	120	221
Inventory movements and adjustments	7,187	7,206
Total cash cost	30,044	39,533
Gold ounces produced	35,304	54,603
Total cash cost per ounce of gold produced	\$ 851	\$ 724

### **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 earnings, excluding (a) non-recurring revenue and expense items; (b) stock-based compensation; (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 "Second Quarter Highlights".

## 21. 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 26, 2010, a copy of which is filed on SEDAR at [www.sedar.com](http://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.

## 22. DISCLOSURE OF SHARE DATA AS AT AUGUST 11, 2010

- (a) shares authorized: an unlimited number of common shares without par value.
- (b) shares issued and outstanding: 206,927,786 common shares.
- (c) stock options outstanding as at August 11, 2010:

Expiry Date	Exercise Price (C\$)	Outstanding Stock Options
August 14, 2010	7.85	20,000
August 14, 2010	7.50	20,000
September 8, 2010	2.50	60,000

Expiry Date	Exercise Price (C\$)	Outstanding Stock Options
September 8, 2010	7.85	260,000
September 8, 2010	4.95	130,000
September 30, 2010	1.45	50,000
October 30, 2010	7.10	100,000
November 30, 2010	7.10	300,000
November 30, 2010	7.85	60,000
November 30, 2010	4.95	160,000
February 1, 2011	5.80	4,000
February 2, 2011	3.16	3,750
February 18, 2011	5.80	4,000
April 15, 2011	\$0.80	60,000
April 30, 2011	3.64	6,250
May 3, 2011	3.16	34,600
July 23, 2011	3.23	10,000
July 25, 2011	2.50	240,000
March 30, 2012	3.85	360,000
March 30, 2012	3.75	932,000
May 17, 2012	5.90	400,000
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	52,400
January 28, 2013	4.95	780,000
January 29, 2013	4.95	120,000
February 8, 2013	5.30	140,000
May 13, 2013	7.50	900,000
August 14, 2013	5.35	183,000
December 30, 2013	0.775	2,671,665
September 11, 2014	3.16	980,000
October 19, 2014	3.26	20,000
November 2, 2014	3.23	760,000
December 14, 2014	4.19	80,000
January 5, 2015	4.63	300,000
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	235,000
April 9, 2015	3.50	2,290,000
April 12, 2015	3.52	60,000

Expiry Date	Exercise Price (C\$)	Outstanding Stock Options
April 19, 2015	3.34	100,000
May 28, 2015	4.24	90,000
June 7, 2015	4.25	250,000
Total:		<b>14,254,165</b>

(d) warrants outstanding as at August 11, 2010:

Number Outstanding	Exercise Price (C\$)	Expiry Date
1,103,140	2.75	January 15, 2011

### 23. 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 4.2 – 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.

#### 24. ADDITIONAL INFORMATION

Additional information relating to the Company including, the Company's AIF, is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.auraminerals.com](http://www.auraminerals.com).