



AURA GOLD INC.

MANAGEMENT DISCUSSION AND ANALYSIS  
THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2006

## **Introduction**

This management discussion and analysis (MD&A) for Aura Gold Inc. (the “Corporation”) is for the third quarter ended September 30, 2006. Readers are advised to read it in conjunction with the consolidated financial statements for the fiscal periods referred to herein. All financial reporting of the Corporation is presented in Canadian dollars. Amounts in this MD&A not using Canadian dollars are indicated as USD (US dollars) or BRL (Brazilian reais). This MD&A was prepared as of October 31, 2006.

This MD&A may contain forward-looking statements. Forward-looking statements are based on current expectations that involve a number of risks and uncertainties which could cause actual events or results to differ materially from those reflected herein. Forward-looking statements are based on the estimates and opinions of management of the Corporation at the time the statements were made.

A summary of the Corporation’s projects and their exploration history was disclosed in the Corporation’s March 30, 2006 news release. In news releases dated March 31, April 12 and May 29, 2006 the Corporation announced completion of private placements with total gross proceeds of \$10,000,000. The option of a gold-silver project in Chile was announced on August 3, and on September 6 an update of exploration activities was provided. These news releases may be viewed, along with additional information relating to the Corporation itself, on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) and on the Corporation’s own website at [www.auragoldinc.com](http://www.auragoldinc.com).

Mr. Mel Klohn, L.P.Geo., is the qualified person for the purposes of the technical information contained herein, pursuant to the requirements of National Instrument 43-101.

## **Corporation’s activities**

Prior to the nine month period ending September 30, 2006 being reported here, the Corporation was an inactive reporting issuer seeking a new business in the resource sector to maximize value for its shareholders. Shareholders approved a share consolidation on the basis of one (1) post-consolidation common share for every one-and-three-quarters (1.75) pre-consolidation common shares, on July 27, 2005, which became effective on July 27, 2005. Following a series of private placements announced in the Corporation’s news releases, on a non-diluted basis there were 52,630,718 common shares issued and outstanding (the “Common Shares”) as at September 30, 2006 (75,080,718 on a fully diluted basis). The Corporation’s Common Shares began trading on the Toronto Stock Exchange (TSX) with the symbol “ORA” on July 25, 2006. As at September 30, 2006, the Corporation had working capital of \$7,625,973.

During the three months ended March 31, 2006 the Corporation completed three private placements for total gross proceeds of \$4,070,000 and completed the acquisition of a number of mineral exploration properties in Brazil. A new management team was appointed to focus the

Corporation's activities on gold and precious metal exploration and development in Brazil. At its annual and special meeting on March 15, 2006, shareholders approved a special resolution to change the name of the Corporation to "Aura Gold Inc." to reflect this new focus on gold and precious metal resource exploration in Brazil.

Aura Gold Inc. was continued by Articles of Continuance dated April 20, 2006, under section 187 of the *Canada Business Corporations Act*.

During the quarter ended June 30, 2006 the Corporation completed more equity financing transactions consisting of: (i) an additional 500,000 common shares sold at \$0.20 per share in a non-brokered private placement for total gross proceeds of \$100,000; and (ii) a private placement of 17,000,000 Units sold at a price of \$0.40 per Unit for aggregate gross proceeds of \$6,800,000. Each Unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share for \$0.50 until November 30, 2007. In conjunction with the financing, finders were paid a cash finders' fee of 7.0% of the gross proceeds of the financing (\$490,000) and a cash structuring fee of 1.0% of the gross proceeds of the financing (\$70,000) and were issued 1,700,000 broker warrants. Each whole broker warrant entitles the holder to acquire one Unit for \$0.40 until November 30, 2007 (each unit consisting of a common share and one-half of a common share purchase warrant, exercisable until November 30, 2007 at a price of \$0.50). In conjunction with an earlier private placement, completed during the quarter, the Corporation granted a broker warrant to acquire 500,000 common shares of the Corporation in consideration for ongoing corporate advisory services. Each whole warrant entitles the holder to acquire one common share of the Corporation for \$0.20 until December 22, 2007.

Management's strategy is to grow Aura Gold Inc. into a profitable resource company, maximizing value for its shareholders, through successful exploration in high-potential, mineralized districts. These are primarily in Brazil, with the exception of a new opportunity acquired recently in northern Chile. Sophisticated exploration technologies are applied in areas of known gold mineralization, often indicated by prior *garimpeiro* activity at surface, leading to early drill testing of high quality precious metal targets. The Brazilian exploration activities are carried out through a wholly-owned Brazilian subsidiary, Aura Gold Mineração Ltda, which holds claim title, is party to the option agreements and generally manages the field operations of the Corporation as required. The Corporation's initial project portfolio, comprising projects in southern Para state of northeastern Brazil, constitutes the early stages of implementing this strategy. The Cumaru-Gradaús Project was the subject of a Technical Report conforming to the standards of National Instrument 43-101, entitled "Technical Report – 2006 – for Aura Gold Inc. on the Cumaru-Gradaús Gold Project, Pará State, Brazil" and prepared by Chris Broili, C.P.Geol. & L.P. Geol. and Mel Klohn, L.P.Geol. This May 1, 2006 report may be viewed along with the Corporation's other filings at [www.sedar.com](http://www.sedar.com).

An active field exploration program, including preliminary geological mapping, surface sampling, surveying and some auger drilling got underway at Cumaru-Gradaús during the quarter in preparation for planned diamond drilling of known gold-mineralized zones later in the year. Initial field reconnaissance visits to the Inaja project areas were undertaken during the quarter as well.

Aura Gold's Brazilian projects have a total area of 784,936 hectares as outlined in the following table.

<b>Project</b>	<b>Area (ha)</b>	<b>Aura Gold Ownership</b>
Cumaru-Gradaús (Gradaús Property)	1,636	Option to acquire 100%
Cumaru-Gradaús (Cumaru Property)	34,300	Option to earn 70%
Cumaru-Gradaús (Santa Elina Property)	70,000	100% held
Inaja	132,000	Options to acquire 100%
Inaja (Santa Elina Property)	1,000	100% held
Far North Carajás	166,000	100% held
North Carajás	264,000	100% held
Tapajos	116,000	100% held
Total area	784,936	

During the second quarter it was decided not to pursue further a final agreement for Aldebaran, one of the potential Brazilian projects described in the March 30, 2006 press release.

The Chilean property, the option agreement for which was announced on August 3, consists of four groups of mining concessions totaling 19,300 hectares within the Central Valley of the Antofogasta region of northern Chile. The Corporation has the right to earn up to a 100% interest in the property in several steps.

#### Cumaru – Gradaús- Project

##### *Land Holdings*

The Cumaru-Gradaús Project consists of the Gradaús property (1,636 hectares in 3 licences) and the Cumaru property (34,300 hectares in 8 licences under one agreement plus 70,000 hectares in 7 licences acquired from Santa Elina Mines Corp. under a separate master agreement with that company (q.v.)). The Gradaús property agreement gives the Corporation the right to acquire 100% of the Gradaús property from Mineração Gradaús Ltda for cash payments totaling USD535,000, share issuances of 500,000 shares to an arm's length party (of which USD 50,000 has now been paid and 200,000 shares issued) and incurring exploration expenditures of USD1,500,000 over the three year period ending January 1, 2009.

<b>Due date</b>	<b>Payment (USD)</b>	<b>Shares</b>	
on signing	25,000	nil	paid
1 Jan 2006	nil	100,000	issued
1 Jul 2006	25,000	100,000	paid and issued
1 Jan 2007	50,000	100,000	
1 Jul 2007	50,000	100,000	
1 Jan 2008	100,000	100,000	
1 Jul 2008	135,000	nil	
1 Jan 2009	150,000	nil	
<b>Totals</b>	<b>535,000</b>	<b>500,000</b>	

The original agreement with Yamana Gold Inc. (“Yamana”) regarding 8 licences forming part of the Cumaru property gave the Corporation the right to acquire a 70% interest in the licences for the issuance of 1,000,000 shares (issued) and the expenditure of USD3,000,000 over three years to April 3, 2009 on the property. USD1,000,000 of the work expenditure requirement is mandated by the terms of an underlying agreement. Of those 8 licences, 4 licences containing 22,772.38 ha remained under application for transfer into Yamana’s name or issue by the government as of the end of the quarter. Subsequent to the end of the quarter transfers of two of the pending licences, totaling 14,000 hectares, were granted. While it is possible either the remaining transfer or the licence pending issue could be delayed or not happen, the Corporation is confident that they will be transferred and issued as planned. Future production from the 8 licences would be subject to a 1.5% net smelter return royalty, also pursuant to the underlying agreement, although it may be purchased at any time for USD1,250,000. Apart from the optional payment to extinguish the royalty, no cash payments or further share issues were required.

on October 23, 2006 (subsequent to the end of the quarter) the Corporation announced a new agreement with Yamana revising the original option terms, subject to regulatory approval. Under the revised agreement, the interest to be acquired by the Corporation would increase to a 100% interest, work requirements would be reduced to only the USD1,000,000 required before July, 2008 by the underlying agreement. The NSR royalty of the underlying agreement remains in place but is still subject to the right to buy it out. Consideration for the revised agreement is the issue of an additional 6,000,000 shares of the Corporation’s stock to Yamana.

The seven licences in the Cumaru property that were acquired from Santa Elina Mines Corp. are subject to no cash payments or share issues, but carry a 2% net smelter return royalty from any future production.

#### *Location and General Geology*

The Cumaru-Gradaús Gold Project is in the southern part of the Carajás Metallogenic Province, 320 kilometres south-southwest of the city of Marabá and 750 kilometres south of Belém, the capital city of Pará State in northern Brazil. This metallogenic province is one of the most

productive regions of Brazil, containing a number of very large, world-class sized deposits of iron, manganese, bauxite, copper, nickel, zinc and gold. The province is underlain almost entirely by rocks of Precambrian age and mineral deposits are associated principally with the Archean-age meta-volcanic and intrusive igneous components of this terrane.

Cumaru is the largest and second most famous historical artisanal gold district in the province and the site of at least two types of primary gold occurrences that comprise excellent targets for modern exploration. The Cumaru-Gradaús project includes a 35-kilometre long belt of Archean-age greenstone sequences and granitic to gabbroic intrusives, all of which have been intruded by slightly younger Archean granitic bodies, the more important of which is the Cumaru granodiorite stock. All of these rocks are cut by regional ENE-trending shear zones and NW-trending secondary structures. The Gradaús mine near the western end of the belt, has a limited production history that is mainly important for demonstrating the presence of bedrock mineralization at depth beneath the artisanal workings. The mineralization appears to be localized in a shear zone cutting the Cumaru stock near its contact with the greenstone belt. Gold occurs in high-grade veins in the shear zone and as low-grade disseminations in the surrounding alteration envelope. It has been suggested the gold at Gradaús may be related directly to the stock and represents an example of a Precambrian porphyry-style gold deposit. Continuing eight kilometres east on the adjacent Cumaru property, there are many large and extensive alluvial gold workings along the same intrusive-greenstone contact. This contact zone is an obvious and promising exploration target; however, it has never been systematically explored by a mining company nor tested by drilling.

Elsewhere on the properties, gold showings and alluvial workings occur prolifically in the metamorphosed sedimentary and volcanic rocks of the greenstone belt sequence. Many of these occurrences are veins and stockwork systems in shear zones. Some occurrences are associated with interbedded iron formation and others are obscured by the many large *garimpos* present all along the belt. Copper, cobalt or molybdenum minerals are reported to occur locally with some of the gold occurrences. In summary, the Gradaús-Cumaru project area appears to offer a variety of promising near-term and long-term exploration gold targets, none of which has ever been systematically explored.

### *Exploration*

Field work commenced at Cumaru-Gradaús by early June. Much of the initial effort was to establish, staff and supply a field camp, with actual exploration consisting of (i) drilling auger holes to sample the saprolite layer and determine depths to bedrock; (ii) mapping and sampling in old *garimpo* pits; (iii) re-logging old drill core; (iv) making soundings across the water-filled Gradaús pit to determine depth; (v) contract topographic mapping; and (vi) planning for a minimum 3,000 metre diamond drilling program expected to start in the fourth quarter.

Based on work to the end of the quarter, with some sample results still pending, at least six possible drill targets had been identified. Some targets are gold zones intersected in the historic drilling beneath the old open pit. Others are newly discovered targets in meta-sedimentary units of the greenstone sequence peripheral to the intrusive stock. One of the possible greenstone target areas is a large and promising stockwork vein system southwest of the Gradaús mine. Another target area, north of the mine, is a large high-grade vein system the upper portion of which is currently being mined by artisanal miners (*garimpeiros*) through 10 to 20 metre shafts. Mapping and prospecting work commenced late in the quarter to follow the intrusive-greenstone

contact zone to the east, onto the Cumaru property, searching for additional drill targets. This contact area is many kilometres long, is marked by a series of artisanal surface gold workings and has never been systematically explored or tested by drilling.

Inaja Project

*Land Holdings*

The Inaja project is made up of 35 mineral claims containing 133,000 hectares of land under eight separate arm's length option agreements to acquire 100% interests in all properties for cash payments totalling USD2,095,000 and issuance of 1,750,000 shares in total. Of these totals, USD280,000 has been paid and 850,000 shares have been issued.

Date	Payments	Shares		Date	Payments	Shares	
Jan 1, 2006	\$ 145,000	750,000	paid/issued	June 1, 2008	245,000	100,000	
June 1, 2006	60,000	100,000	paid/issued	June 30, 2008	302,500		
June 30, 2006	75,000		paid	Dec 1, 2008	55,000	100,000	
Dec 1, 2006	82,500	100,000		Dec 31, 2008	300,000		
Dec 31, 2006	87,500			June 1, 2009	85,000	100,000	
June 1, 2007	157,500	100,000		Dec 1, 2009	25,000	100,000	
June 30, 2007	115,000			June 1, 2010	25,000	100,000	
Dec 1, 2007	170,000	100,000		Dec 1, 2010	25,000	100,000	
Dec 31, 2007	140,000			Totals	\$2,095,000.00	1,750,000	

*Location and General Geology*

The Inaja Greenstone Belt is located about 100 kilometres south of Gradaús-Cumaru in the southernmost part of the Carajás region and extends for more than 100 kilometres in an east-west direction. It remains scarcely explored although historically well-known for its alluvial gold deposits which were discovered and most active in the mid-1980s. The largest of these artisanal workings, the Carapato and Forquila *garimpos* in the east-central part of the belt, are on concessions recently acquired by Aura Gold. The workings at these sites are each a kilometre or more long and hundreds of metres wide. Carapato and Forquila are thought to be the third and fourth largest *garimpos* in the Carajás region, ranking in productivity after the famous Serra Pelada and Gradaús-Cumaru *garimpos*.

Bedrock in the Inaja Greenstone Belt consists of Archean-age metamorphosed volcanic and sedimentary rocks intruded by slightly younger bodies of granitic to gabbroic igneous rocks. Some recent prospecting efforts have been reported in searches for copper, nickel, iron and diamonds, but the belt has undergone very little systematic, serious exploration for gold.

The prominent Serra dos Inaja mountain range extends approximately 70 kilometres along strike within the Inaja Greenstone Belt. Published geological reports indicate the mountain range consists primarily of a thick and regionally extensive sequence of banded iron formation, which could hold potential to host significant iron deposits like those in the nearby Carajas region.

In the west-central part of the Inaja belt, Aura Gold's concessions encompass several alluvial gold workings apparently related to a series of parallel regional NW-SE shear zones spaced about 10 kilometres apart. Between these NW-SE shear couples, E-W trending zones of structural dilation have formed, creating a structural setting highly favorable for lode gold deposits and comprising a high-priority site to explore for bedrock gold.

The far western end of the belt, also controlled by Aura Gold, is a structurally complex area of extensional shears, compressional thrust faults and later igneous intrusions. This area contains several significant alluvial gold workings and a number of prospects for other commodities such as nickel, manganese and iron.

#### *Exploration*

Aura Gold's work in the Inaja area commenced during the quarter, consisting of initial reconnaissance and compilation work. This work continues to support the understanding that this Archean greenstone terrane exhibits high potential for the existence of mineral deposits including gold, iron, nickel, copper and diamonds.

To delineate areas of interest and assign priorities on this extensive land package, the Corporation's consultants have begun to compile known geological, geophysical and geochemical data. This will be followed by a detailed mapping and sampling program of the Forquilha and Carapato *garimpos* and the completion of a series of widely spaced geological and sampling traverses across the Serra dos Inaja to begin the field assessment phase of this project.

#### Santa Elina Mines Corp. Agreement Lands

Under an agreement with Santa Elina Mines Corp, the Corporation acquired 74 mineral claims with a total area of 617,472 hectares in Para state in Northern Brazil, along with their related databases, in exchange for a 2% net smelter return royalty on future production. Santa Elina also subscribed for 7,000,000 units in a non-brokered, arm's length, private placement by the Corporation, at \$0.10 per unit (total proceeds being \$700,000), with each unit consisting of one common share of the Corporation and one half of one common share purchase warrant which may be exercised for \$0.20 per share until December 22, 2007. The lands in the Santa Elina Agreement make up the Far North Carajás Project, the North Carajás Project and the Tapajós Project, the Cumaru-Gradaús Project and the Inaja Project, all of which are discussed elsewhere in this MD&A.

### Far North Carajás Project

The Far North Carajás Project consists of 166,000 hectares in 20 mineral claims spread across a 100-kilometre long area about 150 kilometres north of the main Carajás mining district. This area hosts a number of extensive manganese prospects and has other geological similarities significantly similar to the Carajás district. The ground was previously explored by RTZ (Rio Tinto PLC) with geophysical surveys and reconnaissance sampling focused on copper and other base metals. Although gold occurrences are known and a few new gold shows were found by RTZ (Rio Tinto PLC), the area was not explored for gold. As far as Aura Gold can determine, the area has never been tested for gold or base metals by drilling.

### North Carajás Project

The North Carajás Project consists of 264,000 hectares in 34 mineral claims spread across a 160-kilometre long area extending 15 kilometres northeast to 120 kilometres northwest of the Carajás mining district. Some of the claims are located close to major world-class ore deposits such as Salobo and Serra Pelada. The claims were previously explored by Teck (Teck Cominco Limited) with geophysical surveys and reconnaissance sampling focused on copper and other base metals, but was never drilled. Gold occurrences are reported throughout the region but the claims have never been examined in detail for gold. In the quarter ended September 30, 2006, the Corporation engaged consultants to complete geological, geophysical and geochemical data compilation to prioritize areas of interest for follow-up field work. This compilation work should lead to the launching of actual field work in the fourth quarter.

### Tapajós Project

The Tapajós Project consists of 116,000 hectares in 12 mineral claims in the southern Tapajós region, acquired as part of the package in the Santa Elina agreement. The Tapajós region, 600 kilometres west of Carajás, consists of Proterozoic age intrusives and platform sequences that overly an Archean terrane known to contain greenstone belts. Extensive *garimpeiro* activities as well as interesting geology and mineralization are known to exist in the northern part of the Tapajós region. Little is presently known, however, about the geology and mineral potential of the southern Tapajós region or these particular claims, which still require an initial field examination.

### Inaja Project area

Land acquired from Santa Elina in the Inaja area (described more fully elsewhere) consists of one mineral exploration licence covering 1,000 hectares. The description of the Inaja project area and the related activities are presented elsewhere in this MD&A.

### Cumaru-Gradaús Project area

Land acquired from Santa Elina in the Cumaru-Gradaús area (described more fully elsewhere) consists of 70,000 hectares in seven mining claims.

## Chilean Gold-Silver Project

### *Land Holdings*

The Corporation's Chilean gold-silver project consists of 19,300 hectares in four groups of mining concessions held in trust by Compañía Minera Calcia Limitada for the beneficial owners operating as The Paleocene Syndicate. The land was optioned through an agreement whereby the Corporation acquired a 45% interest in the concessions by making a down payment of USD65,000. It may earn an additional 45% interest (bringing the total to 90%) by incurring exploration expenditures of USD250,000 on the concessions by December 1, 2007. Once it owns 90% the Corporation may acquire the remaining 10% by issuing Aura Gold Inc. shares valued at USD1,000,000 at any time until December 31, 2009. The value in shares required to exercise this right increases by USD500,000 at January 1 of each year thereafter beginning with January 1, 2010.

### *Location and General Geology*

The property is within the Central Valley, in the Antofagasta Region of northern Chile. This is a Paleocene-age precious metals belt west of, and parallel to, Chile's world-renowned porphyry copper belt. The Central Valley is underlain by partially eroded, multiple-vented, volcanic cones and calderas. Strong regional tectonism has imposed a regional North-South structural trend with some NW-SE cross structures, which provide a focus for precious metal deposition. Examples include Meridian Gold's low-cost, producing El Penon mine and Kinross' El Guanaco mine, as well as the Vaquillas, Cachinal and Juncal El Soldado deposits and dozens of lesser known deposits, prospects and occurrences. The property lies within areas identified by satellite imagery and surface mapping as exhibiting alteration characteristics similar to the known gold-silver deposits of the region.

### *Exploration*

Work undertaken by the Corporation to date consists only of administrative arrangements, preliminary exploration planning and cursory field visits to each of the four concession blocks. A number of representative surface samples collected from each of the four concession blocks during the cursory site visit have been submitted for preliminary geochemical and lithologic analysis. Results are pending.

## **Overall Performance**

The Corporation's increased level of field activity is reflected in financial results for the quarter, both in the increased general operating expenditures (\$420,508, which is net of \$1,986,400 in non-cash Stock-Based Compensation expenses, in the quarter compared to \$380,561 in the previous quarter and \$29,756 for the complete previous financial year) and in its growing investment in the acquisition and exploration of its Brazilian mineral exploration properties (\$1,863,950 at the end of the quarter compared to \$1,236,789 at the end of the previous quarter *nil* at the beginning of the year). Descriptions of the exploration and other activities and summaries of results are presented elsewhere in this MD&A.

The Corporation's financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which assumes the realization

of assets and liquidation of liabilities in the normal course of the Corporation's business. The application of the going concern concept is dependent on the Corporation's ability to obtain financing to continue its operations. As a mineral exploration company, the Corporation has no present sources of revenue, other than interest earned on cash and short-term money market instruments, in turn derived from the proceeds of issuing share capital. There are no presently quantifiable deposits of minerals known on the mineral exploration properties of the Corporation, and activities of the Corporation on the properties constitute exploratory searches for minerals.

The Corporation funds its corporate and administrative costs, the costs of assembling its packages of exploration properties, its costs of exploring those properties, assessing additional business opportunities and other normal course expenditures. Most recently, during the quarter ended June 30, 2006, it raised funds through the issuance of private placement units. In the foreseeable future the Corporation will remain dependent on the issuance of further shares to raise funds to carry out its objectives of advancing the exploration of its properties. The ability to raise such funding will depend on the state of the gold and other commodity markets and on the state of equity markets in general as well as the exploration results achieved on the properties.

### **Selected Annual and Quarterly Information**

The following summaries present certain key financial information which is more fully disclosed in the accompanying financial statements.

*Consolidated Balance Sheet Data – September 30, 2006 (unaudited), June 30, 2006 (unaudited) and December 31, 2005 (audited)*

	<b>30 Sept 2006</b> <b>(\$)</b>	<b>30 June 2006</b> <b>(\$)</b>	<b>31 Dec 2005</b> <b>(\$)</b>
Current Assets	7,933,837	9,124,721	31,997
Current Liabilities	307,864	322,503	10,836
Working Capital	7,625,973	8,802,218	21,161
Total Assets	9,959,114	10,421,847	31,997
Interest in Mineral Properties and Deferred Exploration Expenditures	1,863,950	1,236,789	-
Long term liabilities	-	-	-
Shareholders' Equity	9,651,250	10,099,344	21,161
Deficit	(3,326,644)	(952,368)	(332,693)

*Consolidated Statement of Operations and Deficit Data - Three months and nine months ended September 30, 2006 (unaudited) and the year ended December 31, 2005 (audited)*

	<b>Three months ended September 30, 2006 (\$)</b>	<b>Nine months ended September 30, 2006 (\$)</b>	<b>Twelve months ended Dec 31, 2005 (\$)</b>
Total revenues	-	-	-
Expenses	2,406,908	3,082,709	29,756
Net Loss	2,374,276	2,993,951	29,756
Cash dividend	-	-	-
Net Loss (Per Share)	(0.05)	(0.07)	(0.00)
Net Loss (Per Share, Fully Diluted)	(0.05)	(0.07)	(0.00)

Note: Net loss per share on a fully diluted basis is the same as net loss per share on an undiluted basis, as all factors which were considered in the calculation are anti-dilutive.

The Corporation's current assets decreased in the quarter as a result of the increased level of exploration which was funded out of the cash and equivalents largely attributable to the private placement financings completed earlier in the year. Current liabilities decreased in the quarter as exploration and corporate activity stabilized at a higher level following the return to active business and is all in the normal course of exploration and support activity. Working capital decreased over the quarter, mainly as a result of the decrease in cash and equivalents that went to fund exploration and corporate activities. "Mineral Interests", the cumulative amount expended on the Corporation's exploration activities, grew as a result of the increasing level of continuing exploration activity, following the new corporate mandate and strategy and funded out of the proceeds of the financings. Expenses in general are sharply up in the quarter over the previous quarter (\$2,406,908 vs. \$380,561) but this amount includes \$1,986,400 in this quarter (previous quarter *nil*) as a non-cash expense reflecting Stock Based Compensation. Ignoring this single item the quarterly expenses are only \$420,508, a slight increase over the previous quarter, which reflects the administrative and corporate costs of supporting the increased exploration activity levels described above.

Stock-based Compensation is a calculated (Black-Scholes method) fair value assigned to the options, granted under the Corporation's stock option plan, that vested during the quarter. It also appears as Stock Options within Shareholders' Equity on the balance sheet. If and when options are exercised the assigned value is removed from the Stock Options account.

## Results of Operations

### *General and Administrative expenses*

The following table sets out a breakdown of the Corporation's administrative expenses for the periods indicated:

	<b>Three Months Ended September 30, 2006 \$ (unaudited)</b>	<b>Three Months Ended September 30, 2005 \$ (unaudited)</b>	<b>Nine Months Ended September 30, 2006 \$ (unaudited)</b>	<b>Nine Months Ended September 30, 2005 \$ (unaudited)</b>
Management & Consulting fees	82,500	-	237,740	-
Travel	122,219	-	293,618	-
Investor relations	48,320	-	148,521	-
General exploration	9,419	-	98,167	-
Professional fees	14,320	750	62,902	2,861
Office & general expenses	53,635	5,224	118,238	5,224
Filing listing and transfer agent fees	4,536	8,807	33,665	11,981
Occupancy costs	36,733	-	38,636	-
Insurance	4,612	-	5,355	-
Amortization	6,840	-	7,098	-
Stock Based Compensation	1,986,400		1,986,400	
Salaries and benefits	39,830		39,830	
Foreign exchange	(2,456)	-	12,539	-
Interest (income)	(32,632)	-	(88,758)	-
<b>Total:</b>	<b>2,374,276</b>	<b>14,781</b>	<b>2,993,951</b>	<b>20,066</b>

Increases in all general accounts are a result of the reactivated status of the Corporation and are all normal costs associated with starting up and running a public company in this industry, including establishing a head office and related personnel. Similar costs did not occur in prior periods when the Corporation was inactive. Analogous costs can be expected in future, although the non-cash expense of the Stock Based Compensation will only recur as and when additional options are granted by the board of directors under the Corporation's Stock Option Plan. General Exploration comprises costs related to acquiring ground and planning and supervision of the field exploration activities getting underway that cannot be assigned to particular properties.

### *Deferred Exploration Expenditures*

Details of the Mineral Interests, consisting of deferred acquisition, exploration and development expenditures incurred for the projects during the nine month period ended September 30, 2006 are presented in Note 5 to the accompanying interim consolidated financial statements. The following table presents the amounts that relate to the quarter ended September 30, 2006.

	Gradaús Project	Cumaru Project	Northern Inaja Project	Carajas Project	Chile Project	Total
Project opening balances, 30 June 2006	216,397	375,635	635,868	1,720	0	1,229,620
Project development opening balance, 30 June 2006						7,169
(Additions during third quarter)						
Acquisition costs	0	2,500	0	0	74,191	76,691
Consulting	10,634	11,619	9,391	1,395	569	33,610
Geological and assays	52,878	52,421	0	0	0	105,299
Legal and agreement fees	0	4,167	0	0	8,404	12,571
Exploration support	12,114	3,002	1,852	0	911	17,879
Travel and accommodation	27,958	48,027	3,671	0	2,800	82,456
Property tax	1,313	19,055	100,446	0	0	120,814
Field supplies and equipment	12,877	12,204	918	0	0	25,999
Amortization	0	1,269	0	0	0	1,269
Salaries, benefits and wages	10,258	8,031	0	0	0	18,289
Project management	3,921	3,921	4,182	1,673	0	13,697
Due diligence	0	2,363	0	0	0	2,363
Geophysical	0	0	0	1,324	0	1,324
Land maintenance	0	0	0	0	21,869	21,869
Total Q3 project additions	131,953	168,579	120,462	4,392	108,744	534,130
Project development additions						93,031
Total additions in Q3						627,161
Balance, September 30, 2006						1,863,950

There were no prior year exploration expenses due to the change in the nature of the Corporation's business and previous inactive period. The exploration work began with data location and review concerning the recently acquired properties, both in the office and in the field, for the purpose of planning the exploration programs on them and preparing a Technical Report to NI43-101 standards that outlined past work, identified further potential and recommended a program of work to test it. By June, field work had commenced at Cumaru-Gradaús that included (i) drilling auger holes to sample the saprolite layer for gold content and determine depths to bedrock; (ii) mapping and sampling in old *garimpo* pits; (iii) re-logging old drill core; (iv) making soundings across the water-filled Gradaús pit to determine depth; and (v) contract topographic mapping. The table illustrates that very little was done on the other properties during the quarter, as they are still in the phase of compiling prior technical information and assessing the best approaches to future exploration.

The costs of exploration properties and exploration expenditures are accumulated at cost on the Balance Sheet as "Mineral Interests" until a property commences production. After commencement of production the accumulated costs are depleted on a unit of production basis

*pro rata* to the proportion of total reserves and resources mined in any period, thus matching in time the costs of finding and developing the mine with the revenues from the mine. If a property is determined not to be economic but is still retained as an asset, the accumulated value will be written down to the net realizable value of the asset and any excess expensed. If a property with accumulated value is abandoned or sold, its deferred expenses are expensed to operations in the period of such sale or abandonment. Losses incurred since inception are due mainly to general and administrative expenses, which includes professional staff time related to corporate setup, searching for suitable property acquisitions, planning and initiating the current exploration activity on the Gradaús-Cumaru Project. The Corporation anticipates such losses will continue given the nature of its business, until such time as it may bring a mine into production.

### Summary of Quarterly Results

The following two-part table presents key financial data on a quarter by quarter basis for the most recent eight financial quarters. The effects of the reactivation of the Corporation, the 2006 financings, the TSX listing and commencement of the field work as described elsewhere in this MD&A are clearly reflected in the increased balances in the Working Capital, Mineral Interests (exploration activity) and General Administration accounts. The information contained is from the financial statements of the Corporation for each of the respective quarters.

Three Months Ended	September 30, 2006 (\$) (unaudited)	June 30, 2006 (\$) (unaudited)	March 31, 2006 (\$) (unaudited)	December 31, 2005 (\$) (audited)
Revenue in quarter	nil	nil	nil	nil
Working Capital (Deficit)	7,625,973	8,802,218	3,304,904	21,161
Expenses in quarter	2,406,908	380,561	295,240	9,690
Mineral Interests	1,863,950	1,236,789	844,693	-
Net Loss in quarter	2,374,276	331,573	288,102	9,690
Net Loss per Share (basic and fully diluted)	0.05	0.01	0.01	0.00

Three Months Ended	September 30, 2005 (\$) (unaudited)	June 30, 2005 (\$) (unaudited)	March 31, 2005 (\$) (unaudited)	December 31, 2004 (\$) (audited)
Revenue in quarter	nil	nil	nil	nil
Working Capital (Deficit)	30,851	45,632	(51,600)	(49,083)
Expenses in quarter	14,781	2,768	2,517	2,249
Mineral Interests	-	-	-	-
Net Loss in quarter	14,781	2,768	2,517	2,249
Net Loss per Share (basic and fully diluted)	0.01	0.00	0.00	0.00

### Liquidity

During the three months ending September 30, 2006 the Corporation's cash and equivalents position decreased from \$9,013,902 to \$7,749,666. Working capital decreased from \$8,802,218 to \$7,625,973. This reflects the costs of field activities at Cumaru-Gradaús, commencing preliminary exploration at Inaja, evaluating and acquiring the Chile property, continuing the

general data review of the newly acquired lands and continuing to set up and run the operational structure of the Corporation. The contrast with the inactive prior year period is obvious. The Corporation had no cash as at December 31, 2004 or 2003, and cash in the amount of \$29,102, and prepaid expenses in the amount of \$2,895 as at December 31, 2005.

Other than as discussed herein, the Corporation is not aware of any trends, demands, commitments, events or uncertainties that may result in the Corporation's liquidity or capital resources either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in the Corporation's liquidity and capital resources will be substantially determined by the success or failure of the Corporation's business plans and its ability to obtain additional equity financing when required.

### **Capital Resources**

The Corporation has no commitments for capital expenditures, but is required to make certain expenditures to keep the various project lands in good standing, including minimum exploration expenditures required by Brazilian mining laws, payment of mining taxes calculated on the basis of surface area in the concessions and option payments in cash and in shares. The exploration work being done and the Corporation's cash resources will be sufficient to satisfy these requirements through the current and subsequent programs to evaluate the land holdings and decide which warrant maintaining for additional exploration in the longer term. Further details regarding property payments and work requirements are disclosed under the property descriptions in "Corporate Activities" above, and in Note 5 of the interim financial statements for the 3 month and 9 month periods ended September 30, 2006.

The net proceeds of the private placements are currently being used by the Corporation to fund its mineral exploration programs, as well as for general corporate and working capital purposes. The Corporation intends to fund all future commitments with cash on hand, or through any other financing alternative it may have available to it at the time in question.

The Corporation's share capital consists of an unlimited number of common shares without par value. As at September 30, 2006 the Corporation had no convertible securities or other shares subject to issuance other than the common share purchase warrants and the shares reserved for property acquisition described in "Corporation's Activities". In total, there are 17,250,000 shares subject to issuance.

During the second quarter 500,000 shares were issued to participants in a final *tranche* of the third round of private placement financing, 200,000 shares were issued as partial payment for exploration properties in Brazil and another 17,000,000 shares were issued to participants in the fourth private placement financing. The Corporation thus had 52,630,718 common shares issued and outstanding at September 30, 2006.

The Corporation had 15,200,000 common share purchase warrants outstanding as of September 30, 2006 as outlined in the following table. Up to an additional 850,000 warrants could be issued, if and when the Brokers 2 Series Warrants are exercised.

<b>Series</b>	<b>Number</b>	<b>Expiry</b>	<b>Exercise price</b>	<b>To purchase</b>
Series 1	3,500,000	22 Dec 2007	\$0.20	1 common share
Brokers 1	1,500,000	22 Dec 2007	\$0.20	1 common share
Series 2	8,500,000	30 Nov 2007	\$0.50	1 common share
Brokers 2	1,700,000	30 Nov 2007	\$0.40	1 unit of 1 common share and ½ of one common share purchase warrant (same terms as Series 2)
	15,200,000			

The Corporation had previously approved an incentive stock option plan totaling 6,000,000 shares, with no grants taking place prior to the end of the quarter. During the most recent quarter, a total of 5,200,000 options were granted to certain of the Corporation's directors, officers and consultants. The exercise price for these options was equal to the most recent closing price of the Corporation's shares on the TSX on the day of issue. The grant of these options raised the total shares subject to issuance to 22,450,000 and the fully diluted share total to 75,080,718.

Subsequent to the end of the quarter, a total of 650,000 common share purchase warrants of the Brokers 1 series were exercised for total proceeds to the Corporation of \$130,000. The Cumaru purchase agreement, announced subsequently and described elsewhere in this MD&A, provides for a further 6,000,000 shares to be issued on closing. The shares related to these subsequent events are not included in the total of shares subject to issuance.

### **Off-Balance Sheet Arrangements**

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

### **Transactions with Related Parties**

The related financial statements outline several related party transactions during the current year that were part of the normal course of the Corporation's business, namely:

- The \$4,836 owing at December 31, 2005 to a corporation controlled by a former officer and director of the Corporation for certain expenditures incurred by the corporation on behalf of the Corporation was paid early in the year to leave a *nil* balance at September 30, 2006. These amounts relate to arm's length suppliers and service providers incurred with respect to the normal operations of the Corporation and were charged at cost.
- Victor H. Bradley, Chief Executive Officer and director of the Corporation, and Patrick J. Mars and Peter Marrone, directors of the Corporation, are also directors of Yamana Gold Inc., a company that optioned some of the lands at the Cumaru Project to the Corporation.

- An individual related to the President of the Corporation, provided design services relating to the Corporation's website, corporate graphics and investor relations material, costing a total of \$49,557. Of this amount, \$13,131 remained in accounts payable and accrued liabilities as at June 30, 2006 and was paid out during the third quarter to leave a *nil* balance.
- Officers, directors and corporations associated with directors of the Corporation, subscribed for a total of 4,825,000 common shares for gross proceeds of \$200,000 pursuant to the private placements described in Notes 6(b)(i) and (iii) to the related unaudited consolidated financial statements.
- Melvin L. Klohn, a Vice President of the Corporation, is also a member of the Paleocene Syndicate, the vending party of the newly acquired exploration property in Chile. As such he was not involved on behalf of the Corporation in the evaluation and negotiations for the acquisition.
- Included in accounts payable and accrued liabilities as at September 30, 2006 is \$67,149 (compared to *nil* at December 31, 2006) owing to directors and officers of the Corporation representing invoices submitted but not yet paid for their usual fees and/or reimbursable expenses.

The above transactions took place in the normal course of operations and on terms customary for arm's length transactions of this sort. All such transactions requiring board approval were approved by a majority of the non-interested directors with the interested directors abstaining.

### **Subsequent Events**

The Corporation negotiated a new agreement with Yamana Gold Inc. regarding the Cumaru option agreement. Under the renegotiated terms, which remain subject to definitive documentation and regulatory approval, Aura Gold is to acquire a 100% interest (up from 70%) in the claims and a reduction in the exploration work requirement to USD1.0 million (down from USD3.0 million) to satisfy an underlying agreement over a three year period. There still remains the 1.5% NSR royalty payable to a previous owner of the lands after commencement of production but this royalty may be bought back for a payment of USD1.25 million at any time. On closing Aura will issue 6 million shares of its common stock to Yamana, after which Yamana will own an approximately 11.9% interest in Aura Gold Inc.

### **Critical Accounting Estimates**

Critical accounting estimates used in the preparation of the financial statements include the Corporation's estimate of recoverable value of its mineral properties and related deferred exploration expenditures as well as the value of stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Corporation's control.

The factors affecting stock-based compensation include estimates of when stock options and compensation warrants might be exercised and stock price volatility. The timing for exercise of options is out of the Corporation's control and will depend on a variety of factors, including the

market value of the Corporation's shares and financial objectives of the stock-based instrument holders. The Corporation used historical data to determine volatility in accordance with the Black-Scholes option pricing model. However, the future volatility is uncertain and the model has its limitations.

The Corporation's recoverability of the recorded value of its mineral properties and associated deferred exploration expenses is based on current market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Corporation operates in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Corporation and its subsidiaries to obtain necessary financing to complete the development, and future profitable production or the proceeds of disposition thereof. These are more extensively outlined under "Risk Factors".

### **Financial Instruments and Other Instruments**

The Corporation's financial instruments consist of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities. Risk management of the cash instrument, consists of placing cash only with institutions of high credit worthiness.

### **Risk Factors**

An investment in the securities of the Corporation is highly speculative and involves numerous and significant risks and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors described below.

#### Development Stage Corporation & Exploration Risks

The Corporation is engaged in the business of exploration for, and development of, precious and base metals deposits in South America. The properties of the Corporation have no established reserves. There is no assurance that any of the properties can be mined profitably. Accordingly, it is not assured that the Corporation will realize any profits in the short to medium term, if at all. Any profitability in the future from the business of the Corporation will be dependent upon developing and commercially mining an economic deposit of minerals, which itself is subject to numerous risk factors. Exploration and development of mineral deposits involves a high degree of financial risk over a significant period of time of which even a combination of careful evaluation, experience and knowledge of management may not eliminate. While discovery of ore-bearing structures may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration, development and production programs of the Corporation will result in profitable commercial mining operations. The profitability of the Corporation's operations will be, in part, directly related to the cost and success of its exploration and development programs which may be affected by a number of factors. Substantial expenditures would be required to establish reserves sufficient to commercially mine mineral

deposits on the Corporation's properties and to construct, complete and install mining and processing facilities in those properties that are actually mined and developed.

#### No History of Profitability

The Corporation is a development stage company with no history of profitability. There can be no assurance that the operations of the Corporation will be profitable in the future. The Corporation has limited financial resources and will require additional financing to further explore, develop, acquire, retain and engage in commercial production on its property interests and, if financing is unavailable for any reason, the Corporation may become unable to acquire and retain its mineral concessions and carry out its business plan.

#### Foreign Operations

All of the Corporation's property interests are located in Brazil and Chile, and are subject to the laws and regulations of those host jurisdictions. The Corporation believes the present attitude to foreign investment and mining in those countries to be favourable but investors should assess the political risks of investing in a foreign country. Variations from the current regulatory, economic and political climates could have an adverse effect on the affairs of the Corporation.

#### Government Regulations

The Corporation's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. For the Corporation to carry out mining activities, mining licences must be obtained and kept current. There is no guarantee that the Corporation's mining licences would be extended or that new mining licences would be granted. In addition, such exploitation licences could be changed and there can be no assurances that any application to renew any existing licences will be approved. The Corporation may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Corporation will also have to obtain and comply with permits and licences which may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Corporation will be able to comply with any such conditions.

#### Market Fluctuation and Commercial Quantities

The market for minerals is influenced by many factors beyond the control of the Corporation such as changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral producing corporations, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals. Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Corporation's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions,

exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors which may affect commercial viability so that any adverse combination of such factors may result in the Corporation not receiving an adequate return on invested capital.

#### Mining Risks and Insurance

The Corporation is subject to the risks normally encountered in the mining industry, such as unusual or unexpected geological formations, cave-ins or flooding. The Corporation may become subject to liability for pollution, damage to life or property and other hazards of mineral exploration against which it or the operator of its exploration programs cannot insure or against which it or such operator may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or exploration and development and would have a material adverse affect on the financial position of the Corporation.

#### Environmental Protection

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety which may adversely affect the Corporation or require it to expend significant funds.

#### Capital Investment

The ability of the Corporation to continue exploration and development of its property interests will be dependent upon its ability to raise significant additional financing hereafter. There is no assurance that adequate financing will be available to the Corporation or that the terms of such financing will be favourable. Should the Corporation not be able to obtain such financing, its properties may be lost entirely.

#### Conflicts of Interest

Certain of the directors and officers of the Corporation may also serve as directors and officers of other companies involved in gold and precious metal or other natural resource exploration and development and consequently, the possibility of conflict exists. Any decisions made by such directors involving the Corporation will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Corporation and such other companies. In addition, such directors declare, and refrain from voting on any matters in which such directors may have a conflict of interest.

### **Disclosure Controls**

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Corporation. The Disclosure Policy requires all staff to keep the Disclosure Committee fully apprised of all material information affecting the Corporation so that they may evaluate and discuss this information and determine the appropriateness and timing for public release. Access to such material information by the Disclosure Committee is facilitated by the small size of the Corporation's senior management team and regular communication between them.

The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Corporation's disclosure controls and procedures as of September 30, 2006, have concluded that the Corporation's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Corporation and its subsidiaries would have been known to them.