AURA MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008

Dated as of November 14, 2008

Aura Minerals Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with Aura Minerals Inc.'s (the "Company" or "Aura Minerals") interim unaudited consolidated financial statements for the three and nine months ended September 30, 2008 and related notes thereto which have been prepared in accordance with Canadian generally accepted accounting principles. In addition, this MD&A should be read in conjunction with the 2007 audited consolidated financial statements, the related management discussion and analysis and the 2007 Annual Information Form as well as other information relating to Aura Minerals as filed on SEDAR at www.sedar.com. All figures are in Canadian dollars unless otherwise noted. This MD&A has been prepared as of November 14, 2008.

This MD&A provides information that management believes is relevant to assessing and understanding the financial condition of the Company as at November 14, 2008 and the results of operations and cash flows for the three and nine months ended September 30, 2008.

The Audit Committee of the Board of Directors of the Company (the "Board"), consisting of four independent directors, has reviewed this document pursuant to its charter.

DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Aura Minerals is a widely-held Canadian resource company listed on the Toronto Stock Exchange (trading symbol ORA). Aura Minerals is a mining and mineral exploration company that operates the Aranzazu copper-gold-silver property in Zacatecas, Mexico (the "Aranzazu Project") and is also developing its advanced stage Serrote de Laje copper-gold-iron deposit (the "Serrote deposit") in Alagoas State, Brazil. The Company also has significant exploration land holdings in Brazil, including several iron ore targets in the Carajas region of Para State, Brazil.

The strategic plan of the Company is to expand the underground operations at the Aranzazu Project over the next 18 to 24 months and to continue to advance the Serrote deposit to production.

THIRD QUARTER HIGHLIGHTS AND RECENT EVENTS

Aranzazu Project:

- Completed the acquisition of the Aranzazu Project. This is a high-grade skarn deposit with a known strike extent of at least 2,200 metres, which is open along strike and at depth.

- Received the necessary explosives permit for the Aranzazu Project which allowed commencement of a new stope development and ramp advancement.

- Continued to improve overall health and safety at the Aranzazu Project.

- Increased production from the 600 tonnes per day ("tpd") average on acquisition to a current run rate of approximately 1,100 tpd.

- Commenced surface and underground drill program to continue to outline resources and define reserves.

Arapiraca Project:

- Discovered a new high-grade zone at the Serrote deposit. The zone is on average greater than 0.9% Cu, 25 metres in true thickness and open in all directions.

- Continued drilling at the nearby Caboclo target which continues to add resources tonnage and is still open. Additional assay results are expected in the fourth quarter of 2008.

- Continued metallurgical testwork on the main sulphide zone and the surface oxide zone.

- Advanced the engineering study on process and infrastructure.

- Finalized all work on the environmental baseline studies for the Serrote deposit. The Installation License (LI) will be submitted in the fourth quarter of 2008 with an expected 90-day turnaround from the Alagoas State Environmental Agency.

GENERAL BACKGROUND INFORMATION

On May 1, 2007, Aura Minerals closed an underwritten private placement offering (the "2007 Offering") of 126,000,000 subscription receipts (the "2007 Subscription Receipts"). The 2007 Subscription Receipts were issued at a price of $0.80 per 2007 Subscription Receipt resulting in aggregate gross proceeds of $100,800,000. In accordance with the subscription receipt indenture dated May 1, 2007, each 2007 Subscription Receipt was deemed exchanged without payment of any additional consideration for one common share of the Company on July 18, 2007, following the July 17, 2007 closing of the Arapiraca Acquisition, as defined below.

On July 17, 2007, Aura Minerals closed the acquisition of Clearwater Holdings Fund, LLC ("Clearwater") which, through its subsidiary, holds the rights to the Arapiraca copper/gold/iron project (the "Arapiraca Project"), located in the State of Alagoas in north-eastern Brazil from Zoneplan Limited ("Zoneplan") and Repalla (Holdings) Inc. ("Repalla") (the "Arapiraca Acquisition"). The Company issued an aggregate of 320,000,000 common shares as consideration to Zoneplan and Repalla, and placed an aggregate of 70,000,000 common shares (the "Arapiraca Escrowed Shares") in escrow, of which 63,000,000 were placed in escrow by Zoneplan and 7,000,000 were placed in escrow by Repalla. On November 10, 2008, the Arapiraca Escrowed Shares were released to Zoneplan and Repalla upon satisfaction of an escrow release condition, being the acquisition of the Aranzazu Project.

On closing of the Arapiraca Acquisition, the vendors of Clearwater held in the aggregate approximately 63% of the issued and outstanding common shares of Aura Minerals. Consequently, the Company accounted for the transaction as a reverse takeover ("RTO") with the acquiring entity being Clearwater and the acquired entity being Aura Minerals. For legal purposes, Clearwater is a wholly-owned subsidiary of Aura Minerals.

In accordance with the accounting rules for RTO transactions, ongoing consolidated financial results reflect the results of Clearwater from the date of its incorporation on February 20, 2007 and the results of Aura Minerals from the RTO date. The interim consolidated financial statements for the three and nine months ended

September 30, 2008 (the "Financial Statements") reflect the results of the Company and its wholly-owned subsidiaries as outlined in note 2 to the Financial Statements, entitled "*Basis of Presentation*".

On May 29, 2008, Aura Minerals closed a private placement offering (the "2008 Offering") of 44,445,000 subscription receipts (the "2008 Subscription Receipts") at a price of $1.35 per Subscription Receipt for aggregate gross proceeds to the Company of $60,000,750. Upon closing, 100% of the gross proceeds were deposited into escrow to be released to the Company, net of expenses (including, applicable agents' commission), immediately prior to the closing of the Aranzazu Acquisition.

The net proceeds of approximately $57,000,000 were released to the Company on June 9, 2008. In accordance with the subscription receipt indenture dated May 29, 2008, each 2008 Subscription Receipt was deemed exchanged without payment of any additional consideration for one common share of the Company.

On June 9, 2008, the Company announced that it had acquired a 100% interest in all of the mining concessions, plant, surface and water rights and other assets relating to the Aranzazu Project (formerly known as the El Cobre Project) in Zacatecas, Mexico (the "Aranzazu Acquisition"). Pursuant to a definitive acquisition agreement dated June 3, 2008 among the Company, Clapham Luxembourg Holding S.a.r.L and its wholly-owned subsidiary, Newington Corporation, S.L. ("Newington"), which through its subsidiary, Aranzazu Holding, S.A. de C.V., holds a 100% interest in the Aranzazu Project, the Company acquired all of the issued and outstanding shares of Newington for a purchase price of US$57,500,000 in cash and US$12,500,000 by the issuance of 9,295,117 common shares of the Company. As part of the Aranzazu Acquisition, the Company paid $5,000,000 by the issuance of 3,688,984 common shares of the Company to Zacoro Metals Corp. ("Zacoro Metals") as a finder's fee. In addition, the Company paid US$3,000,000 in cash to Zacoro Metals as consideration for data and equipment provided to the Aranzazu Project by Zacoro Metals.

Copper production from the Aranzazu Project is subject to an underlying 1% net smelter return royalty ("NSR") when during any calendar month the monthly average copper price as quoted by the London Metal Exchange equals or exceeds US$2.00 per pound. Further details of the Aranzazu Project are set out herein under the heading, *"Aranzazu Project"*.

REVIEW OF OPERATIONS AND PROJECTS

Aranzazu Project

The Aranzazu Project is located at the western limits of the municipality of Concepcion del Oro, approximately 250 km northeast of the city of Zacatecas, the state capital. The mine is situated in an established mining district and located approximately 25 km east of the Penasquito project, operated by Goldcorp Inc. Local infrastructure is considered excellent.

The Aranzazu Project consists of approximately 12,960 hectares of land centred on the operating Arroyos Azules underground mine, an 1,800 to 2,000 tonne-per-day ("tpd") mill and all equipment. The underground operation currently produces copper-gold-silver concentrates via flotation. The mine recommenced limited operations in late 2007.

Since the Company assumed operational control of the Aranzazu Project on June 5, 2008, the focus has been on improving health and safety and ongoing maintenance and operational upgrades.

From the acquisition date to September 20, 2008, the Company processed low-grade stockpiled ore as it awaited formal approval of the required explosives permit. This permit was received on September 17, 2008.

Process plant throughput (including down time for upgrades and repairs) from the time Aura Minerals acquired the Aranzazu Project on June 5, 2008 to the end of the quarter was approximately 75,900 tonnes, averaging 650 tpd at a head grade of 0.64 % Cu, 0.26 g/t Au and 7.84 g/t Ag. For the quarter ended September 30, 2008, process plant throughput was approximately 57,600 tonnes, averaging 626 tpd at a head grade of 0.65 % Cu, 0.25 g/t Au and 8.00 g/t Ag. Concentrate production during the current quarter and since acquisition was approximately 1,075 dry metric tonnes ("DMT") and 1,330 DMT, respectively, both averaging 24.5% Cu, 5.6 g/t Au and 254.1 g/t Ag. The average price realized on the Company's provisional copper sales was US$2.88/lb – being the September 30, 2008 forward copper price for the expected final settlement dates for such shipments. From acquisition date through to September 30, 2008, by-product credits amounted to US$0.38/lb and almost offset the treatment charges of US$0.46/lb. During this period, on-site costs, excluding depletion, amortization and accretion, amounted to US$3.13/lb and reflected the intermittent operations, low plant throughput and low recoveries. As a result, total cash costs per pound of copper produced since acquisition was US$3.21/lb. Refer to "*Non-GAAP Performance Measures*".

Since receipt of the explosives permit, however, mine operations recommenced and development commenced on the extension of existing ramp by a mining contractor. This development is to access the high-grade "BW" zone and continue to develop the deeper sections of the "Mexicana" zone. It is expected that higher-grade ore will be available for processing in the first quarter of 2009. Development will also continue towards the "Arroyos Azules" zone beneath the existing open pit. Drilling to date has shown that this zone contains a significant tonnage of ore above 1.3% Cu, with silver and gold credits.

The process plant upgrades have also proceeded as planned and, since early October, the plant is now processing on average 1,100 tpd which is significantly higher than the 600 tpd average when the Company assumed operational control. This throughput rate is based on two operational ball mills. The commissioning of a third 600 tpd mill is on schedule for the fourth quarter of 2008 which will increase mill throughput to approximately 1,800 tpd. The Company shipped a record tonnage of concentrate during October, 670 dry metric tonnes, and concentrate shipments are expected to continue to rise during the balance of the fourth quarter of 2008.

There are currently two drill rigs operating at the project, a reverse circulation (RC) rig on the surface and an underground diamond rig. Surface drilling is focused on upgrading resources in the Arroyos Azules zone for ongoing mine planning purposes, and the underground rig is defining reserves in the Mexicana zone and on a new high-grade splay off the Mexicana. Once the development ramp is sufficiently advanced, the underground rig will move to newly developed drill stations to drill the BW zone and the recently discovered "BW Extension" (see News Release #2008-24 dated September 18, 2008).

Civil works are complete for the new assay laboratory which is now on site and will be commissioned during the month of November. Engineering work will commence on the tailings dam expansion with earthworks planned to commence during the first quarter of 2009.

Final stage metallurgical testwork is underway at G&T Metallurgical Services Ltd. in Kamloops, BC. To date, the work has shown that the copper concentrate grade will be much improved by bringing the existing cleaner and re-cleaner cells on line. Gravity testwork is also well advanced to optimize precious metals recoveries.

On May 7, 2008 and August 4, 2008, the Company released the first and second batch of drill hole results from the 147 drill holes (40,000 metre drill program) completed during 2007 and 2008 by the previous operator of the Aranzazu Project. These batches of drill holes focused from surface to a depth of approximately 350 metres. The results confirmed the continuity of the mineralized system at the Aranzazu Project, the presence of high-grade continuous chutes within these mineralized systems and the down-dip continuity of these high grade chutes. The results also suggested that the deposit is open to depth and along strike to the east and west of the current mine area.

On September 18, 2008, the Company released the third and fourth batch of drill hole results. The third batch is along the eastern strike of the main skarn mineralization which has a strike length of at least two kilometres. The results included the only deep holes (below 350 metres) drilled to date on the Aranzazu Project and show excellent continuity down dip with several intervals of high-grade copper, gold and silver.

Results from the fourth batch included two new zones on either end of the known extent of the current resource. Of particular interest is the discovery of a new zone termed the "BW Extension" which is proximal to the high-grade BW zone (less than 100 metres) that the Company is currently developing as part of the 2009 mine plan. The BW Extension zone was drilled from an underground drill station located in the BW development adit. The Company plans to extend the development of the BW Extension zone to further explore these very high-grade shallow intercepts and define potential areas for mining in 2009.

Results have also been received from drilling on the eastern extensions of the ore body, referred to as the Cabrestante and Catarroyo zones, and indicate the presence of similar high-grade chutes to the above-mentioned results on the western part of the skarn mineralization. These new chutes also show excellent down dip continuity. Of interest is the discovery of a new zone to the west of the Catarroyo zone. The Company has therefore planned more drilling in these eastern zones including further drilling in the newly discovered zone to the west of the Catarroyo zone.

<u>Arapiraca Project</u>

The Arapiraca Project, which currently encompasses approximately 279,600 hectares, is located in the central-southern part of the Brazilian State of Alagoas, near the town of Arapiraca.

The Arapiraca Project is located in an area of excellent infrastructure, which is expected to benefit its future development and its ability to deliver the potential copper, nickel, gold and iron products to market. The project is readily accessible via paved highway from Maceio and the main cities in the region (Recife, Aracaju and Salvador). Maceio is also served by daily national flights to and from all main Brazilian cities. A nearby rail line (within 8 kilometres of the project) links Arapiraca to several Atlantic deep sea port cities and to Brazil's primary copper smelter in Camaçari, State of Bahia, a distance of approximately 590 kilometres to the south. Furthermore, the Arapiraca Project is located near two high tension power lines.

Most of the historic drilling done by Companhia Vale do Rio Doce ("Vale") was completed on the Serrote deposit, with limited drilling on a secondary target, "Caboclo".

The current exploration program commenced during the second quarter of 2007 and also focussed on these two main areas on the Arapiraca Project, with the objective of confirming currently known mineralization and defining additional mineralization. Further particulars are discussed below.

The Serrote Deposit

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

Since then, the Company completed 17,572 metres of in-fill and step-out drilling at the Serrote deposit during 2007 and 37,277 metres during 2008.

Since September 2007, the Company has reported drill results showing good continuity of mineralization and completion of surface trenching and sampling programs to better define the area of the deposit.

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

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

On November 3, 2008, the Company reported further drill results from its in-fill and step-out program in the north, central and south zones of the Serrote deposit. This recent drilling intercepted a new high-grade zone in the center of the Serrote deposit which lies just outside of the current pit limits. To date, only six holes have been drilled in this zone, but it is open in all directions. Should this zone extend further to the north, there would be potential to add significant tonnage of higher-grade material to the 2008 Resource. The Company's geological team is evaluating these drill results to determine the next phase of the drill program.

Other Developments on the Serrote Deposit

Work has been completed on all environmental baseline studies necessary for the Installation License (LI) application document. The Company plans to submit the formal application before the end of 2008, and expects a formal response from the State Environmental Agency within 90 days of filing.

The Company has advanced the metallurgical testwork. All grinding and crushing testwork is now complete. Copper flotation testwork is also very well advanced with four locked cycle tests completed. Results indicate good copper and gold recoveries and concentrate grades. Magnetite recovery testwork is also underway and final results are expected in the first quarter of 2009. From the work to date, the Company expects to produce a saleable magnetite concentrate. Nickel recovery testwork has been limited to date, but is ongoing.

Process plant facilities and layouts are generally complete. The on-site geotechnical drilling and analysis indicated that the ground support conditions are excellent and this will reduce concrete pours and foundation excavations. The major equipment has been sized and budget costs are being obtained. The tailings dam preliminary design is also complete and costing is underway. Due to the "limited" topography, the dam is a simple 17-metre high-reinforced earth structure.

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

The water supply route has also been selected and is currently being surveyed. The Company is assessing several options available for sharing of the capital costs, including a Public Private Participation (PPP) contract, which the Company expects would significantly reduce the capital requirements of the Company.

Engineering is well advanced on the Feasibility Study, but in light of the current debt and equity markets, and uncertainty in the current commodity price environment, the Company is reviewing all expenditures and activities. This is to ensure sufficient capital resources and liquidity during these uncertain times. The Company will complete an interim Preliminary Economic Assessment based on all work completed to date and defer the detailed Feasibility Study and subsequent engineering work until there is greater certainty in the capital and commodity markets.

The Caboclo Target

On September 22, 2008 the Company released the first set of 21 drill results from the Caboclo target, located some 15 kilometres north of the Serrote deposit.

The Caboclo target was drilled in the 1990's by Vale, which identified a number of shallow copper, gold and iron ore targets, based on 18 drill holes. Follow-up drilling by the Company was designed to better define these targets and test additional "blind" targets in the Caboclo area. The area itself is much larger than Serrote, covering some 12 square kilometres, with little or no surface exposure. This drilling campaign was very successful with over 80% of the drill holes intercepting mineralization. Drilling both confirmed the extension of the targets drilled by Vale and defined a new target some 1,000 metres from any previous drilling.

Further recent step-out drilling appears to have extended this near-surface zone and results are awaited. The Company plans the first resource calculation for Caboclo in the first quarter of 2009 and it appears that there will be sufficient tonnage to augment planned process plant feed from the Serrote deposit.

Arapiraca Regional Exploration

Regional exploration continues to identify and define new copper, iron and gold targets. This work will continue on a limited basis, but to conserve cash resources during the current uncertain economic climate, no drilling is planned.

Para Properties

The Company's other exploration projects in Brazil include the Cumaru project, the Inaja Greenstone Belt and the North Carajas Belt claims (collectively, the "Para Properties"), which total approximately 299,000 hectares in the Carajas Metallogenic Province of north-central Brazil. The Para Properties were held by the Company prior to the RTO transaction through which the Company acquired the Arapiraca Project. Since the RTO, activities on the Para Properties have included geological mapping, sampling and limited follow-up drilling to earlier 2006 drill campaigns. Based on the change of focus of the Company from exploration to mine development and in light of the exploration results from the 2007 exploration campaign on the Para Properties, the Company has decided to reconsider its options to realize value from the Para Properties. To conserve cash resources during the current uncertain economic climate, minimal exploration was conducted during the third quarter and none will be conducted for the remainder of 2008 on the Cumaru-Gradaus, Inaja and North Carajas Projects. While the Company is considering its options on these properties, areas of low potential may be dropped by the Company to reduce holding costs.

Exploration activities conducted on the Para Properties during the previous quarter are detailed in the Company's MD&A for the three and six months ended June 30, 2008, a copy of which is filed on SEDAR at www.sedar.com.

RESULTS OF OPERATIONS

Comparing the Three Months Ended September 30, 2008 to the Three Months Ended September 30, 2007

Revenues

Currently, the Company's sole source of revenue is the sale of copper concentrate from the Aranzazu Project. Revenues from sales of concentrate are recorded in the statement of income net of treatment and refining costs paid to counterparties under the terms of the off-take arrangements and are recognized based on quoted market prices in periods subsequent to the date of sale. In accordance with industry practice, the estimated revenue is recorded based on forward metal prices for the expected date of final settlement. As a result, quarterly revenues include estimated prices for sales in the quarter, adjusted at quarter 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.

Copper concentrate shipments for the three months ended September 30, 2008 totalled 1,188 dry metric tonnes ("DMT"). These shipments include 607,700 pounds payable of copper, 164 ounces of gold and 7,644 ounces of silver. As a result of declining copper prices late in the quarter, pricing on these shipments was adjusted to US$6,325 per tonne (or US$2.88 per pound), being the average forward copper price for the expected dates of final settlements. Revenue related to these shipments is comprised as follows:

		$ CAD		**$ USD**
Copper revenue, net of treatment and refining charges	**$**	**1,525,415**	**$**	**1,471,116**
Gold by-product revenue		**141,040**		**136,020**
Silver by-product revenue		**98,353**		**94,852**
Negative price adjustments related to shipments in prior quarter		**(124,260)**		**(119,834)**
Total sales	**$**	**1,640,548**	**$**	**1,582,154**
Average net sales price per tonne of concentrate recorded	**$**	**1,381**	**$**	**1,332**
Average foreign exchange rate (USD $1 = CAD $)	**$**	**1.0369**		

There were no revenues and no cost of goods sold recorded for the three months ended September 30, 2007. As at September 30, 2008, the Company's inventory comprises approximately 123 tonnes of copper concentrate valued at US$6,325 per tonne. Subsequent to quarter-end, the Company fixed the price of copper for certain of its shipments made to September 30, 2008. The prices were fixed at amounts lower than those used in estimating the revenues as of September 30, 2008 due to the subsequent decline in the market price of copper. As a result, the Company estimates it will record a negative price adjustment during the fourth quarter of $305,700 (US $296,200) related to these shipments. Additionally, another shipment made during the quarter, in the amount of $760,800 (US$737,100), remains subject to a further price adjustment.

Cost of Goods Sold and Operating Loss

Cost of product sold include such costs and expenses associated with underground mining, including explosives and hauling, crushing, processing, concentrate transportation costs from the Aranzazu Project to the port at Manzanillo, Mexico, and general services and other costs as well as proportionate allocations of overhead. For the period ended September 30, 2008, costs of production totalled $1,932,664 or approximately $1,627/tonne of concentrate. Included in the $1,932,664 is an $11,591 adjustment to bring quarter-end production inventory to its net realizable value.

As discussed in *Description of the Business and Summary of Recent Activities – Aranzazu Project*, production at the Aranzazu Project through most of the quarter was intermittent due to the necessary mill and mine stoppages for maintenance, safety upgrades and general housekeeping upgrades and due to the Company being required to process low-grade stockpiled ore while awaiting formal transfer of the mine explosives permit. These costs therefore reflect the low production levels associated with an intermittent operation. Steady state operation at the Aranzazu Project is expected during the fourth quarter of 2008.

Non-cash depletion and amortization relate to the property, plant and equipment acquired as part of the Aranzazu Acquisition. Depletion and amortization are primarily calculated on a unit of production basis with various pieces of equipment being charged on a declining balance method. The accretion costs represent charges incurred on the asset retirement obligation. Total depletion and amortization and accretion charges for the three month period ended September 30, 2008 totalled $536,047 and $44,357, respectively, and combined amounted to approximately $489/tonne of concentrate. Of the $536,047, $35,671 represents a further adjustment to expense additional depletion which would otherwise be included in quarter-end production inventory. The NSR relates to a 1% underlying royalty associated on copper sold from the Aranzazu Project, which is accrued based on the revenues and pricing received in the quarter, when during any calendar month the monthly average copper price as quoted on the LME equals or exceeds US$2.00 per pound.

Operating loss for the three month period ended September 30, 2008 amounted to $881,536. This amount was a result of concentrate sales of 1,188 tonnes, at an average price of $1,381 per tonne, for total revenues of $1,640,548, after taking into account the negative price adjustment of $124,260, total of costs of products sold of $1,932,664, the NSR accrual of $9,016, and non-cash depletion, amortization and accretion charges of $580,404.

Other Income (Expenses) and Net Loss

Other income (expense) items for the quarter ended September 30, 2008 include stock based compensation expense of $2,506,783, general and administrative expenses of $1,396,763 and a foreign exchange loss of $591,556, offset by interest income of $412,691. Other income (expense) items for the quarter and period ended September 30, 2007 include stock based compensation expense of $7,531,362 and other general and administrative expenses of $979,196, offset by interest income of $877,302.

The stock-based compensation relates to the vesting in the quarter of previously granted options and of any new options granted during the quarter ended September 30, 2008. Included in stock-based compensation for the three months ended September 30, 2008 is $559,486 relating to the amortization of the fair value of the 3,500,000 common shares (the "Signing Shares") issued to the President and CEO during the quarter ended March 31, 2008 as described below. Stock-based compensation of $195,546 was capitalized to resource properties during the three months ended September 30, 2008. Stock based-compensation expense totalled $7,531,362 for the three months ended September 30, 2007.

Pursuant to the terms of an employment agreement dated April 3, 2007, as amended January 28, 2008, the Signing Shares are held in escrow to be released upon certain milestones being achieved but not later than five years following the closing of the Arapiraca Acquisition (note 13(d)(ii) of the Financial Statements). The fair value of the Signing Shares was determined to be based on the market value of the Company's common shares at the time of the initial employment agreement. During the three months ended September 30, 2008, 964,636 shares became eligible for release from escrow, and an expense of $478,283 was recognised in the quarter related to these shares. The expense for the shares which remain in escrow is being recognized on a straight line basis over the five year period, unless such Signing Shares are released from escrow sooner, in which case the remaining unrecognized expense of $1,231,577 will be recognized at that time.

Included in other general and administrative expenses of $1,396,763 are: salaries and benefits of $726,075, which reflect amounts related to corporate office staff which grew during the quarter to support the Aranzazu Acquisition; professional fees of $153,757 which consist of legal, consulting fees and quarterly review fees; and amortization of $36,535. The remaining general and administrative expenses of $480,396 include: investor relations and corporate development costs; travel costs associated with ongoing travel to the Company's projects in Brazil and Mexico; occupancy costs; filing, listing and transfer agent costs; directors' fees and expenses; and shareholder communications costs. These reflect normal course expenditures for a public company involved in mineral exploration outside of Canada.

Other general and administrative expenses for the quarter and period ended September 30, 2007 were $979,196 and included: salaries and benefits of $305,992, professional fees of $161,192, and general and administrative expenses of $510,812, which reflected the initial staffing and related costs of establishing the Company's corporate offices in Vancouver and support team for the then recently acquisition of the Arapiraca Project.

Interest income generated on invested funds amounted to $412,691 for the three months ended September 30, 2008. The Company holds its cash and cash equivalents in interest bearing chequing accounts, government issued T-Bills, and and bankers' acceptance notes ("BAs"), all with maturities of 90 days or less. Interest income for the three months ended September 30, 2007 amounted to $877,302 which was a result of higher returns earned during the prior year's quarter and a higher average cash balance during the quarter as a result of the 2007 Offering.

The foreign exchange loss of $591,556 recorded during the period reflected the holding of planned expenditures related to the Company's projects in Brazilian Reais and Mexican Pesos, and the weakening of those currencies against the Canadian dollar during the three months ended September 30, 2008. This compares to a net foreign exchange loss of $27,400 for the three months ended September 30, 2007.

For the three months ended September 30, 2008, the Company recorded a future income tax recovery of $145,320 reflecting the reversal of a portion of the future income tax liability set up as part of the purchase price allocation due to the excess of the fair value of the property, plant and equipment recorded for accounting purposes over the tax bases of those assets being acquired. The income tax recovery was reduced by a valuation allowance.. Net loss for the three month period ended September 30, 2008 amounted to $4,818,627 as compared to a loss of $7,663,256 for the three months ended September 30, 2007.

Comparing the Nine Months Ended September 30, 2008 to the Period from February 20, 2007 to September 30, 2007

Revenues

Copper concentrate shipments for the nine months ended September 30, 2008, which included only sales from the date of Aranzazu Acquisition, totalled 1,409 DMT. There were no revenues and no cost of goods sold recorded for the period from February 20, 2007 to September 30, 2007. The shipments for the nine months ended September 30, 2008 include 725,680 pounds payable of copper, 189 ounces of gold and 8,922 ounces of silver. As a result of declining copper prices just prior to period end, and in accordance with Company's revenue recognition policy, the pricing on these unsettled shipments was adjusted to US$6,325 per tonne (or US$2.87 per pound), being the average forward copper price for the expected dates of final settlements. Accordingly, sales revenue related to these shipments is comprised as follows:

		$ CAD		$ USD
Copper revenue, net of treatment and refining charges	$	**1,811,861**	$	**1,755,299**
Gold by-product revenue		**164,632**		**159,496**
Silver by-product revenue		**121,709**		**117,912**
Total sales	$	**2,098,202**	$	**2,032,707**
Average price per tonne of concentrate realised	$	**1,489**	$	**1,443**
Average foreign exchange rate (USD $1 = CAD $)	$	**1.0322**		

As previously stated, the Company estimates that it will record a negative price adjustment in the fourth quarter of 2008 of $305,700 (US $231,200) related to shipments made to September 30, 2008 on which prices were fixed after quarter end. Another shipment made during the quarter, in the amount of $760,800 (US$737,100), remains subject to a further price adjustment.

Cost of Goods Sold and Operating Loss

For the period from the date of the Aranzazu Acquisition to September 30, 2008, cost of production totalled $2,345,087 or approximately $1,664/tonne of concentrate. These costs reflect the low production levels associated with an intermittent operation and include an $11,591 adjustment to bring quarter-end production inventory to its net realizable value. Total non-cash, depletion and amortization and accretion charges for the nine month period ended September 30, 2008 totalled $703,506 and $55,343, respectively, and combined amounted to approximately $539/tonne of concentrate. Of the $758,849, $35,671 represents a further adjustment to expense additional depletion which would otherwise be included in quarter-end production inventory. The NSR relates to a 1% underlying royalty associated on copper sold from the Aranzazu Project, as previously described.

Operating loss for the nine month period ended September 30, 2008 amounted to $1,019,327. This amount was a result of sales of 1,409 tonnes of copper concentrate for total revenues of $2,098,202, net of the costs of products sold of $2,345,087, the NSR accrual of $13,593 and the non-cash depletion, amortization and accretion charges of $758,849.

Other Income (Expenses) and Net Loss

Other income (expense) items include a stock based compensation expense of $12,221,835 and general and administrative expenses of $6,056,469, offset by a foreign exchange gain of $63,685 and interest income of $1,788,083.

Included in stock-based compensation for the nine months ended September 30, 2008 is $781,060 relating to the amortization of the fair value of the Signing Shares as previously described. Stock-based compensation of $720,995 was capitalized to resource properties during the nine months ended September 30, 2008. Stock based compensation for the period from February 20 to September 30, 2007 was $7,531,362.

Other general and administrative expenses for the 2008 period includes: salaries and benefits of $3,519,006 related to corporate office staff and $1,613,718 paid as compensation to the President and CEO for income taxes payable on account of receipt of the Signing Shares; and professional fees of $577,131 consisting of legal fees and quarterly review related fees, as well as $150,000 relating to an independent advisor engaged by the Company to undertake a valuation assessment of the Para Properties in connection with assessing the impairment on the properties for the Company's December 31, 2007 accounts. General and administrative expenses of $1,890,127 also includes: investor relations and corporate development costs of $388,876; travel expenses of $458,408 associated with ongoing travel to the Company's projects in Brazil and Mexico; and other expenses, including: general and administrative costs of $559,183; filing, listing and transfer agent costs of $120,995; directors' fees and expenses of $148,208; occupancy costs of $240,697 related to the Company's Vancouver office lease; and shareholder communications costs of $43,965. These reflect the normal course expenditures for a public mining company involved in mineral exploration outside of Canada.

Other general and administrative expenses for the period from February 20, 2007 to September 30, 2007 were the same as for the quarter ended September 30, 2007 as there was no activity in Clearwater prior to July 1, 2007. As a result of the accounting rules for RTO transactions, expenses incurred by Aura Minerals prior to the RTO date are not reflected in the statements of the acquiring company, deemed to be Clearwater.

Interest income generated on funds raised in the 2007 Offering and 2008 Offering amounted to $1,788,083 and $788,302 for the periods ending September 30, 2008 and 2007, respectively. Interest income for 2008 includes interest for the full nine months ended September 30, 2008, whereas interest income for 2007 includes interest from the completion of the 2007 Offering in July 2007.

For the nine months ended September 30, 2008, the Company recorded a future income tax recovery of $212,478 as described above. The income tax recovery was reduced by a valuation allowance. Net loss for the nine month period ended September 30, 2008 amounted to $17,233,385 as compared to a loss of $7,663,256 for the period from February 20, 2007 to September 30, 2007.

Capitalized Expenditures

In the three and nine months ended September 30, 2008, $14,976,175 and $27,651,152, respectively, was capitalized to resource properties, representing the exploration and development work conducted on the Company's non-producing properties in Brazil. Of these expenditures, $13,847,948 and $23,366,534, respectively, related to the Arapiraca Project for the three and nine months ended September 30, 2008.

For the quarter ended September 30, 2008, the largest expenditures on the Arapiraca Project were for land acquisition for the Serrote deposit, which amounted to $5,470,371, and drilling on Serrote deposit which amounted to $3,153,971 in connection with the extensive drilling program conducted on the property. Arapiraca Project costs for the quarter also included consulting costs of $1,773,976, geological and assay related costs of $686,255 and salaries and benefits of $711,258. This work continues to advance the evaluation of the project in line with management's schedule of activities to date. A stock based compensation expense of $195,546 was capitalized to the Arapiraca Project during the quarter ended September 30, 2008 for stock options granted to employees of the Company working on the project.

During the quarter ended September 30, 2008, Cumaru expenditures amounted to $198,248, Cumaru-Gradaus expenditures amounted to $228,754, Inaja expenditures amounted to $685,298 and North Carajas expenditures amounted to $15,926 These costs reflect the ongoing option payments, property maintenance costs, and the limited exploration program.

During the three and nine months ended September 30, 2008, the Company expended $2,391,879 and $106,125,059, respectively, on the purchase of property, plant and equipment. Of the nine month amount, $99,275,191 related to the purchase of property, plant and equipment as part of the Aranzazu Acquisition (see *"Description of the Business and Summary of Recent Activities - Aranzazu Acquisition"*). Further additions to the plant and equipment of the Aranzazu Project totalled $5,699,051 for the nine months ended September 30, 2008 and consist of additional mining equipment, vehicles, and process plant equipment and upgrades. The remaining additions to property, plant and equipment relate to purchases of equipment, vehicles, furniture and fixtures, computer equipment and software for the Company's Brazil and corporate office locations.

In the three and nine month periods ended September 30, 2007, $2,892,047 was spent in exploration expenses, of which $2,300,058 related to the Arapiraca Project. The largest single item was for the Arapiraca Project was drilling and amounted to $1,406,656. Exploration expenditures on the Company's other projects amounted to $591,989, of which $562,359 was expended on Inaja.

Aranzazu Acquisition

The single largest capital transaction during the nine months ended September 30, 2008, was the closing of the Aranzazu Acquisition (see "*Description of the Business and Summary of Recent Activities*").

Pursuant to the definitive acquisition agreement dated June 3, 2008, the Company acquired all of the issued and outstanding shares of Newington for a purchase price of US$57,500,000 in cash and $12,734,310 (US$12,500,000) by the issuance of 9,295,117 common shares of the Company. As part of the Aranzazu Acquisition, the Company also paid $5,000,000 by the issuance of 3,688,984 common shares of the Company to Zacoro Metals as a finder's fee. In addition, the Company paid US$3,000,000 in cash as consideration for data and equipment provided to the Aranzazu Project by Zacoro Metals.

Accordingly, the total purchase price was $77,486,118 and included the cash and share amounts above as well as $2,228,708 in legal, due diligence and closing costs. Of this amount, $17,734,310 was satisfied by the issuance of 12,498,101 common shares of the Company.

The acquisition of the Aranzazu Project has been accounted for as a business combination, effective from June 5, 2008. Management's estimated allocation of the purchase price consideration to the fair values of the identifiable assets and liabilities, which may be revised as additional information becomes available, is as follows:

Assets acquired		
Inventory	$	784,375
Plant and equipment		11,512,000
Mineral property		87,763,191
	$	100,059,566
Liabilities assumed		
Asset retirement obligation	$	(2,339,046)
Future income tax liability		(20,234,402)
		(22,573,448)
Net assets acquired	**$**	**77,486,118**

The amounts allocated to mineral properties, plant and equipment and future income taxes assume tax bases of $5,222,903 exist in respect of the mineral properties, plant and equipment being acquired.

The purchase price allocation above differs from the allocation presented in the Company’s interim financial statements at June 30, 2008. The total purchase price and the future income tax liability have increased by $198,828 and $55,661 respectively due to additional legal, consulting and closing costs incurred. Additionally, the amount allocated to plant and equipment has decreased by $11,923,347 based on a preliminary fair value report prepared by an independent third party valuator. As a result of these changes, the amount allocated to mineral property has increased by $12,177,836. As and if additional information becomes available, and based on the independent third party valuator’s final fair value report, the allocation of the purchase price may be revised for the Company’s financial statements for the year ended December 31, 2008.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected consolidated information for the Company for each of the six recently completed quarters. Clearwater was incorporated on February 20, 2007 and there was no significant activity prior to July 2007. Accordingly, no results are shown for the quarters ended March 31, 2007 and December 31, 2006.

For the Quarters Ended:	Sept.30, 2008 $ (unaudited)	June 30, 2008 $ (unaudited)	Mar 31, 2008 $ (unaudited)	Dec 31, 2007 $ (unaudited)	Sept 30, 2007 $ (unaudited)	June 30, 2007 $ (unaudited
Sales Revenue	1,640,548	457,654	Nil	Nil	Nil	Nil
Operating Profit (Loss)	(881,536)	(137,791)	Nil	Nil	Nil	Nil
Working Capital (deficit)	58,300,713	76,941,641	90,114,617	96,046,889	96,323,621	(604,697)
Resource Properties	62,406,465	47,430,289	39,591,057	34,755,312 (1)	60,615,594	535,858
Net Loss(2)	4,818,627	5,140,353	7,274,405	23,948,824	7,663,256	150
Net Loss per Share (basic and	$ 0.01	$ 0.01	$ 0.01	$ 0.06	$ 0.02	$ Nil

(1) Net of an impairment charge of $33,627,972 taken in the quarter ended December 31, 2007.

(2) For the quarter ended December 31, 2007, net of an impairment charge of $33,627,972 and a related future tax recovery of $11,433,511.

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

Commencing with the quarter ended June 30, 2008, quarterly results include revenues, operating expenses, and operating profit of the Aranzazu Project, which was acquired effective June 5, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents generated (used) during the three and nine months ended September 30, 2008 were $(24,568,909) and $5,016,820, respectively. The amount generated for the nine month period included the maturing of two BAs in the amount of $44,655,304 that were included in short-term investments at December 31, 2007 as their maturity, at the date of acquisition, was greater than 90 days. Cash and cash equivalents used in operating activities during the three and nine months ended September 30, 2008, including a build-up of working capital at the Aranzazu Project, was $3,488,111 and $5,552,406, respectively. Cash and cash equivalents used by investing activities during the three and nine months ended September 30, 2008 amounted to $21,112,462 and $47,411,459, respectively, and included amounts of $1,351,348 and $59,751,808, respectively, related to the Aranzazu Acquisition (see "*Description of the Business and Summary of Recent Activities*" and "*Results of Operations – Aranzazu Acquisition")*. Cash used by investing activities for the nine months ended September 30, 2008 is net of the $44,655,304 in BAs that matured during the period.

Capitalized exploration expenditures on the Company's Brazilian projects for the three and nine months ended September 30, 2008 were $14,464,382 and $25,560,443, respectively. Plant and equipment purchased for cash for the three and nine months ended September 30, 2008 amounted to $5,286,271 and $6,744,052, respectively.

As at September 30, 2008, the Company had cash and cash equivalents of $56,768,260 and working capital of $58,300,713. The Company has no exposure to any asset-backed commercial paper (ABCP) investments. Its cash and cash equivalents at September 30, 2008 include BAs issued by several Canadian chartered banks, interest-bearing cash deposit accounts held with a Canadian chartered bank and treasury bills ("T-bills") issued by the Government of Canada, all with maturities of 90 days or less. The Company believes that it is not exposed to significant credit risk on financial instruments issued by the Canadian chartered banks and considers the exposure on its investments in highly-rated government financial investments not to be significant.

The functional currency of the Company is the Canadian dollar and to date funding has been raised in Canadian dollars. Included in cash and cash equivalents at September 30, 2008 are $440,000 denominated in United States dollars, $2,900,000 denominated in Brazilian Reais and $820,000 denominated in Mexican Pesos which are subject to foreign currency rate fluctuations. In conducting its operations, the Company makes payments as appropriate from time to time in United States Dollars, Brazilian Reais and Mexican Pesos, and all proceeds of concentrate sales are received in United States Dollars. Accordingly, depending upon the planned spending levels on its Brazilian properties, and depending upon the timing of expenditures and receipts at its Aranzazu Project operations, the Company will be subject to foreign currency rate fluctuations between Canadian and US currencies, Brazilian Reais and Mexican Pesos.

As described in the section entitled "*Description of the Business and Summary of Recent Events*", the Company closed the 2008 Offering to raise gross proceeds of $60,000,750. Upon closing, 100% of the gross proceeds were deposited into escrow and were released to the Company, net of expenses (including, applicable agents' commission), immediately prior to the closing of the Aranzazu Acquisition. As intended, the Company used the net proceeds of $56,818,560 from the 2008 Offering for the Aranzazu Acquisition.

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. The Company's ability to continue its operations in the normal course of business is dependent upon its ability to achieve and sustain profitable operations and/or on its ability to raise additional capital.

Cash flows generated from product sales at the Aranzazu Project to date have not achieved profitable operations and will depend on metal pricing, exchange rates, taxes, and a number of other factors often outside of the Company's control, as well as the level of production achieved and the production costs which result from such levels of production and capital expenditure programs required to achieve such levels of production.

In view of the current commodity price environment, the Company is reviewing all work programs and expenditures, including 2009 mine plans and capital and operating budgets. The commitment to and timing of these expenditures is, in part, dependent upon future copper prices. The Company's focus in the review process is on ensuring adequate liquidity while maintaining copper production from the Aranzazu Project. Current copper prices may necessitate the deferral of certain capital projects which may impact future production from the project.

Additionally, future exploration and development of the Company's properties in Brazil is dependent on future copper prices, as the required financing for such projects cannot be generated by cash flows from production at the Aranzazu Project. In light of the recent decline in precious and base metals prices and the current global economic crisis, the Company's ability to source its expected financial needs for capital projects could be significantly impacted, particularly if this situation persists for an extended period of time. More specifically, should the Company seek debt financing, the increased cost of financing due to rising credit spreads could have a negative impact on overall project economics. In addition, the availability of credit on acceptable terms could make it difficult for the Company to raise the required capital to build some or all of its projects on anticipated timelines, or at all, and the sale of additional equity capital may not be available, or if available, may result in substantial dilution to existing shareholders. The Company will manage its liquidity risk by reviewing the risk characteristics of its underlying assets, by curtailing any non-essential expenditures in order to conserve cash resources, by focusing on cash producing properties and/or, if necessary, by considering the sale of certain non-core assets. Failure to obtain sufficient financing may result in a delay to, or indefinite postponement of, exploration, development, or production on any or all of the Company's properties, or even a loss of property interests.

CONTRACTUAL OBLIGATIONS

For the nine months ended September 30, 2008 and as of November 14, 2008, the Company has not entered into any contractual obligations that are outside of the ordinary course of business, other than those related to the Aranzazu Acquisition (see "*Description of the Business and Summary of Recent Activities*" and "*Results of Operations – Capital Expenditures")*.

As at September 30, 2008, the Company's contractual obligations included:

	Total	**2008**	**2009-2011**	**2012-2013**	**After 2013**
Operating leases (premises and other)	$ 1,020,123	$ 97,932	$ 694,873	$ 227,318	$ Nil
Equipment purchases	324,300	324,300	Nil	Nil	Nil
Reclamation obligations	6,699,662	Nil	Nil	Nil	6,699,662
TOTAL Contractual Obligations	$ 8,044,085	$ 422,232	$ 694,873	$ 227,318	$6,699,662

The reclamation obligations in the above table represent the Company's estimated obligation to reclaim the Aranzazu Project properties after the minerals have been mined from the site. Upon assuming control of the operation on June 5, 2008, the Company engaged an environmental specialist familiar with the Aranzazu Project to provide an estimate of the costs necessary to comply with existing reclamation standards in Mexico. The environmental specialist concluded that the undiscounted amounts of the estimated obligations for restoration and closure of the Aranzazu Project are approximately $6,699,662 and the Company has estimated that these costs will be incurred over a 15 year period. While generally accepted accounting principles require the Company to recognize the fair value for the asset retirement obligation using a credit adjusted risk-free discount rate, the amount reflected in the above table represents the undiscounted amounts estimated at the time of payment. Ongoing reclamation costs incurred as part of normal mining operation are to be expensed as incurred.

Additionally, to maintain its rights under property agreements with respect to the Inaja and Cumaru (Gradaus) properties, the Company is required to make option payments of US $355,000 (Cdn $361,500) in the balance of 2008 and US$310,000 (Cdn $316,000) in the 2009-2011 period (see note 11 of the Financial Statements). In respect of the Inaja Project, the Company is also required to issue 100,000 common shares on each of June 1 and December 1 of years 2008 to 2010.

Certain senior officers and employees of the Company have change of control provisions in their consulting and employment agreements which provide for payments ranging from one to three times their then current annual salary upon the occurrence of such event and subject to certain conditions. Further details of executive compensation are set out in the Company's management information circular, dated March 25, 2008, which can be found on SEDAR.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

During the nine month period ended September 30, 2008, the Company was a party to the following transaction with related parties:

On May 29, 2008, the Company closed the 2008 Offering of the 2008 Subscription Receipts, as more particularly described in this MD&A under the heading *"Description of the Business and Summary of Recent Activities"*. Peter Marrone and Patrick Downey, directors of the Company, purchased 2,030,000 and 370,630 Subscription Receipts, respectively. Santa Elina Mines Corporation, a majority shareholder in the Company, purchased 16,292,000 Subscription Receipts indirectly through Zoneplan.

Details of transactions with related parties during the period from February 20, 2007 to December 31, 2007 are set out in the Company's management discussion and analysis dated March 25, 2008, which can be found on SEDAR.

PROPOSED TRANSACTIONS

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

CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following accounting standards and accounting policies:

Inventory

With the acquisition of its first operating mine on June 5, 2008, the Company adopted CICA Handbook section 3031, "Inventories". Concentrate inventory, work in process inventory and ore stockpiles are valued at the lower of the average production cost and net realizable value. Production costs include mining costs, direct labour, operating materials and supplies, applicable haulage and an applicable portion of operating overhead, including depreciation and amortization. Net realizable value is the expected difference between the selling price for the finished product less the costs to get the product into saleable form and to the selling location.

Supplies inventory consists of consumable parts and supplies and is valued a the lower of average cost and replacement value. Cost represents the delivered price of the item.

Revenue recognition

Revenue from the sale of metal in concentrate is recognized in the financial statements when title to the concentrate transfers and the rights and obligations of ownership pass to the customer. Revenue is recorded in the statement of income net of treatment and refining costs paid to counterparties under terms of the off take arrangements. The majority of the Company's sales of concentrates are sold under pricing arrangements where the final prices are determined by quoted market prices in a period subsequent to the date of sales. As a result, the estimated revenue 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.

Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves or resources are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable mineral reserves and resources, the ability of the Company to obtain the necessary financing and permitting to complete the development of the properties, and future profitable production from the disposition of the metals produced from the properties.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of the fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability, and the carrying amount of the asset is then amortized over the asset's useful life using the units of production method.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the asset retirement obligation and the related long-lived asset.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its estimated fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

Capital disclosures and financial instruments – Disclosures and Presentation

Effective January 1, 2008, the Company adopted three new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1535, Capital Disclosures (“Section 1535”), Handbook Section 3862, Financial Instruments – Disclosures (“Section 3862”) and Handbook Section 3863, Financial Instruments – Presentation (“Section 3863”).

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements for financial instruments. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities as well as the reported revenues and expenses during the reporting period. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management’s application of accounting policies. Critical accounting estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management. The Company’s accounting policies are described in note 2 to the consolidated financial statements for the most recent completed fiscal year ended December 31, 2007. Management’s critical accounting estimates are applied in the accounting for asset retirement obligations, allocation of the purchase price for the Aranzazu Acquisition, the impairment of long-lived assets, the determination of stock-based compensation and accounting for income taxes.

Asset Retirement Obligations

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

Allocation of the purchase price of the Aranzazu Acquisition

Generally Accepted Accounting Principles require the Company to record the identifiable assets and liabilities acquired as part of a business combination at their fair values, and in the financial statements for the three and nine months ended September 30, 2008 the Company has recorded a preliminary allocation of the purchase price of the Aranzazu Project. The determination of these fair values requires extensive judgement, and was prepared based on information which was available at the reporting date. The fair values may be revised by the Company as additional information becomes available.

Impairment of long-lived assets

The Company records its interest in mineral properties at cost. Exploration expenditures relating to properties that have resources or significant mineralization requiring additional exploration are deferred and will be amortized against future production following commencement of commercial production, or written off if the properties are sold, allowed to lapse, abandoned or become impaired.

Management of the Company reviews and evaluates the carrying value of each mineral property for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is measured and assets are written down to fair value which is normally the discounted value of future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired, it is written down to its estimated fair value in accordance with the CICA Handbook Section 3063 "Impairment of Long-Lived Assets".

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

Stock-based compensation

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

Future income tax assets and liabilities

The determination of the Company's tax expense for the year and its future tax liabilities and assets involves significant management estimation and judgment 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.

FINANCIAL INSTRUMENTS

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

The Company's credit risk is limited to trade receivables in the ordinary course of business and the recovery of value added taxes. With the completion of the Aranzazu Acquisition, the Company is subject to concentrations of credit risk related to trade accounts receivable. As at September 30, 2008, 24% of the Company's accounts receivable was due from a single customer, leading to a concentration of credit risk. This risk is mitigated by the fact that the Company receives provisional payments for its shipments and that the Company believes it could find a new buyer for its concentrates, if required.

As the Company's primary operating activities are in Mexico and Brazil, foreign exchange risk exposures arise from transactions denominated in foreign currencies. Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: cash and cash equivalents, accounts receivable and accounts payable denominated in US Dollars, Brazilian Reais or Mexican Pesos. The Company's net revenues from its Mexican operations are exposed to foreign exchange risk as commodity sales, treatment charges and royalties are substantially denominated in US dollars, whereas the majority of all other operating expenses are in Mexican Pesos. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The sensitivity of the Company's net loss due to changes in the exchange rate between its operating currencies and the Canadian dollar is estimated in the table below:

	5% decrease in the Canadian dollar	**5% Increase in the Canadian dollar**
Decrease (increase) in net loss and comprehensive loss		
for the nine months ended September 30, 2008	$ 288,456	$ (260,984)

The Company is subject to price risk from fluctuations in market prices of copper and other metals. Copper and other metal prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control. As a result of the increased probability of a global recession, copper prices declined in the quarter ended September 30, 2008, and have declined further subsequent to quarter end. The profitability of the Company's operations is highly correlated to the market prices of these metals, as is the ability of the Company to develop its other properties. If metal prices were to decline for a prolonged period below the cost of production of the Company's mine, it may not be feasible to continue production. The recent events in the global financial markets have had a profound impact on the global economy. Virtually all industries, including mining for precious and base metals, are impacted by these market conditions, which have included: a sharp contraction in the credit markets resulting in a widening of credit risk spreads and higher costs of funding; a deterioration in the credit ratings of numerous large financial institutions, devaluations and high volatility in global equity, commodity, foreign exchange and precious metals markets and a corresponding lack of market liquidity; and a slowdown in economic activity that is affecting major global economies. These events could have a significant impact on the Company and are discussed further in "*Liquidity and Capital Resources"*.

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 comprised of four directors who are independent of management.

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

DISCLOSURE CONTROLS

The Company's Chief Executive Officer and Chief Financial Officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures ("the Procedures") which provide reasonable assurance that information required to be disclosed by the Company under securities legislation is reported within the time periods specified. Without limitation, the Procedures are designed to ensure that material information relating to the Company is accumulated and communicated to management, including its Certifying Officers, as appropriate to allow for timely reporting.

The Certifying Officers evaluated the effectiveness of the Procedures as at September 30, 2008 and have concluded that, based on their evaluation, the Procedures are effective in providing reasonable assurance that material information relating to the Company is made know to management and reported as required.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company has reviewed its internal controls over financial reporting as at September 30, 2008 and the date of this MD&A. The Certifying Officers believe that the Company's system of internal controls over financial reporting as defined under Multilateral Instrument 52-109 is sufficiently designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting principles.

On June 5, 2008, the Company completed the Aranzazu Acquisition. Management considers this acquisition material to the Company's results of operations, financial position and cash flows from the date of acquisition through September 30, 2008, and believe that the internal controls and procedures at the Aranzazu Project have a material effect on overall internal control over financial reporting. Management has yet to complete its assessment of internal controls of the Aranzazu Project and will be expanding the internal controls over financial reporting to include the Aranzazu Project over the next year as permitted by the applicable rules relating to business acquisitions. The Aranzazu Project operations comprise 100% of the Company's consolidated revenues of $2,098,202 and 48% of the total consolidated assets of $228,916,234 as at September 30, 2008.

The Company's management, including the Certifying Officers, does not expect that its disclosure controls and procedures and internal controls over financial reporting will prevent all errors and fraud. The Company believes that the weaknesses identified in its systems of internal control are mitigated by the thorough review of the Company's financial statements by senior management, the Audit Committee of the Board and by consulting with external experts. In addition, senior management is active in the Company's day-to-day operations and in monitoring the Company's financial reporting. Regardless, these mitigating factors cannot completely eliminate the possibility that a material misstatement will occur as a result of the weaknesses identified in the Company's internal controls over financial reporting. A cost effective system of internal controls over financial reporting, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Company will be required to adopt IFRS for its interim and annual financial statements beginning on January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company has started the process of assessing the accounting policy choices and elections that are permitted under IFRS, as well as the impact the new standards are likely to have on the Company's financial statements. The Company will continue to review and adjust its assessment over time. Management's current assessment is that there are a number of significant IFRS differences that will impact the Company's financial statements. Management is in the process of developing a work plan to address the impact of IFRS adoption on the Company's financial statements, internal controls over financial reporting, disclosure controls and information systems.

ENVIRONMENTAL RISK MANAGEMENT

With the recent acquisition of the Aranzazu Project, the Company has transitioned from an exploration and development company to an operating company.

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

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

Aura Minerals is also developing corporate policies and systems to measure and manage the risks and requirements associated with safety, health and the environment. These policies and systems will ensure that the Company operates in accordance with local and international laws and will also incorporate all aspects and issues associated with local community relations and social responsibility.

The policies and systems will be reviewed and approved by the Company's Environmental, Health, Safety and Social Responsibility Committee prior to Board approval and adoption by the Company.

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

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

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

NON-GAAP PERFORMANCE MEASURES

The Company has included in this document certain non-GAAP performance measures, including the total cash costs of copper produced. These non-GAAP measures do not have any standardized meaning within GAAP and therefore may not be comparable to similar measures presented by other companies. Cash costs are presented as they represent an industry standard method of comparing certain costs on a per unit basis, and the Company believes that this information is useful to management and certain investors 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 GAAP.

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 mining properties. The risk factors set forth in the Company's MD&A for the three and six months ended June 30, 2008, a copy of which is filed on SEDAR at www.sedar.com, could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

DISCLOSURE OF SHARE DATA AS AT NOVEMBER 14, 2008

(a) shares authorized:

an unlimited number of common shares without par value

(b) shares issued and outstanding:

589,417,506 common shares, excluding 3,500,000 Signing Shares issued to the President and CEO on January 28, 2008. These common shares are held in escrow to be released on certain milestones being achieved but not later than five years following the closing of the Arapiraca closing date (note 13(d)(ii) of the Financial Statements). In accordance with applicable accounting standards, the Signing Shares are being accounted for as contingently returnable shares which are not considered outstanding and not included in the computation of basic earnings (loss) per share until such time as they are released from escrow. During the three months ended September 30, 2008, 964,636 of these shares became eligible for release from escrow, and these shares will be officially released in the fourth quarter of 2008.

i. stock options outstanding as at November 14, 2008 :

	Number	**Exercise Price**	**Date of Expiry**
	297,100	$0.50	March 30, 2010
	1,950,000	$0.50	July 25, 2011
	150,000	$0.63	March 30, 2010
	450,000	$0.75	March 30, 2010
	5,930,000	$0.75	March 30, 2012
	1,800,000	$0.77	March 30, 2012
	2,000,000	$1.18	May 17, 2012
	2,500,000	$1.42	June 26, 2012
	250,000	$1.38	July 13, 2012
	4,040,000	$1.57	July 19, 2012
	150,000	$1.18	August 23, 2012
	1,000,000	$1.24	May 13, 2009
	150,000	$1.32	September 25, 2012
	460,000	$1.16	December 6, 2012
	4,700,000	$0.99	January 28, 2013
	1,550,000	$0.99	January 29, 2013
	700,000	$1.06	February 8, 2013
	4,600,000	$1.50	May 13, 2013
	800,000	$1.68	June 30, 2013
	935,000	$1.07	August 14, 2013
	150,000	$1.09	August 19, 2013
	500,000	$0.29	October 29, 2013
	300,000	$0.16	November 13, 2013
Total	**35,362 ,100**		

ii. warrants outstanding as at November 14, 2008:

Type of Warrants	**Number**	**Exercise Price**	**Date of Expiry**	**To Purchase**
Broker	**2,222,250**	$1.485	November 29, 2009	1 common share

APPROVAL

The Board of Aura Minerals has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

FORWARD-LOOKING STATEMENTS

All statements made in this MD&A, other than statements of historical fact, constitute forward-looking statements. The actual results of Aura Minerals may differ significantly from those anticipated in the forward-looking statements and readers are cautioned not to place undue reliance on these forward-looking statements. Except as required by securities regulations, the Company undertakes no obligation to publicly release the results of any revisions to forward-looking statements that may be made to reflect events or circumstances after the above-stated date or to reflect the occurrence of unanticipated events.

Forward-looking statements include, but are not limited to, statements with respect to the future price of copper, gold, nickel and iron ore, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of litigation. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to the integration of acquisitions; risks related to international operations; risks related to joint venture operations; actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of copper, gold, nickel and iron ore; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the Company’s MD&A for the three and six months ended June 30, 2008 under the heading *“Risk Factors”*, a copy of which is filed on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

ADDITIONAL INFORMATION

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