



Aura Minerals Inc.

AURA MINERALS INC.
(formerly Aura Gold Inc.)
(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS - RESTATED

**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007
AND THE PERIOD FEBRUARY 20, 2007 TO SEPTEMBER 30, 2007**

AURA MINERALS INC. (formerly Aura Gold Inc.)
 (an exploration stage company)
RESTATED INTERIM CONSOLIDATED BALANCE SHEETS
 (expressed in Canadian dollars)
 (unaudited)

	September 30, 2007
	(restated)
ASSETS	
Current	
Cash and cash equivalents (Note 4)	\$ 96,771,406
Accounts receivable, prepaids and other	525,485
	97,296,891
Mineral properties (Note 6)	60,615,594
Equipment (Note 5)	587,523
	\$ 158,500,009
LIABILITIES	
Current	
Accounts payable and accrued liabilities	\$ 973,270
Future income taxes (Note 7)	15,560,646
	16,533,916
SHAREHOLDERS' EQUITY	
Capital stock (Note 8(b))	136,121,373
Contributed surplus (Note 8(c))	13,507,975
Deficit	(7,663,256)
	141,966,093
	\$ 158,500,009

NATURE OF OPERATIONS (Note 1)

COMMITMENTS (Note 6 and Note 11)

SUBSEQUENT EVENTS (Note 13)

APPROVED ON BEHALF OF THE BOARD:

"Patrick Mars"
 Patrick J. Mars, Director

"Patrick Downey"
 Patrick G. Downey, Director

AURA MINERALS INC. (formerly Aura Gold Inc.)

(an exploration stage company)

RESTATED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

(expressed in Canadian dollars)

(unaudited)

	For the Three Months Ended September 30, 2007	For the Period from February 20, 2007 to September 30, 2007
	(restated)	(restated)
EXPENSES		
Stock-based compensation (note 8(e))	\$ 7,531,362	\$ 7,531,362
Travel	127,752	127,752
Management and consulting fees	172,343	172,343
Investor relations	12,337	12,337
Office and general	33,139	33,139
Salaries and benefits	305,992	305,992
Professional fees	161,192	161,192
Occupancy costs	34,561	34,561
Filing, listing and transfer agent fees	88,355	88,355
Foreign exchange	27,400	27,400
Insurance	26,058	26,058
Amortization	3,800	3,800
LOSS BEFORE THE UNDERNOTED	8,524,291	8,524,291
Interest income	(877,302)	(877,302)
General exploration	16,266	16,266
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	7,663,256	7,663,256
DEFICIT, beginning of period	-	-
DEFICIT, end of period	\$ 7,663,256	\$ 7,663,256
BASIC AND DILUTED NET LOSS PER SHARE	\$ 0.02	\$ 0.04
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	436,812,377	213,164,476

AURA MINERALS INC. (formerly Aura Gold Inc.)

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RESTATED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars)

(unaudited)

	For the Three Months Ended September 30, 2007 (restated)	For the Period from February 20, 2007 to September 30, 2007 (restated)
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net loss for the period	\$ (7,663,256)	\$ (7,663,256)
Add:		
Stock-based compensation	7,531,362	7,531,362
Amortization	3,800	3,800
Changes in non-cash working capital items:		
Accounts receivable, prepaids and other	188,890	188,890
Accounts payable and accrued liabilities	(4,260,262)	(4,260,262)
	(4,199,466)	(4,199,466)
INVESTING ACTIVITIES		
Mineral interests	(2,892,047)	(2,892,047)
Equipment	(266,011)	(266,011)
Reverse takeover of Aura Minerals Inc, net of cash of \$15,599,749	15,599,749	15,599,749
	12,441,699	12,441,699
FINANCING ACTIVITIES		
Issuance of shares, net of costs	84,370,204	84,370,204
Exercise of warrants	1,123,940	1,123,940
Exercise of stock options	3,035,029	3,035,029
	88,529,173	88,529,173
INCREASE IN CASH AND CASH EQUIVALENTS	96,771,406	96,771,406
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	-	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 96,771,406	\$ 96,771,406
SUPPLEMENTAL INFORMATION		
Common shares issued for mineral interests	\$ -	\$ -
Warrants granted for services rendered	\$ 5,976,072	\$ 5,976,072
Amortization included in exploration cost	\$ 22,513	\$ 22,513

AURA MINERALS INC. (formerly Aura Gold Inc.)

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NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

(expressed in Canadian dollars)

(unaudited – restated- see note 14)

1. BASIS OF PRESENTATION

On July 13, 2007, Aura Gold Inc. received shareholder approval to change its name to Aura Minerals Inc. (“Aura Minerals” or the “Company”), which became effective on August 16, 2007. Aura Minerals is a Canadian exploration company focused on the acquisition and development of mineral deposits in Brazil and other parts of South America. On July 17, 2007, the Company closed its previously announced acquisition of Clearwater Holdings Fund, LLC (“Clearwater”) which, through its subsidiary, Mineração Vale Verde Ltda. (“MVV”), holds the rights to the Arapiraca copper/gold/iron ore project (the “Arapiraca Project”) (Note 3). This interest was acquired from unrelated third parties on March 27, 2007.

As a result of the transaction, the vendors of Clearwater held in the aggregate approximately 63% of the issued and outstanding common shares of Aura Minerals. Consequently, the Company has accounted for the transaction as a reverse takeover (“RTO”) with the acquiring entity being Clearwater and the acquired entity being Aura Minerals. As described in Note 3, Aura Minerals did not qualify as a business for accounting purposes and, accordingly, the transaction has been accounted for as an issuance of shares and options by Clearwater for the net assets of Aura Minerals.

In accordance with the accounting rules for RTO transactions, these consolidated financial statements are issued under the name of the legal parent, Aura Minerals, but are deemed to be a continuation of the legal subsidiary, Clearwater. These consolidated financial statements reflect the consolidated results of operations of the Company from July 17, 2007 to September 30, 2007 and Clearwater from the date of Clearwater’s formation on February 20, 2007 to September 30, 2007.

The Company is in the process of exploring its exploration properties for mineral resources in Brazil and has not determined whether the properties contain economically recoverable reserves. The recovery of the amounts shown for the exploration properties and the related deferred expenditures is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the exploration and development, and upon future profitable production.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of the mineral properties and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to obtain financing or, alternatively, upon the Company’s ability to dispose of its interests on an advantageous basis. All of the Company’s mining assets are located outside of Canada and are subject to the risks normally associated with foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty.

AURA MINERALS INC. (formerly Aura Gold Inc.)

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NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

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(unaudited – restated- see note 14)

1. BASIS OF PRESENTATION (continued)

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing year as they fall due, to fund cash payments as discussed in Notes 6 and 11, and to fund current planned exploration programs. This ability was further enhanced with the financing as described in Note 7(b).

2. SIGNIFICANT ACCOUNTING POLICIES

- (a) **Principles of consolidation and basis of accounting** – These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.
- (b) **Cash and cash equivalents** – Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest bearing investments with maturities of 90 days or less. The Company places its cash and cash investments with institutions of high credit worthiness.
- (c) **Resource Property Costs** – The Company capitalizes acquisition and exploration expenditures related to resource properties on an individual prospect basis until such time as an economic ore body is defined or a prospect is abandoned. Amortization of assets used in connection with capitalized resource property costs is also capitalized. Capitalization of related expenditures continues until the property is moved into production, sold, impaired or abandoned. Unrecoverable costs for projects determined not to be commercially feasible are expensed in the period in which the determination is made.

The recoverability of the amounts capitalized for the undeveloped resource properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

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 recognized and assets are written down to fair value which is normally determined using 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

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NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

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(unaudited – restated- see note 14)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The acquisition of title to mineral properties is a complicated and uncertain process. The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

- (d) **Equipment** – Equipment is recorded at cost. Depreciation of vehicles, furniture, computers, software, machinery and equipment is provided on a declining-balance over their estimated useful lives at annual rates between 20% and 100%.
- (e) **Stock-based compensation** – The Company has a stock option plan, which is described in Note 8d. Stock options are recorded at their fair value over their vesting period as compensation expense, and agents' warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. On the exercise of stock options and agents' warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based compensation.
- (f) **Translation of foreign currencies** – The Canadian dollar is the functional currency of the Company. The Company's subsidiaries are considered integrated foreign operations and are translated using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rates in effect at the balance sheet date; and revenue and expense items are translated at the average rates of exchange during the year.
- (g) **Asset retirement obligations** – The Company accounts for asset retirement obligations ("ARO") by recognizing the fair value of a liability for an ARO in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The company determined that it has no material ARO's at September 30, 2007.
- (h) **Leases** – Leases are classified as either capital or operating. A lease which transfers substantially all of the benefits and risks incidental to the ownership of property is accounted for as if it were an acquisition of an asset and the incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments are charged to operations as incurred.
- (i) **Income taxes** – The Company uses the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income taxes are determined based on the difference between the financial reporting and tax bases of assets and liabilities. These income tax assets

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NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

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(unaudited – restated- see note 14)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

and liabilities are measured using the substantially enacted tax rates in which the income tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

- (j) **Loss per Share** – Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.
- (k) **Use of estimates** – The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made by the Company include factors affecting the recoverability of mineral interests, valuation of stock-based compensation and warrants and future tax assets and liabilities.
- (l) **Financial Instruments – Recognition and Measurement** – The Company classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of loss. The Company has classified its short-term investments as held for trading and therefore carries its investments at fair market value, with the unrealized gain or loss recorded in interest income.
- (m) **Comprehensive Income** – Comprehensive income is the requirement of the Company to temporarily present certain gains and losses for changes in fair value outside net income. The components of comprehensive income include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any. For the period ended September 30, 2007, the Company did not have other comprehensive income or loss, therefore the comprehensive loss for the period was equal to the net loss for the period.
- (n) **Hedges** – The Company accounts for hedges as required under CICA Handbook Section 3865 which specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company has not designated any hedging relationships.

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3. REVERSE TAKE-OVER TRANSACTION

On April 3, 2007, the Company entered into a definitive agreement to acquire Clearwater from Zoneplan Limited (“Zoneplan”) and Repalla (Holdings) Inc. (“Repalla”). Repalla, which is an entity controlled by one of the directors of the Company, held a 10% interest in Clearwater, the parent of MVV which holds the rights to the Arapiraca Project. The acquisition, which was subject to definitive documentation, minority shareholder approval and regulatory approvals, closed on July 17, 2007 (the “Closing Date”). On closing of this transaction, the vendors of Clearwater held in the aggregate approximately 63% of the issued and outstanding common shares of Aura Minerals.

As consideration for purchase of the Arapiraca Project, the Company issued on closing 320,000,000 common shares of which 70,000,000 common shares are subject to an escrow arrangement (the “Escrowed Shares”). The Escrowed Shares will be released from escrow on the earlier of the resource tonnage in all categories increasing to 210,000,000 tonnes, 5 years, or the occurrence of a take-over bid, business combination, merger, sale of the Arapiraca Project or a similar transaction involving the Company. Up to 50,000,000 of the 70,000,000 shares would be released if and when the resource tonnage reaches 190,000,000 tonnes and the balance of 20,000,000 is and when it reaches 210,000,000 tonnes.

In addition, pursuant to the acquisition agreement, the Company issued on closing 1,500,000 common shares to employees and consultants of Clearwater which are included as part of the purchase consideration.

Zoneplan and Repalla have the right to participate in new equity financings and will be entitled to place a representative on the Aura Minerals Board.

Clearwater indirectly holds the rights to the Arapiraca Project which is located in the central-southern part of the State of Alagoas, Brazil. These rights were acquired on March 27, 2007 from unrelated third parties in exchange for consideration of net smelter return royalties as described under Note 6(a). The property, consisting of one mining concession and 82 exploration licenses totaling approximately 150,000 hectares, includes the advanced stage Serrote da Laje copper-gold-iron deposit which was drilled in two phases by Companhia Vale do Rio Doce S.A. (“CVRD”) in the mid 1980’s and late 1990’s.

This transaction has been accounted for as a RTO with the acquiring entity being Clearwater and the acquired entity being Aura Minerals. Under reverse takeover accounting, the purchase consideration paid by Clearwater is an amount equal to the fair value of Aura Minerals and is allocated to the fair values of the identifiable assets and liabilities of Aura Minerals. This fair value has been determined based on the market capitalization of Aura Minerals at the time the transaction was announced which has been estimated by management to be the approximate fair value of the net assets of Aura Minerals on the date of acquisition. The purchase consideration of \$53,568,272 was comprised of the following:

321,500,000 common shares as consideration for reverse takeover	\$ 43,830,173
Fair value of stock options	3,534,700
Fair value of stock purchase warrants	6,203,399
	<u>\$ 53,568,272</u>

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(an exploration stage company)

NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

(expressed in Canadian dollars)

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The purchase consideration of \$53,568,272 has been allocated to the fair value of the net assets of Aura Minerals acquired as follows:

Cash and cash equivalents	\$ 15,599,749
Accounts receivable	630,994
Prepays and other	85,713
Resource properties	56,705,747
Equipment	347,835
Future income tax liabilities	(15,560,645)
Accounts payable and accrued liabilities	(4,241,121)
Net identifiable assets and liabilities acquired	\$ 53,568,272

4. CASH AND CASH EQUIVALENTS

	September 30,
Cash and cash equivalents consisted of:	2007
Cash	\$ 33,675,144
Guaranteed Investment Certificate (Due October 17, 2007)	2,717,495
Bankers Acceptance (Due October 23, 2007)	30,170,198
Bankers Acceptance (Due November 2, 2007)	30,208,569
	\$ 96,771,406

5. EQUIPMENT

		Accumulated	Net Book
	Cost	Amortization	Value
			September 30,
			2007
Vehicles	\$ 162,934	\$ 44,232	\$ 118,702
Machinery and equipment	144,927	14,928	130,000
Furniture and fixtures	85,203	8,686	76,517
Computer equipment & Software	168,746	25,755	142,991
Leasehold improvements	119,313	-	119,313
	\$ 681,123	\$ 93,600	\$ 587,523

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NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

(expressed in Canadian dollars)

(unaudited – restated- see note 14)

6. MINERAL PROPERTIES

For the period ended September 30, 2007, the Company incurred acquisition costs and exploration expenditures on its mineral properties as follows:

	Arapiraca Project			Cumaru (Gradaus) Project	Cumaru Project	Inaja Project	North Carajas Project	Total
	Arapiraca Caboclo	Arapiraca Serrote	Arapiraca Regional					
Balance, February 20, 2007	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Additions during the period:								
Amortization	780	837	–	–	–	–	–	1,617
Consulting	13,021	13,399	6,260	–	–	–	–	32,680
Drilling	–	296,041	–	–	–	–	–	296,041
Field Administration	13,838	15,777	–	–	–	–	–	29,615
Field supplies	16,239	20,055	–	–	–	–	–	36,294
Geological & assays	24,522	31,147	–	–	–	–	–	55,669
Land maintenance	13	391	–	–	–	–	–	404
Salaries, wages & benefits	8,384	14,579	–	–	–	–	–	22,963
Travel	22,411	33,601	787	–	–	–	–	56,799
Balance, July 16, 2007	99,208	425,827	7,047	–	–	–	–	532,082
Purchase price adjustments related to reverse takeover transaction (note 3)								
	-	-	-	18,960,368	15,080,616	22,248,293	416,471	56,705,747
Additions during the period July 17, 2007 to September 30, 2007								
Amortization	2,265	8,355	–	–	6,026	4,250	–	20,896
Consulting	24,818	35,098	6,260	17,820	16,157	19,985	–	120,138
Drilling	149,361	1,257,295	–	–	–	144,230	–	1,550,886
Field Administration	46,151	93,558	6,962	96,246	83,057	171,312	28,898	526,184
Field supplies	44,939	69,789	916	7,245	8,072	28,702	60	159,723
Geological & assays	38,746	32,076	19,060	9,603	59,465	64,299	6,298	229,547
Land maintenance	40,248	33,948	37,580	443	39,957	19,084	47,471	218,731
Project management	11,552	55,227	122	2,480	–	4,960	2,480	76,821
Salaries, wages & benefits	58,545	68,247	8,948	32,921	30,796	73,860	–	273,317
Travel	49,061	97,358	3,573	9,186	10,667	31,677	–	201,522
Total costs July 17, 2007 to September 30, 2007	465,686	1,750,951	83,421	175,944	254,197	562,359	85,207	3,377,765
Balance, Sep 30, 2007	\$ 564,894	\$ 2,176,778	\$ 90,468	\$ 19,136,312	\$ 15,334,813	\$ 22,810,652	\$ 501,678	\$ 60,615,594

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NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

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(unaudited – restated- see note 14)

6. MINERAL PROPERTIES (continued)

(a) Arapiraca Project, Brazil

Refer to Note 3.

The properties are subject to net smelter return royalties (“NSR”) on future production to the original owner of 0.75% on copper, 1.0% on gold and 4.0 % on all other mineral production (see Note 3).

(b) Cumaru (Gradaús) Project, Brazil

Aura Minerals entered into an option agreement on December 1, 2005, to acquire a 100% interest in a mining license and two mineral exploration licences located in the State of Pará, Brazil. To exercise this option, Aura Minerals must complete the following:

- (i) Pay US\$25,000 to the optionor on execution of this agreement. (Paid)
- (ii) Issue a total of 500,000 common shares to the optionor, as follows:
 - 100,000 common shares on or before January 1, 2006 (Issued and valued at \$20,000)
 - 100,000 common shares on or before July 1, 2006 (Issued and valued at \$20,000)
 - 100,000 common shares on or before January 1, 2007 (Issued and valued at \$57,000)
 - 100,000 common shares on or before July 1, 2007 (Issued and valued at \$131,000)
 - 100,000 common shares on or before January 1, 2008
- (iii) Make cash payments totaling US\$510,000 to the optionor, as follows:
 - US\$ 25,000 on or before July 1, 2006 (Paid)
 - US\$ 50,000 on or before January 1, 2007 (Paid)
 - US\$ 50,000 on or before July 1, 2007 (Paid)
 - US\$100,000 on or before January 1, 2008
 - US\$135,000 on or before July 1, 2008
 - US\$150,000 on or before January 1, 2009
- (iv) The payment of US\$1.00 per ounce of proven and probable reserve as determined by a positive feasibility study on the property prepared in accordance with National Instrument 43-101 of the Canadian Securities Administrators.

The Company must complete US\$1,500,000 in exploration expenditures on the property within a three-year period in order to execute the agreement with US\$250,000 to be expended within the first year ended January 1, 2007 (Incurred).

The optionor has retained a 2% NSR on the property that may be purchased by Aura Minerals for US\$4,000,000.

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NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

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6. MINERAL PROPERTIES (continued)

(c) Cumaru Project, Brazil

On April 3, 2006, Aura Minerals entered into an option agreement, with a company which has an officer-director and two directors in common, to acquire a 70% interest in four mineral exploration licences, located in the State of Pará, and a 70% interest in three Garimpeiro Permits as follows:

(i) Work requirement

Aura Minerals must incur an aggregate of US\$3,000,000 in exploration expenditures on the properties within three years of entering into the agreement.

- US\$250,000 on or before April 3, 2007 (Incurred)
- An additional US\$1,250,000 before April 3, 2008
- An additional US\$1,500,000 on or before April 3, 2009

(ii) Issue 1,000,000 common shares of Aura Minerals to the optionor (issued and valued at \$200,000).

(iii) Included in the above \$3,000,000 of exploration expenditures, is the requirement to incur \$1,000,000 in exploration expenditures to satisfy a condition of the underlying agreement between the optionor and another party.

The original vendor has retained a 1.5% NSR on the property that may be purchased by Aura Minerals for US\$1,250,000.

Pursuant to a revised agreement to acquire a 100% interest in the project, on April 5, 2007, Aura Minerals issued 6,000,000 common shares valued at \$5,880,000, to the optionor of the Cumaru project. As a result, commitments under 5(c)(i) and 5(c)(iii) are no longer applicable. Regulatory approval has been received for the revised agreement.

(d) Inajá Project, Brazil

Aura Minerals entered into six separate option agreements between December 2005 and January 2006, to acquire a 100% interest in 23 mineral claims, known as the AGS, JN, EM, and Rio Negro properties, and the Forquilha and Carapato pits located in the State of Pará, Brazil. Aura Minerals also acquired the Fonseca Property, consisting of 10 claims for a single payment of US\$10,000.

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NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

(expressed in Canadian dollars)

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6. MINERAL PROPERTIES (continued)

(d) Inajá Project, Brazil (continued)

- (i) Shares to the optionors of the AGS property upon execution of the agreement (issued and valued at \$50,000).
- (ii) Issue 100,000 common shares on each of June 1 and December 1, 2006 to 2010 for an aggregate of 1,000,000 common shares. (Issued 300,000 common shares valued at \$195,500).

Make cash payments totaling US\$1,950,000 to the optionors as follows:

- US\$135,000 on or before June 1/30, 2006 (Paid)
 - US\$170,000 on or before December 1/31, 2006 (Paid)
 - US\$272,500 on or before June 1/30, 2007 (Of which \$217,500 paid)
 - US\$310,000 on or before December 1/31, 2007
 - US\$547,500 on or before June 1/30, 2008
 - US\$355,000 on or before December 1/31, 2008
 - US\$ 85,000 on or before June 1/30, 2009
 - US\$ 25,000 on or before December 1, 2009
 - US\$ 25,000 on or before June 1, 2010
 - US\$ 25,000 on or before December 1, 2010
- (iii) On the AGS Property, the optionors have retained a 2.0% to 3.0% sliding scale NSR, based on the price of gold, which royalty may be purchased for US\$1,000,000 for each 1%, payable as calculated on the commencement of production. On each of the Forquilha and Carapato Pits, the optionors have retained a 1.5% NSR, which may each be purchased for US\$1,500,000.
 - (iv) In a prior period, Aura Minerals paid US\$40,000 and issued 400,000 common shares valued at \$80,000 as finder's fees in respect of the Inaja option agreements.

(e) North Carajás, Brazil

Pursuant to an agreement with Santa Elina Mines Corporation (“Santa Elina”), dated January 1, 2006, Aura Minerals was assigned a 100% interest in 54 mineral claims in the State of Pará, Brazil, in consideration for a 2% NSR from any future production on these properties.

(f) Other Properties/Projects

Pursuant to the same agreement with Santa Elina, above, Aura Minerals was assigned a 100% interest in 20 mineral claims covering an area of 187,000 hectares in the State of Pará, Brazil, in consideration for a 2% NSR from any future production on these properties.

AURA MINERALS INC. (formerly Aura Gold Inc.)

(an exploration stage company)

NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

(expressed in Canadian dollars)

(unaudited – restated- see note 14)

7. INCOME TAXES**(a) Effective rate reconciliation**

A reconciliation of the expected income tax expense, calculated by applying the applicable Canadian statutory tax rates to income before taxes, to the income tax expense recorded in the consolidated financial statements:

	For the three months ended Sep 30, 2007	For the period from Feb 20, 2007 to Sep 30, 2007
Statutory income tax rate in Canada	36.12%	36.12%
Difference in foreign tax rate	\$(5,941,889)	\$(5,941,889)
Costs not deductible for tax purposes	\$ 5,894,249	\$ 5,894,249
Other	47,640	47,640
Change in valuation allowance	-	-

(b) Components of future income taxes

	Sep 30, 2007
Future income tax assets (liability):	
Non-capital losses available for carry forward	\$ 278,200
Mineral properties related to acquisition of assets	236,900
Share issuance costs	4,319,700
Other tax assets	112,000
	<u>4,946,800</u>
Valuation allowance	\$ (4,946,800)
Net future income tax asset (liabilities)	<u>-</u>

As at September 30, 2007, the Company has approximately \$1,510,000 of non-capital losses, which may be utilized to reduce future taxable income in Canada. The non-capital losses expire primarily in 2026. It can not be reasonably estimated at this time if it is more likely than not that the Company will realize the benefits from future income tax assets. Consequently, the future recovery of losses arising from differences in tax values and accounting values have been reduced by an equivalent valuation allowance. The valuation allowance will be adjusted in the period that it is determined that it is more likely than not that some portion of the future tax assets will be realized.

The Company recorded a \$15.6 million future income tax liability related to the reverse takeover transaction to recognize the future income tax effects of the differences between the fair values of the assets and liabilities acquired and the related tax bases. The future income tax liability will be recognized through earnings when the carrying value of the related assets is amortized or otherwise recorded through earnings.

AURA MINERALS INC. (formerly Aura Gold Inc.)

(an exploration stage company)

NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

(expressed in Canadian dollars)

(unaudited – restated- see note 14)

8. CAPITAL STOCK**(a) Authorized**

Unlimited number of common shares

(b) Issued

	Number of common shares	Capital stock	Contributed surplus
Balance, Clearwater Holdings LLC at February 20, 2007	–	–	541
Adjustments related to acquisition of Aura Minerals Inc.	387,670,718	53,568,272	–
Private placement	126,000,000	89,712,000	–
Exercise of warrants for cash	1,030,000	515,000	–
Exercise of brokers warrants for cash	1,751,400	608,940	–
Exercise of options for cash	4,366,665	3,035,029	–
Stock based compensation - options granted and vested	–	–	7,531,362
Warrants issued as a financing fee	–	–	5,976,072
Share issue costs	–	(11,317,868)	–
Balance, September 30, 2007	520,818,783	\$ 136,121,373	\$ 13,507,975

AURA MINERALS INC. (formerly Aura Gold Inc.)

(an exploration stage company)

NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

(expressed in Canadian dollars)

(unaudited – restated- see note 14)

8. CAPITAL STOCK (continued)**(c) Warrants**

	Number of Warrants	Weighted Average Exercise Price
Balance, February 20, 2007	14,550,000	\$ 0.40
Exercised	(7,567,600)	\$ 0.50
Broker Warrants Issued	6,300,000	\$ 0.85
Underlying Broker Warrants Issued	833,175	\$ 0.50
Underlying Broker Warrants Exercised	(228,800)	\$ 0.50
Balance, September 30, 2007	13,886,775	\$ 0.39

As at September, 2007, the following warrants were issued and outstanding:

Expiry Date	Fair Value	Number of Warrants	Exercise Price
December 22, 2007	\$ 5,168,400	3,500,000	\$ 0.20
November 30, 2007	1,124,037	33,650	\$ 0.40
November 30, 2007	4,451,893	4,053,125	\$ 0.50
November 1, 2008	5,976,062	6,300,000	\$ 0.85
	\$ 16,720,402	13,886,775	

(d) Stock Options

On July 13, 2007 Aura Minerals adopted the 2007 Stock Option and Share Compensation Plan (the "Plan"). Under this rolling plan, options to purchase common shares have been granted to directors, employees, and consultants at exercise prices equal to the volume weighted average trading price for the five trading days immediately preceding the respective grant date and may be exercised within 5 years from that date, subject to any vesting provisions determined by the board of directors. Under the Plan, the board of directors may grant options for the purchase of up to a total of 10% of total number of issued and outstanding common shares of the Company.

AURA MINERALS INC. (formerly Aura Gold Inc.)

(an exploration stage company)

NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

(expressed in Canadian dollars)

(unaudited – restated- see note 14)

8. CAPITAL STOCK (continued)**(d) Stock Options (continued)**

A continuity of outstanding and exercisable stock options is as follows:

Expiry Date	Number of Stock Options Granted	Number of Stock Options Exercised/ Cancelled	Outstanding at September 30, 2007	Weighted Average Exercise Price
July 25, 2011	5,200,000	2,375,000	2,825,000	\$ 0.50
January 11, 2012	650,000	300,000	350,000	\$ 0.63
March 30, 2012	12,030,000	5,500,000	6,530,000	\$ 0.75
March 30, 2012	1,800,000	-	1,800,000	\$ 0.77
May 17, 2012	2,000,000	-	2,000,000	\$ 1.18
June 26, 2012	2,500,000	-	2,500,000	\$ 1.42
July 13, 2012	250,000	-	250,000	\$ 1.38
July 19, 2012	4,040,000	-	4,040,000	\$ 1.57
August 23, 2012	150,000	-	150,000	\$ 1.18
September 17, 2012	1,000,000	-	1,000,000	\$ 1.24
September 25, 2012	150,000	-	150,000	\$ 1.32
Balance, September 30, 2007	29,770,000	8,175,000	21,595,000	\$ 0.93

(e) Stock-based Compensation

Stock-based compensation expense is measured at fair value and recognized over the vesting period from the date of grant. The fair value of stock options granted to directors, employees, and consultants and recognized as an expense during the periods ended September 30, 2007 was \$7,531,362.

The company estimated the fair value of stock options granted using the Black-Scholes option pricing model with the following weighted average assumptions:

	2007	2006
Risk-free interest rate	4.0%-4.68%	-
Expected annual volatility	100%	-
Expected life	5 years	-
Expected dividend yield	0%	-

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimated, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

AURA MINERALS INC. (formerly Aura Gold Inc.)

(an exploration stage company)

NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

(expressed in Canadian dollars)

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9. RELATED PARTY TRANSACTIONS

- (a) A director and officer of the Company and two directors of the Company are also directors of the optionor of the Cumaru Project, described in Note 6(c).
- (b) An individual related to the Chairman of the Company, was paid \$41,532 for design services relating to the Company's website, corporate graphics and investor relations material.
- (c) A director of the Company owns 100% of Repalla (one of the vendors in the Arapiraca transaction as described in Note 3.
- (d) The Company paid fees of \$119,500 to officers and directors of the Company.
- (e) Effective July 1, 2007, the Company assigned the lease on the Company's Toronto office to a company that has directors and officers in common.

The above transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties as if they were dealing at arm's length.

10. SEGMENTED INFORMATION

The Company has one operating segment, which is the exploration and development of exploration properties. All of the Company's assets are located in Canada except for its resource properties, which are located in Brazil, as disclosed in Note 6.

Substantially all of the Company's operating expenses are incurred in Canada. All exploration expenditures are incurred in Brazil.

11. COMMITMENTS

With the Company's relocation to Vancouver, the lease on its Toronto office space was assigned, in its entirety, effective July 1, 2007 to a company which has directors and officers in common. The Company has no further obligations with respect to this lease.

The Company has lease obligations as follows with respect to its Vancouver office lease:

2007	\$	25,164
2008		178,393
2009		187,748
2010		197,872
2011		208,916
2012		209,836
2013		17,486
	\$	1,025,415

AURA MINERALS INC. (formerly Aura Gold Inc.)

(an exploration stage company)

NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

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12. FINANCIAL INSTRUMENTS

Fair value of financial instruments

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values since these instruments have short term maturity dates.

Foreign exchange risk

Certain of the Company's expenses are incurred in United States, Brazilian and European currencies and are therefore subject to gains or losses due to fluctuations in these currencies.

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

13. SUBSEQUENT EVENTS

- (a) The Company issued 491,875 common shares for proceeds of \$245,938 on the exercise of share purchase warrants.
- (b) The Company issued 25,000 common shares for proceeds of \$15,750 on the exercise of stock options and cancelled 50,000 stock options.

RESTATEMENT TO FINANCIAL STATEMENTS

The Company has reassessed some of the assumptions used in the determination of the acquisition price in the reverse takeover transaction which occurred on July 17, 2007 (note 3). The company has determined that the stock options and warrants granted for the period between the transaction announcement and the acquisition date should have not been considered as part of the fair value determination and the value of the stock options and warrants issued before the transaction was announced was recalculated based on the fair value at the announcement date. The company has also considered an adjusted discount rate for the shares outstanding at the date the transaction was announced. The Company concluded that the acquisition price should be amended and, as a result, has restated its consolidated financial statements as at and for the three months ended September 30, 2007 and for the period February 20, 2007 to September 30, 2007.

These interim financial statements have been restated to give effect to the correction of the purchase price at the acquisition date. The significant changes to the financial statements result from amendments to the purchase price

AURA MINERALS INC. (formerly Aura Gold Inc.)

(an exploration stage company)

NOTES TO RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended September 30, 2007 and the Period February 20, 2007 to September 30, 2007

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on the acquisition of Aura by Clearwater and the reversal of share capital. The Company has also reviewed the cash flow presentation and has reclassified some of the lines originally presented. There was no impact on the results of operations for the three and nine months ended September 30, 2007 are not significant. The impact of the change on the amounts previously reported is as follows:

	Previously reported	Adjustment	Restatement
Mineral properties	95,297,740	(34,682,146)	60,615,594
Future income tax	27,291,293	(11,730,647)	15,560,646
Capital stock	131,686,889	4,434,484	136,121,373
Contributed surplus	40,647,637	(27,139,662)	13,507,975
Cash flow used in operating activities	(449,847)	(3,749,619)	(4,199,466)
Cash flow from investing activities	11,500,563	941,136	12,441,699
Cash flow from financing activities	85,720,690	2,808,483	88,529,173

C O R P O R A T E D A T A

DIRECTORS

Victor Bradley
Patrick Downey
Peter Marrone
Patrick Mars
Philip Martin
William Murray

OFFICERS

Victor Bradley
Chairman of the Board

Patrick Downey
*President &
Chief Executive Officer*

Christina Cepeliauskas
Chief Financial Officer

Anthony George
Chief Operating Officer

Michele Jones
*Vice-President, Corporate
Affairs & Corporate Secretary*

SHARES LISTED

TSX - ORA

CAPITALIZATION

Issued: 521,335,658
Common Shares
(at November 9, 2007)

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This report contains forward-looking statements including, but not limited to, comments regarding predictions and projections. One can identify these forward-looking statements by use of words such as "expects", "plans", "anticipates", "intends" and other words of similar meaning. One can also identify them by the fact that they do not relate strictly to historical or current facts. Forward-looking statements address future events and conditions and therefore involve inherent risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Aura Minerals 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 gold, silver and copper; 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 as well as delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although Aura Minerals 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.