



# AURIZON

MINES LTD.

Shares Listed  
Toronto Stock Exchange  
Ticker Symbol: ARZ  
NYSE Amex  
Ticker Symbol: AZK  
U.S. Registration:  
(File #001-31893)

## SECOND QUARTER REPORT JUNE 30, 2009

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# Management's Discussion and Analysis of Financial Condition and Results of Operations

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Aurizon reports financial results for the second quarter of 2009, which have been prepared on the basis of available information up to August 10, 2009. Management's Discussion and Analysis should be read in conjunction with the most recent audited annual financial statements of the Company.

The second quarter was highlighted by the following activities:

- Record revenues of \$44.2 million.
- Record cash flow from operating activities of \$22.5 million, up 19% compared to same quarter of 2008.
- Earnings of \$13.6 million, or \$0.08 per share, and adjusted earnings of \$3.9 million, or \$0.02 per share.
- Gold production of 39,874 ounces, in line with plan.
- Total cash costs of US\$386 per ounce, 11% lower than same quarter of 2008.
- Equity financing in April 2009 realized net proceeds of \$47.3 million.

At June 30, 2009, Aurizon had cash balances of \$118.7 million, and working capital of \$84.1 million. Included in the cash balances is \$30.2 million which is held in restricted accounts in respect of the Casa Berardi project debt facility.

## FINANCIAL RESULTS

### Second Quarter 2009

Earnings of \$13.6 million, or \$0.08 per share, were achieved in the second quarter of 2009, compared to earnings of \$5.6 million, or \$0.04 per share, in the same period of 2008. Results were positively impacted by non-cash derivative gains of \$9.7 million on an after tax basis. After adjusting for this item, earnings for the quarter were \$3.9 million, or \$0.02 per share, compared to adjusted earnings in the second quarter of 2008 of \$1.1 million or \$0.01 per share. In 2008, operating results were positively impacted by a \$3.2 million recovery of corporate takeover defense costs and non-cash derivative gains of \$1.4 million, on an after tax basis.

Revenue from Casa Berardi operations increased to \$44.2 million in the second quarter of 2009 from the sale of 42,042 ounces of gold, compared to \$36.3 million from the sale of 41,217 ounces of gold in the same quarter of 2008, primarily as a result of a weaker Canadian dollar and higher realized gold prices. The average realized gold price was US\$897 per ounce and the average Cad/US exchange rate was 1.17, compared to realized prices of US\$869 per ounce at an average exchange rate of 1.01 in the same quarter of 2008. The 2009 average realized gold price includes the sale of 16,042 ounces of gold at an average price of US\$874 per ounce from the exercise of call options, compared to 18,717 ounces of gold sold at an average price of US\$839 per ounce from the exercise of call options in the second quarter of 2008. Actual gold production in the quarter was 39,874 ounces, compared to 36,871 ounces in the same quarter of 2008.

Operating costs in the second quarter of 2009 totalled \$19.1 million, while depletion, depreciation and accretion ("DD&A") totalled \$9.3 million. On a unit cost basis, total cash costs per ounce of gold sold were US\$386<sup>1</sup> and DD&A was US\$189 per ounce, for a total production cost of US\$575 per ounce.

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<sup>1</sup> See "Non-GAAP measures" on page 6.



AURIZON MINES LTD.  
SECOND QUARTER REPORT  
JUNE 30, 2009

-2-

In the second quarter of 2009, lower gold option volatilities, a stronger Canadian dollar, the expiry of gold call options and foreign exchange contracts, partially mitigated by rising gold prices, resulted in a non-cash gain of \$13.9 million and a decrease in the net unrealized derivative liabilities to \$12.4 million at June 30, 2009. In the same quarter of 2008, the non-cash gain was \$1.7 million. There are no margin requirements with respect to these derivative positions.

Subsequent to June 30, 2009, the Company effectively reduced its exposure to the gold call options sold by purchasing 16,614 ounces of call options expiring in 2010 with an exercise price of US\$863 per ounce. This purchase effectively reduces the Company's ounces that are subject to call options in 2010 by 25% and raises the average call price in 2010 from US\$908 per ounce to US\$923 per ounce. The cost of the purchase, totalling US\$2.4 million, will be reflected on the balance sheet as a derivative instrument asset and changes in the fair value of the call options reflected in earnings.

Administrative and general costs in the second quarter of 2009 were lower than the same period of 2008 at \$2.6 million compared to \$3.3 million resulting from lower stock based compensation charges in 2009. Excluding these non-cash stock based compensation charges, general and administrative costs were \$2.0 million in 2009 compared to \$1.8 million in the same quarter of 2008.

Exploration and pre-feasibility expenditures of \$0.7 million incurred in respect of Joanna and Kipawa were charged to operations during the second quarter of 2009, compared to \$2.9 million in the same period of 2008.

Interest costs associated with the project debt facility dropped to \$0.1 million from \$0.6 million in the second quarter of 2008 as a result of lower debt and declining interest rates.

Income and resource taxes totalled \$11.5 million, of which \$3.3 million are current Quebec mining taxes and \$8.2 million are future income taxes. The future income taxes are a result of temporary differences between the tax and accounting bases of the Company's assets and liabilities.

Foreign exchange losses totalling \$1.1 million were realized in the second quarter of 2009, compared to a loss of \$0.1 million in the same quarter of 2008. The primary cause for the higher loss in the second quarter of 2009 is the delivery of US\$9.0 million dollars into foreign exchange contracts at rates less favourable than the prevailing market rates.

Cash flow from operating activities increased 19% to \$22.5 million in the second quarter of 2009, compared to cash flow of \$19.0 million in the same period of 2008. A weaker Canadian dollar and higher realized US dollar gold prices resulted in a 19% increase in realized Canadian dollar gold prices and a wider operating profit margin in the second quarter of 2009 compared to the same period last year. In the second quarter of 2008 there was also a \$4.0 million recovery of takeover defense costs included in other income.

Capital expenditures totalled \$10.1 million in the second quarter, of which \$7.4 million was on sustaining capital and \$2.7 million was on exploration activity at Casa Berardi.

In accordance with the terms of the project debt facility, restricted cash accounts are maintained for Casa Berardi's operations. These restricted cash balances increased by \$4.0 million in the second quarter of 2009 as a result of positive cash flow from Casa Berardi operations, net of sustaining capital and the release of \$13.0 million to the Company's general account.

Aggregate investing activities resulted in cash outflows of \$14.1 million during the second quarter of 2009, compared to outflows of \$21.6 million in the same period of 2008.

A bought deal equity financing in April 2009, at \$5.15 per share, resulted in net proceeds of \$47.3 million. In addition, the exercise of incentive stock options provided a further \$0.8 million. These equity issuances, reduced by a repayment of government assistance totalling \$0.6 million, resulted in net cash inflows of \$47.5 million from financing activities during the second quarter of 2009. In the same period of 2008, financing activities resulted in a net cash inflow of \$1.1 million.



AURIZON MINES LTD.  
SECOND QUARTER REPORT  
JUNE 30, 2009

-3-

## First Half 2009

Earnings for the six months ended June 30, 2009, were \$18.6 million or \$0.12 per share, compared to earnings of \$1.9 million or \$0.01 per share in the same period of 2008. Operating results were impacted by non-cash derivative gains of \$9.3 million on an after tax basis. After adjusting for this item, earnings for the first half were \$9.3 million, or \$0.06 per share, compared to adjusted earnings in the same period of 2008 of \$5.3 million or \$0.04 per share, which included the impact of the recovery of defense costs of \$3.2 million, on an after tax basis.

Cash flow from operating activities in the first half of 2009 totalled \$42.3 million, compared to cash flow of \$34.5 million for the same period of 2008. Operating profit margin per ounce increased 15% to US\$511<sup>2</sup> per ounce for the six months ended June 30, 2009, compared to US\$444 per ounce in the same period of 2008.

Investing activities in the first half of 2009 totalled \$29.6 million, of which \$20.6 million was incurred on capital and exploration expenditures and \$9.0 million was transferred to restricted cash accounts. In the same period of 2008, investing activities totalled \$15.1 million of which \$10.4 million was incurred on capital expenditures, \$4.1 million was transferred to restricted cash accounts, and \$0.5 million was paid as a reassessment of refundable tax credits.

Financing activities during the first half of 2009 resulted in a net cash inflow of \$41.5 million due to the \$47.3 million public equity financing and \$3.0 million from the exercise of incentive stock options, reduced by a principal debt repayment of \$8.2 million on March 31, 2009 and repayment of a \$0.6 million government assistance obligation. In the same period of 2008, financing activities resulted in a net cash outflow of \$24.5 million due to a principal debt repayment of \$26.7 million, reduced by the exercise of incentive stock options totalling \$2.3 million.

## CASH RESOURCES AND LIQUIDITY

As at June 30, 2009, cash balances increased to \$118.7 million, compared to \$55.6 million at the beginning of the year. Included in these cash balances are restricted cash amounts in respect of the Casa Berardi debt facility totalling \$30.2 million, compared to \$21.2 million as at December 31, 2008.

Aurizon had working capital of \$84.1 million as at June 30, 2009, compared to \$24.1 million at the end of 2008. Reflected in working capital are the two final project debt repayments due in September 2009 and March 2010 totalling \$21.0 million and net derivative liabilities totalling \$10.0 million compared to \$13.3 million at the end of 2008.

Long-term debt related to refundable government assistance totalled \$0.7 million at June 30, 2009, compared to long-term debt of \$9.4 million at the beginning of the year, which included project debt of \$8.25 million.

## CASA BERARDI

Casa Berardi produced 39,874 ounces of gold in the second quarter of 2009, and 42,042 ounces were sold at an average price US\$897 per ounce. Since commissioning the mill in November 2006, Casa Berardi has produced 414,870 ounces of gold.

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<sup>2</sup> See "Non-GAAP measures" on page 6.



**AURIZON MINES LTD.**  
**SECOND QUARTER REPORT**  
**JUNE 30, 2009**

-4-

**Operations**

|                                     | 2009    |         |         | 2008    |         |         |         |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|
|                                     | H1      | Q2      | Q1      | Q4      | Q3      | Q2      | Q1      |
| <b>Operating results</b>            |         |         |         |         |         |         |         |
| Tonnes milled                       | 337,913 | 170,429 | 167,484 | 169,291 | 161,358 | 160,054 | 163,694 |
| Grade – grams/tonne                 | 7.88    | 7.84    | 7.93    | 7.70    | 8.58    | 7.73    | 8.63    |
| Mill recoveries - %                 | 92.0%   | 92.8%   | 91.3%   | 91.5%   | 93.3%   | 92.7%   | 92.6%   |
| Gold Production – ounces            | 78,840  | 39,874  | 38,966  | 38,363  | 41,522  | 36,871  | 42,074  |
| Gold sold – ounces                  | 79,442  | 42,042  | 37,400  | 38,348  | 40,228  | 41,217  | 39,611  |
| <b>Per ounce data – US\$</b>        |         |         |         |         |         |         |         |
| Average realized gold price         | \$893   | \$897   | \$888   | \$793   | \$845   | \$869   | \$877   |
| Total cash costs <sup>1</sup>       | \$382   | \$386   | \$379   | \$356   | \$405   | \$436   | \$422   |
| Amortization <sup>2</sup>           | 186     | 189     | 183     | 226     | 211     | 210     | 191     |
| Total production costs <sup>3</sup> | \$568   | \$575   | \$562   | \$582   | \$616   | \$646   | \$613   |

**Table footnotes:**

- <sup>1</sup> Operating costs net of by-product silver credits, divided by ounces sold, and divided by the average Bank of Canada Cad\$/US\$ rate.
- <sup>2</sup> Depreciation, depletion and accretion expenses divided by ounces sold, and divided by the average Bank of Canada Cad\$/US\$ rate.
- <sup>3</sup> Total cash costs plus depreciation, depletion and accretion expenses per ounce of gold sold.

Ore throughput in the mill during the second quarter of 2009 increased to 170,429 tonnes from 160,054 tonnes in the same period of 2008 as a stable daily production rate of 1,870 tonnes per day was achieved. An average ore grade of 7.8 grams/tonne was achieved in the second quarter of 2009, in line with plan. Mill recoveries averaged 92.8% in the second quarter of 2009. This compares to ore grades of 7.7 grams/tonne and mill recoveries of 92.7% in the second quarter of 2008.

Since March 2009, ore feed has been provided by three different zones including the 113 Zone, the NW Zone, and the newly developed Lower Inter Zone, thereby improving flexibility in the mining operations.

Total cash costs, on the basis of gold sold, were US\$386 per ounce in the second quarter of 2009, in line with plan, and compared to US\$436 per ounce in the second quarter of 2008. The weakness of the Canadian dollar in the second quarter of 2009 was the primary factor for the lower unit costs compared to those achieved in the same period of 2008. Unit mining costs in the second quarter of 2009 were \$112 per tonne, 7% higher than the same quarter of 2008 costs of \$105 per tonne, due to increased stope preparation associated with the start-up of mining the Lower Inter Zone in the quarter. Operating profit margin per ounce increased 18% to US\$511 per ounce from US\$433 per ounce in the same quarter of 2008.



## Casa Berardi Exploration

Exploration activities at Casa Berardi during the first half of 2009 have focused on the completion of an exploration drift at the 810 metre level, east of Zone 113 and south of the Casa Berardi fault. The drift provides drill access to test the depth extension of Zone 113 and to test the continuity and extension of Zones 118 to 122 and the 123-South Zone. Drilling in the vicinity of Zone 113 has confirmed the previous geological interpretation of the Zone and has extended the favourable gold trend 100 metres deeper to the 950 metre level. Nine drill rigs are currently active on site.

For the remainder of 2009, \$10.5 million will be invested at Casa Berardi for exploration activities, including \$4.2 million on underground development and infrastructure.

Underground exploration will continue from the exploration drift at the 810 metre level of the West mine, to test the depth extension of Zone 113 and the continuity and extension of Zones 118 and 123-South.

In addition, an underground and surface drill program has recently commenced to explore along the west extension of the Lower Inter Zone, along the Principal Zone and along the dip extension of the East Mine with the objective of delineating mineral resources. Nine drill rigs are currently active at Casa Berardi.

At the Casa Berardi East Mine, the Company has decided to defer mining, by open pit, the crown pillar until closer to the end of the mine life and focus on the opportunity to re-commence underground operations. The technical assessment study on mining the upper portion of the Principal Zones by open pit is in progress and is expected to be completed in the fourth quarter of 2009. The study will be completed in accordance with the Company's global development principles supporting technical, economic, environmental and social considerations.

## OTHER PROPERTIES

### Joanna Gold Property

Exploration activities in the first half of 2009 resulted in the discovery of two new mineralized trends which were identified north and south of the main Heva-Hosco gold bearing trend at Joanna. Both discoveries remain open on strike and down dip. Work also included the testing of a deep exploration target 400 to 700 metres down-plunge from the Hosco mineral resource contour. Results obtained from the program indicate the grade and thickness of the Hosco mineralization continue. No gold enrichment was encountered.

At Joanna, a pre-feasibility study is currently in progress on the Hosco block, incorporating the new measured and indicated resource estimate of approximately 1.27 million ounces, together with the results of the ongoing metallurgical tests. The pre-feasibility study will be completed in accordance with the Company's global development principles supporting technical, economic, environmental and social considerations. It is anticipated that the study will be completed in the fourth quarter, 2009.

### Kipawa Gold/Uranium Property

Exploration activity at Kipawa in the second quarter was focussed primarily on the initiation of soil sampling in areas of interest contiguous to gold showings identified in 2008, with the objective of extending the known gold structures. This work follows the analysis and interpretation of results from the surface programs performed in 2008.

## OUTLOOK

Based upon the first half results and the 2009 mine plan, Casa Berardi remains on target to produce between 150,000 to 155,000 ounces of gold. The recent strength of the Canadian dollar has resulted in a revision to the forecast total cash costs of US\$433 per ounce for the second half of the year and US\$405 per ounce for the full year, assuming a Cad\$/US\$ exchange rate of 1.10 for the second half of 2009. Previous guidance for 2009 was US\$390 per ounce assuming a Cad\$/US\$ exchange rate of 1.20.

Sustaining capital costs at Casa Berardi for the remainder of 2009 are estimated to total \$9.7 million, including \$5.0 million for the development of the upper and lower portions of the 113 Zone and of the Lower Inter Zone and \$4.6 million on property, plant and mine equipment improvements. In addition, a further \$10.5 million will be spent on exploration.



**AURIZON MINES LTD.  
SECOND QUARTER REPORT  
JUNE 30, 2009**

-6-

The Company is in a strong financial position at June 30, 2009, with cash balances of \$118.7 million and working capital of \$84.1 million. The remaining project debt of \$21 million, which is repayable in the next nine months, is reflected in working capital. The outlook for gold remains positive which should provide strong profit margins and operating cash flows from Casa Berardi, which should further strengthen Aurizon's balance sheet while continuing to fund its planned exploration and capital programs.

With the stability of operations at Casa Berardi providing significant cash flow and a strong balance sheet, the Company continues to actively pursue opportunities to enhance its growth profile.

### **International Financial Reporting Standards ("IFRS")**

Publicly listed enterprises will be required to adopt IFRS in replacement of Canadian Generally Accepted Accounting Principles on January 1, 2011. This transition will require the Company to present its March 31, 2011 financial statements under IFRS, with restated comparative information. The conversion to IFRS will impact the Company's accounting policies, information technology, and financial reporting systems which include internal controls over financial reporting, data systems, and disclosure controls and procedures. The transition may also impact certain business processes, contractual agreements, debt covenants and compensation arrangements.

The Company commissioned a third party service provider to prepare a diagnostic of the key elements of the transition to IFRS that will impact the Company's financial statements. This diagnostic has identified and ranked the key IFRS to Canadian GAAP differences applicable to Aurizon, assessed the potential impact to the financial statements, note disclosures, and exemptions available on transition. During 2009 to date, the Company has completed a detailed project plan with timelines and key milestones, and recently added an individual to lead the transition to IFRS.

The Company expects to determine specific impacts to financial reporting in the fall of 2009. This assessment shall be instrumental in determining the approach required for record keeping in 2010, the first year in which IFRS will apply as comparative information in the 2011 financial statements.

The Company's Audit Committee is overseeing the IFRS conversion project and holds Management accountable for a successful IFRS transition. The Company will continue to communicate progress of this conversion in its upcoming quarterly reports.

### **Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal controls over financial reporting during the period ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

### **Risks and Uncertainties**

There have been no changes in the Company's risks and uncertainties during the period ended June 30, 2009 from those described in the 2008 annual financial statements and 2008 Annual Information Form of the Company, filed under the Company's profile on [www.sedar.com](http://www.sedar.com).

### **NON-GAAP MEASURES**

#### **a) Calculation of Adjusted Earnings**

Adjusted earnings are calculated by removing the gains and losses, net of income tax, resulting from the mark-to-market revaluation of the Company's gold and foreign currency price protection contracts, and defense recovery costs, as detailed on the table below. Adjusted earnings do not constitute a measure recognized by generally accepted accounting principles (GAAP) in Canada or the United States, and do not have a



AURIZON MINES LTD.  
SECOND QUARTER REPORT  
JUNE 30, 2009

-7-

standardized meaning defined by GAAP. The Company discloses this measure, which is based on its financial statements, to assist in the understanding of the Company's operating results and financial position.

|  | 2nd<br>Quarter<br>2009 | 2nd<br>Quarter<br>2008 | 1st<br>Half<br>2009 | 1st<br>Half<br>2008 |
|--|------------------------|------------------------|---------------------|---------------------|
| (in thousands of Canadian dollars, except per share amounts) |                        |                        |                     |                     |
| Earnings as reported   | \$13,585               | \$5,643                | \$18,633            | \$1,867             |
| Add (deduct) the after-tax effect of:                        |                        |                        |                     |                     |
| Unrealized (gain) loss on derivative instruments             | (9,723)                | (1,352)                | (9,305)             | 6,635               |
| Recovery of defense costs                                    | -                      | (3,220)                | -                   | (3,220)             |
| Adjusted earnings  | \$3,862                | \$1,071                | \$9,328             | \$5,282             |
| Adjusted earnings per share                                  | \$0.02                 | \$0.01                 | \$0.06              | \$0.04              |

#### b) Total Cash Costs per Gold Ounce

Aurizon has included a non-GAAP performance measure of total cash costs per ounce of gold in this report. Aurizon reports total cash costs on a sales basis. In the gold mining industry, this is a common performance measure, but does not have any standardized meaning, and is a non-GAAP measure. The Company believes that, in addition to conventional measures, prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it 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. Total cash costs per gold ounce are derived from amounts included in the statements of earnings and include mine site operating costs such as mining, processing and administration, but exclude amortization, reclamation costs, financing costs and capital development costs. These costs are reduced by silver by-product sales and then divided by gold ounces sold and the average Bank of Canada Cad\$/US\$ exchange rate to arrive at the total cash operating costs per ounce.

#### c) Unit Mining Costs per Tonne

Unit mining costs per tonne is a non-GAAP measure and may not be comparable to data prepared by other gold producers. The Company believes that this generally accepted industry measure is a realistic indication of operating performance and is useful in allowing year over year comparisons. Unit mining costs per tonne is calculated by adjusting operating costs as shown in the Statements of Earnings and Comprehensive Income for inventory adjustments and then dividing by the tonnes of ore processed through the mill.

#### d) Operating Profit Margins per Ounce

Operating profit margins per ounce are a non-GAAP measure, and are calculated by subtracting the total cash costs per ounce from the average realized gold price. For the quarter ended June 30, 2009, the average realized gold price was US\$897 less total cash costs of US\$386 for a operating profit margin of US\$511 per ounce, compared to an average realized gold price of US\$869 less total cash costs of US\$436 for a operating profit margin of US\$433 per ounce for the second quarter of 2008.

#### Outstanding Share Data

As of August 10, 2009, Aurizon had 158,825,232 common shares issued and outstanding. In addition, 7,652,475 incentive stock options, representing 4.8% of outstanding share capital, are outstanding and exercisable into common shares at an average price of \$3.63 per share.



**AURIZON MINES LTD.**  
**SECOND QUARTER REPORT**  
**JUNE 30, 2009**

-8-

**Related Party Transactions and Off-balance Sheet Arrangements**

The Company has no related party transactions or off-balance sheet arrangements to report.

**Summary of Quarterly Results**

| (in thousands of Canadian dollars, except per share amounts) |                        |                        |                        |                        |                        |                        |                        |                        |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|  | 2nd<br>Quarter<br>2009 | 1st<br>Quarter<br>2009 | 4th<br>Quarter<br>2008 | 3rd<br>Quarter<br>2008 | 2nd<br>Quarter<br>2008 | 1st<br>Quarter<br>2008 | 4th<br>Quarter<br>2007 | 3rd<br>Quarter<br>2007 |
| <b>Revenue</b>   | \$44,224               | \$41,566               | \$37,517               | \$35,502               | \$36,299               | \$35,134               | \$33,333               | \$36,092               |
| <b>Operating costs</b>                                       | 19,085                 | 17,667                 | 16,590                 | 17,025                 | 18,121                 | 16,869                 | 17,470                 | 14,859                 |
| <b>Administrative and general costs</b>                      | 2,622                  | 2,794                  | 3,182                  | 1,866                  | 3,313                  | 2,569                  | 2,176                  | 1,779                  |
| <b>Exploration costs</b>                                     | 738                    | 1,232                  | 3,116                  | 3,133                  | 2,906                  | 2,272                  | 1,684                  | 1,328                  |
| <b>Unrealized derivative losses (gains)</b>                  | (13,876)               | 933                    | 5,794                  | (3,451)                | (1,680)                | 9,922                  | 10,312                 | 3,787                  |
| <b>Earnings (Loss)</b>                                       | 13,585                 | 5,048                  | (4,054)                | 7,108                  | 5,643                  | (3,776)                | (6,450)                | 2,445                  |
| <b>Earnings (Loss) per share – basic and diluted</b>         | 0.08                   | 0.03                   | (0.03)                 | 0.05                   | 0.04                   | (0.03)                 | (0.04)                 | 0.02                   |

Financial results for the last eight quarters reflect higher trending realized Canadian dollar gold prices and relatively stable production costs. Administrative and general cost fluctuations were impacted by stock based compensation charges and unrealized derivative gains and losses resulting from volatile gold and currency fluctuations.

**Common Shares**  
**(TSX – ARZ & NYSE Amex – AZK)**

|                  | June 30,<br>2009 | December 31,<br>2008 |
|------------------|------------------|----------------------|
| Issued           | 158,787,732      | 148,068,298          |
| Fully-diluted    | 166,477,707      | 156,586,548          |
| Weighted average | 153,605,599      | 147,707,642          |

Information of a scientific or technical nature was prepared under the supervision of Michel Gilbert, P. Eng., Executive Vice-President, Operations of Aurizon and a qualified person under National Instrument 43-101.



**AURIZON MINES LTD.  
SECOND QUARTER REPORT  
JUNE 30, 2009**

-9-

**Forward Looking Statements and Information**

This report contains "forward-looking statements" and "forward-looking information" within the meaning of applicable securities regulations in Canada and the United States (collectively, "forward-looking information"). The forward-looking information contained in this report is made as of the date of this report. Except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation, to update this forward-looking information. Forward-looking information includes, but is not limited to, statements with respect to anticipated rates of recovery, timing and amount of future production, anticipated total cash cost per ounce of gold to be produced at the Casa Berardi Mine, currency exchange rates, the future price of gold and the effects thereof, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and mineral resource estimates and the economic viability thereof, the timing and amount of estimated capital expenditures, costs and timing of the development of new deposits, plans and budgets for and expected timing and results of exploration activities, permitting time-lines, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation obligations and expenses, title disputes or claims, adequacy of insurance coverage, the availability of qualified labour, acquisition plans and strategies, and the payment of dividends in the future. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved.

The forward-looking information contained in this report is based on certain assumptions that the Company believes are reasonable, including the exchange rates of the U.S. and Canadian currency in 2009, that the current price of and demand for gold will be sustained or will improve, the supply of gold will remain stable, that the current mill recovery rates at the Company's Casa Berardi Mine will continue, that the Company's current mine plan can be achieved, that the general business and economic conditions will not change in a material adverse manner, that financing will be available if and when needed on reasonable terms and that the Company will not experience any material accident, labor dispute, or failure of plant or equipment.

However, forward-looking information involves 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 information. Such factors include, among others, the risk that actual results of exploration activities will be different than anticipated, that cost of labour, equipment or materials will increase more than expected, that the future price of gold will decline, that the Canadian dollar will strengthen against the U.S. dollar, that mineral reserves or mineral resources are not as estimated, that actual costs or actual results of reclamation activities are greater than expected; that changes in project parameters as plans continue to be refined may result in increased costs, of lower rates of production than expected, of unexpected variations in ore reserves, grade or recover rates, of failure of plant, equipment or processes to operate as anticipated, of accidents, labour disputes and other risks generally associated with mining, unanticipated delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors and other risks more fully described in Aurizon's Annual Information Form filed with the securities commission of all of the provinces and territories of Canada and in Aurizon's Annual Report on Form 40-F filed with the United States Securities and Exchange Commission, which are available on Sedar at [www.sedar.com](http://www.sedar.com) and on Edgar at [www.sec.gov/](http://www.sec.gov/). 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 information, there may be other factors that cause actions, events or results not be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on forward-looking information due to the inherent uncertainty thereof.

Aurizon is a gold producer with a growth strategy focused on developing its existing projects in the Abitibi region of north-western Quebec, one of the world's most prolific gold and base metal regions, and by increasing its asset base through accretive transactions. Aurizon shares trade on the Toronto Stock Exchange under the symbol "ARZ" and on the NYSE Amex under the symbol "AZK". Additional information on Aurizon and its properties is available on Aurizon's website at [www.aurizon.com](http://www.aurizon.com).

**AURIZON MINES LTD.**

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AURIZON MINES LTD.  
SECOND QUARTER REPORT  
JUNE 30, 2009  
-10-

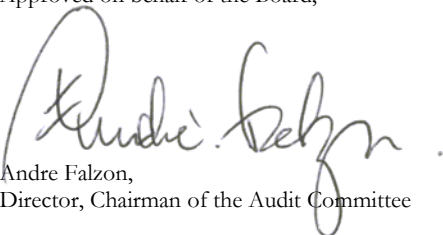
**Aurizon Mines Ltd.**  
**Balance Sheets (unaudited) - as at**


|   | June 30<br>2009 | December 31<br>2008 |
|---|-----------------|---------------------|
| <hr/>   |                 |                     |
| (in thousands of Canadian Dollars)            |                 |                     |
|   | \$              | \$                  |
| <b>ASSETS</b>                                 |                 |                     |
| CURRENT                                       |                 |                     |
| Cash and cash equivalents                     | 88,467          | 34,337              |
| Restricted cash (Note 5(b))                   | 30,207          | 21,225              |
| Accounts receivable and prepaid expenses      | 3,943           | 4,419               |
| Refundable tax credits and mining duties      | 5,301           | 5,301               |
| Derivative instrument assets (Note 6(a))      | 7               | 412                 |
| Inventories                                   | 10,505          | 10,145              |
|   | <hr/>           | <hr/>               |
|   | 138,430         | 75,839              |
| Derivative instrument assets (Note 6(a))      | 12              | 1,420               |
| Other assets (Note 3)                         | 1,896           | 1,553               |
| Property, plant & equipment                   | 56,509          | 54,761              |
| Mineral properties                            | 125,701         | 124,378             |
|   | <hr/>           | <hr/>               |
| TOTAL ASSETS                                  | 322,548         | 257,951             |
| <b>LIABILITIES</b>                            |                 |                     |
| CURRENT                                       |                 |                     |
| Accounts payable and accrued liabilities      | 19,689          | 15,067              |
| Derivative instrument liabilities (Note 6(a)) | 10,014          | 13,727              |
| Current portion of long-term debt (Note 5)    | 21,577          | 21,663              |
| Current provincial mining taxes payable       | 3,067           | 1,302               |
|   | <hr/>           | <hr/>               |
|   | 54,347          | 51,759              |
| Derivative instrument liabilities (Note 6(a)) | 2,431           | 13,474              |
| Long-term debt (Note 5)                       | 708             | 9,430               |
| Asset retirement obligations                  | 21,322          | 20,905              |
| Future income tax liabilities                 | 28,054          | 17,442              |
|   | <hr/>           | <hr/>               |
| TOTAL LIABILITIES                             | 106,862         | 113,010             |
| <b>SHAREHOLDERS' EQUITY</b>                   |                 |                     |
| Share Capital (Note 4)                        | 246,530         | 194,647             |
| Contributed Surplus                           | 872             | 872                 |
| Stock based compensation                      | 9,242           | 9,013               |
| Deficit                                       | (40,958)        | (59,591)            |
|   | <hr/>           | <hr/>               |
| TOTAL SHAREHOLDERS' EQUITY                    | 215,686         | 144,941             |
|   | <hr/>           | <hr/>               |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY    | 322,548         | 257,951             |

*The attached notes form an integral part of these financial statements.*

Subsequent event (Note 6(a))

Approved on behalf of the Board,

  
Andre Falzon,  
Director, Chairman of the Audit Committee

  
Brian Moorhouse,  
Director, Member of the Audit Committee



**AURIZON MINES LTD.  
SECOND QUARTER REPORT  
JUNE 30, 2009**

-11-

**Aurizon Mines Ltd.**

**Statements of Earnings and Comprehensive Income (unaudited)**

| (in thousands, except per share amounts, of Canadian Dollars)    | Three months ended<br>June 30 |                | Six months ended<br>June 30 |                |
|--|-------------------------------|----------------|-----------------------------|----------------|
|  | 2009                          | 2008           | 2009                        | 2008           |
|  | \$                            | \$             | \$                          | \$             |
| <b>REVENUE</b>   |                               |                |                             |                |
| Mining operations  | 44,224                        | 36,299         | 85,790                      | 71,433         |
| <b>EXPENSES</b>  |                               |                |                             |                |
| Operating  | 19,085                        | 18,120         | 36,752                      | 34,989         |
| Depreciation, depletion and accretion                            | 9,281                         | 8,661          | 17,793                      | 16,211         |
| Administrative and general                                       | 2,622                         | 3,313          | 5,415                       | 5,828          |
| Exploration costs  | 738                           | 2,906          | 1,970                       | 5,231          |
| Unrealized derivative (gains) losses (Note 6(a))                 | (13,876)                      | (1,680)        | (12,943)                    | 8,242          |
| Interest on long-term debt                                       | 131                           | 618            | 383                         | 1,765          |
| Foreign exchange loss (gain)                                     | 1,118                         | 62             | 2,814                       | (1,098)        |
| Capital taxes  | 195                           | (99)           | 398                         | 126            |
| Other income (Note 7)  | (137)                         | (4,552)        | (454)                       | (5,302)        |
|  | <b>19,157</b>                 | <b>27,349</b>  | <b>52,128</b>               | <b>65,992</b>  |
| Earnings for the period before income taxes                      | 25,067                        | 8,950          | 33,662                      | 5,441          |
| Current provincial mining taxes                                  | (3,250)                       | (497)          | (4,417)                     | (497)          |
| Future income tax expense relating to provincial mining taxes    | (729)                         | (1,181)        | (1,151)                     | (1,942)        |
| Future income tax expense  | (7,503)                       | (1,629)        | (9,461)                     | (1,135)        |
| Earnings and comprehensive income for the period                 | <b>13,585</b>                 | <b>5,643</b>   | <b>18,633</b>               | <b>1,867</b>   |
| Earnings per share - basic and diluted                           | <b>0.08</b>                   | <b>0.04</b>    | <b>0.12</b>                 | <b>0.01</b>    |
| Weighted average number of common shares outstanding (thousands) | <b>158,716</b>                | <b>147,712</b> | <b>153,606</b>              | <b>147,412</b> |

**Aurizon Mines Ltd.  
Statements of Deficit (unaudited)**

| (in thousands of Canadian Dollars)                            | Three months ended<br>June 30 |                 | Six months ended<br>June 30 |                 |
|---|-------------------------------|-----------------|-----------------------------|-----------------|
|   | 2009                          | 2008            | 2009                        | 2008            |
|   | \$                            | \$              | \$                          | \$              |
| Deficit – Beginning of period as previously reported          | (54,543)                      | (68,288)        | (59,591)                    | (69,006)        |
| Retrospective adoption of new accounting standard (Note 2(a)) | -                             | -               | -                           | 4,494           |
| Deficit – as adjusted   | (54,543)                      | (68,288)        | (59,591)                    | (64,512)        |
| Earnings for the period                                       | 13,585                        | 5,643           | 18,633                      | 1,867           |
| Deficit – end of period                                       | <b>(40,958)</b>               | <b>(62,645)</b> | <b>(40,958)</b>             | <b>(62,645)</b> |

*The attached notes form an integral part of these financial statements.*



**AURIZON MINES LTD.**  
**SECOND QUARTER REPORT**  
**JUNE 30, 2009**  
-12-

**Aurizon Mines Ltd.**  
**Statements of Cash Flow (unaudited)**

| (in thousands of Canadian Dollars)                     | Three months ended<br>June 30 |          | Six months ended<br>June 30 |          |
|--|-------------------------------|----------|-----------------------------|----------|
|  | 2009                          | 2008     | 2009                        | 2008     |
|  | \$                            | \$       | \$                          | \$       |
| <b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b> |                               |          |                             |          |
| Earnings for the period                                | 13,585                        | 5,643    | 18,633                      | 1,867    |
| Adjustments for non-cash items:                        |                               |          |                             |          |
| Depreciation, depletion, and accretion                 | 9,281                         | 8,661    | 17,793                      | 16,211   |
| Refundable tax credits                                 | (129)                         | (533)    | (343)                       | (915)    |
| Loss (gain) on sale of property, plant and equipment   | -                             | -        | 34                          | (11)     |
| Stock based compensation                               | 641                           | 1,532    | 1,565                       | 1,893    |
| Unrealized non-hedge derivative (gains) losses         | (13,876)                      | (1,680)  | (12,943)                    | 8,242    |
| Future income tax expense relating to mining duties    | 729                           | 1,181    | 1,151                       | 1,942    |
| Future income tax expense                              | 7,503                         | 1,629    | 9,461                       | 1,135    |
|  | 17,734                        | 16,433   | 35,351                      | 30,364   |
| Decrease in non-cash working capital items (Note 8)    | 4,803                         | 2,526    | 6,922                       | 4,161    |
|  | 22,537                        | 18,959   | 42,273                      | 34,525   |
| <b>CASH USED IN INVESTING ACTIVITIES</b>               |                               |          |                             |          |
| Property, plant and equipment                          | (4,198)                       | (1,740)  | (7,723)                     | (3,287)  |
| Mineral properties                                     | (5,937)                       | (4,718)  | (12,919)                    | (7,110)  |
| Restricted cash funding                                | (3,969)                       | (15,169) | (8,982)                     | (4,142)  |
| Refundable tax credits                                 | -                             | -        | -                           | (534)    |
|  | (14,104)                      | (21,627) | (29,624)                    | (15,073) |
| <b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b> |                               |          |                             |          |
| Issuance of shares, net of costs                       | 48,086                        | 1,406    | 50,348                      | 2,332    |
| Long-term debt   | (639)                         | (349)    | (8,867)                     | (26,881) |
|  | 47,447                        | 1,057    | 41,481                      | (24,549) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS       | 55,880                        | (1,611)  | 54,130                      | (5,097)  |
| CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD        | 32,587                        | 21,350   | 34,337                      | 24,836   |
| CASH AND CASH EQUIVALENTS - END OF PERIOD              | 88,467                        | 19,739   | 88,467                      | 19,739   |

*The attached notes form an integral part of these financial statements.*



AURIZON MINES LTD.  
SECOND QUARTER REPORT  
JUNE 30, 2009

-13-

## Notes to Financial Statements (unaudited)

*(all figures in Canadian dollars unless otherwise stated)*

### 1. Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a basis consistent with those outlined in the Company's audited financial statements for the year ended December 31, 2008. These notes do not include all of the information and disclosures required by Canadian generally accepted accounting principles for annual financial statements. These interim financial statements should be read in conjunction with the most recent audited annual financial statements of the Company.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

### 2. Adoption of new accounting standards

#### a) Goodwill and intangible assets, CICA section 3064

Handbook Section 3064, "Goodwill and Intangible Assets", replaces Section 3062, "Goodwill and Other Intangible Assets," and CICA Section 3450, "Research and Development Costs," and EIC-27, "Revenues and expenditures during the pre-operating period". This new standard provides guidance for the treatment of pre-production and start-up costs and requires that these costs and related revenues be reflected in earnings.

The Company elected to early-adopt Section 3064, effective January 1, 2008. The Company's Casa Berardi mine was in pre-production from the fourth quarter of 2006 until the second quarter of 2007, and accordingly, 2006 and 2007 results have been retrospectively restated, as reflected in the Statements of Deficit.

#### b) Credit risk and fair value of financial assets and financial liabilities

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

This standard is applicable to all financial assets and liabilities measured at fair value in interim and annual financial statement periods ending on or after January 20, 2009. The Company adopted EIC-173 effective January 1, 2009. The adoption of this standard did not impact the Company's financial statements.

#### c) Mining exploration costs

In March 2009, the CICA issued EIC-174, "Mining Exploration Costs", which provides guidance with respect to the accounting treatment for and impairment of exploration costs. In particular, this standard provides guidance with respect to the capitalization of exploration costs on properties that do not contain mineral reserves, and discusses the assessment of impairment on initially capitalized exploration costs. The Company adopted EIC-174 effective January 1, 2009, and the adoption of this standard had no effect on the Company's financial statements.



AURIZON MINES LTD.  
SECOND QUARTER REPORT  
JUNE 30, 2009

-14-

### 3. Other assets

|                                | June 30, 2009 | December 31, 2008 |
|--------------------------------|---------------|-------------------|
|                                | (\$000)       | (\$000)           |
| Refundable tax credits         | 343           | -                 |
| Refundable mining duties       | 862           | 862               |
| Reclamation deposits           | 391           | 391               |
| Worker's compensation premiums | 300           | 300               |
| Total other assets             | 1,896         | 1,553             |

The Company has accrued \$0.3 million expected to be received in respect of refundable tax credits relating to eligible exploration expenditures incurred in the first half of 2009.

In 2008, the Company began participating in a retrospective workers compensation premiums program in which the annual workers compensation premiums are based on the Company's overall safety records and history of incident claims. As at June 30, 2009, the Company estimates it will receive a refund of \$0.3 million in 2013 relating to the premiums paid for the year ended on December 31, 2008.

### 4. Share Capital

#### a) Authorized:

Unlimited number of common shares without par value.

Unlimited number of Preferred Shares without par value of which 8,050,000 are designated as Series "A" Convertible Preferred Shares (Issued - none) and 1,135,050 are designated as Series "B" Convertible Preferred Shares (Issued - none).

#### b) Issued and fully paid:

| Common Shares                   | Shares  | Amount  |
|---------------------------------|---------|---------|
|                                 | (000)   | (\$000) |
| Balance – December 31, 2008     | 148,068 | 194,647 |
| Mineral properties payments     | 54      | 200     |
| Exercise of stock options       | 692     | 2,262   |
| Fair value of options exercised | -       | 989     |
| Balance – March 31, 2009        | 148,814 | 198,098 |
| Bought deal financing           | 9,709   | 47,328  |
| Exercise of stock options       | 265     | 757     |
| Fair value of options exercised | -       | 347     |
| Balance – June 30, 2009         | 158,788 | 246,530 |

On April 29, 2009, the Company closed a bought deal equity financing whereby the Company issued a total of 9,708,800 common shares at a purchase price of \$5.15 per share, for gross proceeds of \$50 million. Net proceeds of the financing after underwriters' commissions and related costs totalled \$47.3 million



AURIZON MINES LTD.  
SECOND QUARTER REPORT  
JUNE 30, 2009

-15-

4. Share Capital (continued)

c) Incentive Stock Options

i) During the month of March 2009, incentive stock options were granted to an officer to purchase up to 250,000 shares at an exercise price of \$6.09 per share. The fair value of the options granted was estimated as \$2.71 per share option on the date of grant based on the Black-Scholes option-pricing model with the following weighted average assumptions:

|                         |           |
|-------------------------|-----------|
| Expected volatility     | 54.50%    |
| Risk-free interest rate | 1.72%     |
| Expected lives          | 4.2 Years |
| Dividend yield          | Nil       |

Accordingly, in the first quarter of 2009, the Company recorded a stock based compensation expense of \$0.4 million relating to the options that vested immediately. A further stock based compensation expense of \$0.3 million will be charged to operations over the one year vesting period of these options.

ii) The status of incentive stock options granted to officers, directors and employees as at June 30, 2009 and the changes during period ended on that date are presented below:

|   | Number of<br>Options<br>(000) | Weighted-average<br>exercise price |
|---|-------------------------------|------------------------------------|
| Outstanding at beginning of period              | 8,518                         | \$3.51                             |
| Granted   | 250                           | \$6.09                             |
| Exercised                                       | (692)                         | \$3.27                             |
| Outstanding – March 31, 2009                    | 8,076                         | \$3.61                             |
| Exercised                                       | (265)                         | \$2.86                             |
| Outstanding at end of period                    | 7,811                         | \$3.64                             |
| Vested and exercisable at the end of the period | 5,446                         | \$3.57                             |

d) Accumulated Other Comprehensive Income

As at June 30, 2009, the Company's accumulated other comprehensive income balance was nil.



AURIZON MINES LTD.  
SECOND QUARTER REPORT  
JUNE 30, 2009

-16-

5. Long-term Debt

|                                    | June 30, 2009 | December 31, 2008 |
|------------------------------------|---------------|-------------------|
|                                    | (\$000)       | (\$000)           |
| Casa Berardi loan facility         | 20,931        | 29,161            |
| Capital lease obligations          | 104           | 142               |
| Reimbursable government assistance | 1,250         | 1,790             |
|                                    | 22,285        | 31,093            |
| Less current portions:             |               |                   |
| Casa Berardi loan facility         | (20,931)      | (21,000)          |
| Capital lease obligations          | (79)          | (77)              |
| Reimbursable government assistance | (567)         | (586)             |
|                                    | (21,577)      | (21,663)          |
| <b>Long-term debt</b>              | <b>708</b>    | <b>9,430</b>      |

a) Casa Berardi loan facility

On February 23, 2006, the Company closed a \$75 million project loan facility, with a syndicate of banks, to be used for the construction of Casa Berardi. All of the Casa Berardi project assets are pledged as collateral for the senior debt. Initially, the loan facility had a 4.5 year term with the first principal repayment date on September 30, 2007 and the final principal repayment due on September 30, 2010. Following an amendment to the credit agreement in February 2008 (described below), the loan term was reduced to 4 years with the final principal repayment date on March 31, 2010. The Company may borrow in the form of a bankers' acceptance loan or a prime rate based loan. The loan may be repaid at any time without penalty.

The credit agreement relating to the Casa Berardi loan facility was amended on February 27, 2008, allowing the modification of certain operating performance benchmarks to be achieved at Casa Berardi. The parameters were achieved in the second quarter of 2008, thereby triggering a decrease in the interest rates from prime plus 1.25% to prime plus 0.875% on the prime rate loans, and from CDOR plus 2.25% to CDOR plus 1.875% on the bankers' acceptance loans.

As the final scheduled principal repayment is due March 31, 2010, the project debt balance of \$20.9 million is reflected as a current liability.

b) Restricted cash

As at June 30, 2009, in accordance with the terms of the \$75 million project loan facility, \$30.2 million (December 31, 2008 - \$21.2 million) was held in restricted accounts to be used to fund Casa Berardi project costs and service the project debt. The debt facility allowed for the Company to gain access to the restricted cash once it was able to achieve certain operating performance benchmarks agreed upon with the lenders. Prior to achieving these benchmarks, the restricted funds could only be used to sustain Casa Berardi mining operations and make debt repayments. In 2008, the Company achieved these benchmarks, thereby enabling the Company to withdraw funds from the restricted accounts after every scheduled principal repayment, whilst maintaining a balance equal to at least the estimated amount of principal and interest due on the next repayment date. Accordingly, \$13.0 million was released from the restricted accounts on May 6, 2009.



**AURIZON MINES LTD.**  
**SECOND QUARTER REPORT**  
**JUNE 30, 2009**

-17-

**6. Commitments**

**a) Derivative positions**

The Company's derivative positions at June 30, 2009 were as follows:

|  | 2009     | 2010     | Total    |
|--|----------|----------|----------|
| <b>Gold</b>                            |          |          |          |
| US\$500 put options purchased - ounces | 46,209   | 65,814   | 112,023  |
| Call options sold - ounces             | 46,209   | 65,814   | 112,023  |
| Average call price per ounce           | US\$891  | US\$908  | US\$901  |
| <b>Canadian – U.S. dollars</b>         |          |          |          |
| Forward sales contracts – '000 Cad\$   | \$16,776 | \$18,600 | \$35,376 |
| Average exchange rate – Cad\$/US\$     | 1.11     | 1.11     | 1.11     |

As at June 30, 2009, the net unrealized mark-to-market loss of the gold derivative positions totalled \$10.8 million and the currency derivative position had a net unrealized mark-to-market loss of \$1.6 million, for a net unrealized derivative loss of \$12.4 million. The spot gold price and Cad\$/US\$ exchange rate were US\$934.50 and 1.16 respectively as at June 30, 2009.

Subsequent to June 30, 2009, the Company effectively reduced its exposure to the gold call options sold by purchasing 16,614 ounces of call options that expire in 2010 and having an exercise price of US\$863 per ounce. The cost of the purchase, totalling US\$2.4 million, will be reflected on the balance sheet as a derivative instrument asset and changes in the fair value of the call options reflected in earnings.

The current and non-current portions of the net losses as at June 30, 2009, are reflected in the balance sheet as follows:

|                                     | ASSETS           |                          | LIABILITIES       |                           | <b>Total<br/>Gains<br/>(Losses)</b> |
|-------------------------------------|------------------|--------------------------|-------------------|---------------------------|-------------------------------------|
|                                     | Current<br>Gains | Non-<br>Current<br>Gains | Current<br>Losses | Non-<br>Current<br>Losses |                                     |
|                                     | (\$000)          | (\$000)                  | (\$000)           | (\$000)                   | (\$000)                             |
| Gold put options                    | 7                | 12                       | -                 | -                         | <b>19</b>                           |
| Gold call options                   | -                | -                        | (8,800)           | (2,029)                   | <b>(10,829)</b>                     |
| Currency contracts                  | -                | -                        | (1,214)           | (402)                     | <b>(1,616)</b>                      |
| <b>Totals - as at June 30, 2009</b> | <b>7</b>         | <b>12</b>                | <b>(10,014)</b>   | <b>(2,431)</b>            | <b>(12,426)</b>                     |

Year-to-date net gains of \$12.9 million have been charged to operations. There are no margin requirements with respect to these derivative positions.

During the three months ended June 30, 2009, 18,442 ounces of gold put options and 2,400 ounces of gold call options respectively expired, while 16,042 gold call options were exercised at an average price of US\$874 per ounce. In addition, \$9.9 million of currency forward contracts matured at an average Cdn/US exchange rate of 1.10.



AURIZON MINES LTD.  
SECOND QUARTER REPORT  
JUNE 30, 2009

-18-

6. Commitments (continued)

During the first half of the year, a total of 38,633 ounces of gold put options and 2,400 ounces of gold call options respectively expired, while 36,233 ounces of gold call options were exercised at an average price of US\$871. In addition, \$23.0 million of currency forward contracts matured during the first half of the year at an average Cdn/US exchange rate of 1.10

b) Contractual obligations

As at June 30, 2009, the Company has not incurred any significant commitments other than those disclosed in the Company's 2008 annual financial report.

7. Other income

| (in thousands of Canadian Dollars)                   | Three months ended<br>June 30 |       | Six months ended<br>June 30 |       |
|--|-------------------------------|-------|-----------------------------|-------|
|  | 2009                          | 2008  | 2009                        | 2008  |
|  | \$                            | \$    | \$                          | \$    |
| Recovery of takeover defense costs                   | -                             | 4,000 |                             | 4,000 |
| Royalty income                                       | 66                            | 150   | 139                         | 306   |
| Interest income                                      | 71                            | 402   | 349                         | 985   |
| Gain (loss) on sale of property, plant and equipment | -                             | -     | (34)                        | 11    |
| Other income   | 137                           | 4,552 | 454                         | 5,302 |

8. Cash flow information

Analysis of change in non-cash working capital items:

| (in thousands of Canadian Dollars)                    | Three months ended<br>June 30 |       | Six months ended<br>June 30 |       |
|---|-------------------------------|-------|-----------------------------|-------|
|   | 2009                          | 2008  | 2009                        | 2008  |
|   | \$                            | \$    | \$                          | \$    |
| Accounts receivable and prepaid expenses              | (1,217)                       | 345   | 476                         | 790   |
| Gold inventory  | (54)                          | 1,239 | (434)                       | 80    |
| Supplies inventory                                    | (91)                          | (700) | (437)                       | (712) |
| Non-refundable taxes                                  | 191                           | (100) | 931                         | 126   |
| Current provincial mining taxes payable               | 1,900                         | 497   | 1,765                       | 497   |
| Accounts payable and accrued liabilities              | 4,072                         | 1,245 | 4,621                       | 3,380 |
| (Increase) Decrease in non-cash working capital items | 4,803                         | 2,526 | 6,922                       | 4,161 |