Aura Minerals Inc.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013

(Unaudited)

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Loss

For the three and six months ended June 30, 2013 and 2012

Expressed in thousands of United States dollars

(Unaudited)

	Note	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Revenue	15	**$ 81,256**	$ 72,594	**$ 169,841**	$ 148,190
Cost of goods sold	16	**95,745**	80,873	**191,525**	167,001
Gross margin		**(14,489)**	(8,279)	**(21,684)**	(18,811)
General and administrative expenses	17	**4,325**	3,892	**7,791**	10,160
Exploration expenses	18	**687**	1,298	**1,363**	5,163
Impairment charge - Brazilian Mines	3	**16,021**	–	**16,021**	–
Impairment charge - San Andres Mine	4	**40,172**	–	**40,172**	–
Operating loss		**(75,694)**	(13,469)	**(87,031)**	(34,134)
Finance costs	19	**(1,948)**	(1,056)	**(3,612)**	(1,928)
Interest and other income		**54**	27	**74**	8
Other gains	20	**10,654**	1,564	**12,471**	6,477
Loss before income taxes		**(66,934)**	(12,934)	**(78,098)**	(29,577)
Income tax recovery (expense)		**16,856**	1,427	**17,082**	(613)
Loss for the period		**$ (50,078)**	$ (11,507)	**$ (61,016)**	$ (30,190)
Loss per share:					
Basic and diluted		**$ (0.22)**	$ (0.05)	**$ (0.27)**	$ (0.13)
Weighted average number of common shares outstanding:					
Basic and diluted		**228,358,334**	228,160,714	**228,358,334**	228,121,038

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three and six months ended June 30, 2013 and 2012

Expressed in thousands of United States dollars

(Unaudited)

	Note		For the three months ended June 30, 2013		For the three months ended June 30, 2012		For the six months ended June 30, 2013		For the six months ended June 30, 2012
Loss for the period		**$**	**(50,078)**	$	(11,507)	**$**	**(61,016)**	$	(30,190)
Other comprehensive loss									
Items that may be reclassified to profit									
Loss on foreign exchange translation of subsidiaries			**(836)**		(414)		**(528)**		(316)
Change in the fair value of cash flow hedges, net of tax			**–**		(243)		**–**		(514)
Other comprehensive loss, net of tax			**(836)**		(657)		**(528)**		(830)
Total comprehensive loss		**$**	**(50,914)**	$	(12,164)	**$**	**(61,544)**	$	(31,020)

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the three and six months ended June 30, 2013 and 2012

Expressed in thousands of United States dollars

(Unaudited)

	Note	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Cash flows from operating activities					
Loss for the period		**$ (50,078)**	$ (11,507)	**$ (61,016)**	$ (30,190)
Items not affecting cash	21 (a)	**78,219**	15,471	**101,046**	40,446
Changes in non-cash working capital	21 (b)	**(14,793)**	3,993	**(26,416)**	3,260
Other assets		**6,876**	42	**8,454**	(8,291)
Net cash generated by operating activities		**20,224**	7,999	**22,068**	5,225
Cash flows from investing activities					
Purchase of property, plant and equipment		**(14,907)**	(5,171)	**(36,543)**	(10,622)
Increase in restricted cash		**(4,320)**	–	**(4,320)**	–
Net cash used in investing activities		**(19,227)**	(5,171)	**(40,863)**	(10,622)
Cash flows from financing activities					
Draw down of short-term debt		**14,320**	–	**27,543**	–
Repayment of short-term debt		**(1,000)**	–	**(1,000)**	–
Draw down of credit facility, net of transaction costs		**–**	4,397	**12,000**	4,397
Repayment of credit facility		**(12,307)**	–	**(12,307)**	–
Interest paid on debt		**(531)**	(222)	**(1,022)**	(387)
Finance lease payments		**(880)**	(90)	**(1,661)**	(90)
Repayment of other provisions		**(361)**	–	**(361)**	–
Repayment of other liabilities		**(248)**	–	**(248)**	–
Proceeds on exercise of options		**–**	–	**–**	78
Net cash (used in) generated by financing activities		**(1,007)**	4,085	**22,944**	3,998
(Decrease) increase in cash and cash equivalents		**(10)**	6,913	**4,149**	(1,399)
Effect of exchange rate changes on cash and cash equivalents		**(148)**	336	**84**	137
Cash and cash equivalents, beginning of the period		**13,708**	13,945	**9,317**	22,456
Cash and cash equivalents, end of the period		**$ 13,550**	$ 21,194	**$ 13,550**	$ 21,194

Supplementary cash flow information (note 21 (c))

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2013 and December 31, 2012

Expressed in thousands of United States dollars

(Unaudited)

	Note	June 30, 2013	December 31, 2012
ASSETS			
Current			
Cash and cash equivalents		**$ 13,550**	$ 9,317
Restricted cash	5	**4,320**	–
Trade and other receivables	6	**14,891**	11,769
Inventory	7	**68,370**	76,514
Other current assets	8	**9,532**	10,543
		110,663	108,143
Other long-term assets	9	**10,536**	19,320
Property, plant and equipment	10	**228,929**	289,460
Deferred income tax asset		**6,309**	–
Intangible assets		**8,760**	8,760
		$ 365,197	$ 425,683
LIABILITIES			
Current			
Trade and other payables	11	**$ 35,576**	$ 48,371
Derivative financial liabilities	22 (b)	**–**	182
Current portion of debt	12	**57,031**	1,828
Current portion of provision for mine closure and restoration		**1,593**	1,593
Current portion of other liabilities	13	**3,496**	–
		97,696	51,974
Debt	12	**1,140**	30,406
Deferred income tax liabilities		**6,042**	18,277
Provision for mine closure and restoration		**19,375**	18,623
Other provisions		**9,248**	9,772
Other liabilities	13	**9,105**	13,398
		142,606	142,450
SHAREHOLDERS' EQUITY			
Share capital	14	**537,449**	537,449
Contributed surplus		**53,269**	52,367
Accumulated other comprehensive income		**1,750**	2,278
Deficit		**(369,877)**	(308,861)
		222,591	283,233
		$ 365,197	$ 425,683

Nature of operations and going concern (note 1) Contingencies and commitments (note 25)

Approved on behalf of the Board of Directors:

"Elizabeth Martin" *"James M. Bannantine"*

Elizabeth Martin, Director **James M. Bannantine, Director**

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended June 30, 2013 and 2012

Expressed in thousands of United States dollars

(Unaudited)

	Note	Number of common shares		Share capital		Contributed surplus		Accumulated other comprehensive income		Deficit		Total equity
At December 31, 2012		**228,358,334**	**$**	**537,449**	**$**	**52,367**	**$**	**2,278**	**$**	**(308,861)**	**$**	**283,233**
Loss for the period		–		–		–		–		(61,016)		(61,016)
Loss on translation of subsidiaries		–		–		–		(528)		–		(528)
Share-based payments		–		–		902		–		–		902
At June 30, 2013		**228,358,334**	**$**	**537,449**	**$**	**53,269**	**$**	**1,750**	**$**	**(369,877)**	**$**	**222,591**

	Note	Number of common shares		Share capital		Contributed surplus		Accumulated other comprehensive income		Deficit		Total equity
At December 31, 2011		**228,042,533**	**$**	**536,965**	**$**	**49,194**	**$**	**3,450**	**$**	**(252,052)**	**$**	**337,557**
Loss for the period		–		–		–		–		(30,190)		(30,190)
Loss on translation of subsidiaries		–		–		–		(316)		–		(316)
Change in fair value of cash flow hedges, net of tax		–		–		–		(514)		–		(514)
Shares issued on exercise of options		100,000		135		(57)		–		–		78
Shares issued on exercise of restricted stock units		19,389		52		(52)		–		–		–
Share-based payments		–		–		2,729		–		–		2,729
At June 30, 2012		**228,161,922**	**$**	**537,152**	**$**	**51,814**	**$**	**2,620**	**$**	**(282,242)**	**$**	**309,344**

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

1 NATURE OF OPERATIONS AND GOING CONCERN

Aura Minerals Inc. ("Aura Minerals" or the "Company") is a mining company focused on the exploration, development and operation of mining properties in the Americas. The Company's significant mining operations and projects are:

- a 100% interest in the San Andres gold mine in Honduras (the "San Andres Mine");
- a 100% interest in the Aranzazu mine in Mexico (the "Aranzazu Mine"), which produces a copper-gold-silver concentrate via flotation;
- a 100% interest in the Sao Vicente and Sao Francisco gold mines in Brazil (collectively, the "Brazilian Mines"); and
- a 100% interest in the development-stage copper, gold and iron ore Serrote de Laje project in Brazil (the "Serrote Project").

Aura Minerals is a public company with shares listed on the Toronto Stock Exchange. The Company is incorporated under the federal laws of Canada, and its head office and registered address is 155 University Avenue, Suite 1240, Toronto, Ontario, Canada, M5H 3B7.

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has experienced recurring operating losses and has a deficit of $369,877,000 at June 30, 2013. For the three and six months ended June 30, 2013, the Company incurred a loss of $50,078,000 and $61,016,000, respectively. Based on the Company's current cash flow forecasts, which reflect the current gold prices, the Company presently does not have sufficient funds or working capital to make the required debt repayments over the next twelve months (see Note 12) and to fund all of its planned expansion activities without obtaining refinancing or additional financing.

These factors raise significant doubt about the Company's ability to continue as a going concern. The Company's continued operations are dependent upon its ability to refinance its current funding or raise additional funding to meet its obligations and attain profitable operations. Although management is confident that the Company will be able to refinance its current funding or secure additional financing, there are no assurances that the Company will be successful. These condensed interim consolidated financial statements do not include the adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Those adjustments may be material.

2 BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements of Aura Minerals for the three and six months ended June 30, 2013 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *"Interim Financial Reporting."*

These unaudited condensed interim consolidated financial statements follow the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended December 31, 2012, except for those policies which have changed as a result of the adoption of new and amended IFRS pronouncements effective January 1, 2013 as described in Note 27. These unaudited condensed interim consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2012.

These financial statements were approved for issue by the board of directors effective August 14, 2013.

3 IMPAIRMENT OF BRAZILIAN MINES

At December 31, 2012, the Company recorded an impairment charge relating to its Sao Francisco mine and an impairment reversal in relation to its Sao Vicente mine. These impairment models are highly sensitive to changes in the gold price.

During the three months ended June 30, 2013, the consensus gold price declined significantly to below the gold price assumptions for 2013 and 2014 used in the most recent annual impairment tests. This is considered an impairment indicator.

The Company conducted an impairment analysis whereby the carrying values of the property, plant and equipment, including mineral properties, of the Sao Francisco and Sao Vicente Mines were compared to the Brazilian Mines' fair values using the value-in-use methodology. The estimated future cash flows utilized in the value-in-use cash flow models incorporated the Company's best estimates of future gold production based on the new mine plans developed, consensus gold prices, estimates of operating costs and residual values and fluctuations in the exchange rates between the United States dollar and the Brazilian real. The Company discounted these cash flows using a 12% discount rate, which was based on the Company's tax effected weighted average cost of capital, in order to obtain the estimated fair values of the Brazilian Mines. The Company's estimate of future cash flows is subject to risks and uncertainties and therefore could change in the future if the underlying assumptions change. Such change could be material.

The Company's analysis concluded that the long-lived assets of the Sao Francisco Mine were impaired and, as a result, the Company recorded an impairment charge of $16,021,000 on the property, plant and equipment in the three and six months ended June 30, 2013, which resulted in a reduction in the value of mineral properties of $4,725,000 and a reduction in the value of plant and machinery of $11,296,000. The Company concluded that no further impairment was required for the long-lived assets of the Sao Vicente Mine.

Expressed in United States dollars, except where otherwise noted.
Tables are expressed in thousands of United States dollar, except where otherwise noted.

4 IMPAIRMENT OF SAN ANDRES MINE

During the three months ended June 30, 2013, the consensus gold price declined significantly to below the overall gold price assumptions used in the Company's life-of-mine forecast for the San Andres Mine. This is considered an impairment indicator.

The Company conducted an impairment analysis whereby the carrying values of the property, plant and equipment, including mineral properties, of the San Andres Mine were compared to the mine's fair values using the value-in-use methodology. The estimated future cash flows utilized in the value-in-use cash flow models incorporated the Company's best estimates of future gold production based on the new mine plans developed, consensus gold prices, estimates of operating costs and residual values and fluctuations in the exchange rates between the United States dollar and the Brazilian real. The Company discounted these cash flows using a 12% discount rate, which was based on the Company's tax effected weighted average cost of capital, in order to obtain the estimated fair value of the San Andres Mine. The Company's estimate of future cash flows is subject to risks and uncertainties and therefore could change in the future if the underlying assumptions change. Such change could be material.

The Company's analysis concluded that the long-lived assets of the San Andres Mine were impaired and, as a result, the Company recorded an impairment charge of $40,172,000 on the property, plant and equipment in the three months ended June 30, 2013, which resulted in a reduction in the value of mineral properties of $30,345,000 and a reduction in the value of plant and machinery of $9,827,000.

5 RESTRICTED CASH

Restricted cash consists of cash on deposit at the Company's wholly-owned subsidiary Mineração Vale Verde Ltda. The restricted cash is from the short-term debt and can only be used to fund expenditures on the Serrote Project. The restricted cash is classified as current as the Company expects to utilize these funds within the next twelve months.

6 TRADE AND OTHER RECEIVABLES

		June 30, 2013		December 31, 2012
Trade accounts receivable	**$**	**3,574**	$	2,639
Value added taxes receivable		**17,667**		23,561
Income taxes receivable		**–**		1,311
Other receivables		**1,543**		94
Total trade and other receivables		**22,784**		27,605
Less: non-current portion of value added taxes receivable (note 9)		**(7,893)**		(15,836)
Trade and other receivables recorded as current assets	**$**	**14,891**	$	11,769

Due to their short-term maturities, the fair value of trade and other receivables approximates their carrying value. As of June 30, 2013 and December 31, 2012, none of the Company's trade and other receivables were impaired.

Expressed in United States dollars, except where otherwise noted.
Tables are expressed in thousands of United States dollar, except where otherwise noted.

7 INVENTORY

	June 30, 2013	December 31, 2012
Finished product inventory	**$ 16,231**	$ 15,379
Work in process	**22,548**	31,228
Parts and supplies	**30,125**	30,740
Total inventory	**68,904**	77,347
Less: non-current portion of ore in stockpiles (note 9)	**(534)**	(833)
Inventory recorded as a current asset	**$ 68,370**	$ 76,514

Inventory write-downs during the three and six months ended June 30, 2013 totalled $17,048,000 and $21,266,000 (2012: $5,630,000 and $19,970,000), respectively to bring finished product and work in process inventories to their net realizable values. The depreciation portion of the inventory write-down during the three and six months ended June 30, 2013 totalled $11,583,000 and $14,315,000 (2012: $1,328,000 and $4,474,000), respectively. Inventory write-downs are included in the statement of loss within cost of goods sold.

The non-current portion represents ore in stockpiles which the Company does not anticipate processing within the next year.

8 OTHER CURRENT ASSETS

	June 30, 2013	December 31, 2012
Prepaid expenses, advances and deposits	**$ 9,532**	$ 8,644
Current portion of derivative assets (note 22 (c) (d))	**–**	1,899
	$ 9,532	$ 10,543

9 OTHER LONG-TERM ASSETS

	June 30, 2013	December 31, 2012
Long-term receivables and deposits	**$ 2,109**	$ 2,160
Value added taxes receivable (note 6)	**7,893**	15,836
Ore in stockpiles (note 7)	**534**	833
Derivative assets (note 22 (d))	**–**	491
	$ 10,536	$ 19,320

Expressed in United States dollars, except where otherwise noted.
Tables are expressed in thousands of United States dollar, except where otherwise noted.

10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment for the six months ended June 30, 2013 is as follows:

	Mineral properties	Land and buildings	Furniture, fixtures and equipment	Plant and machinery	Assets under construction	Total
Net book value at January 1, 2013	**$ 179,047**	**$ 37,099**	**$ 4,353**	**$ 63,259**	**$ 5,702**	**$ 289,460**
Additions	15,581	15,542	481	3,548	5,870	**41,022**
Reclassifications and adjustments	58	462	1,050	207	(2,011)	**(234)**
Disposals	–	–	(48)	–	–	**(48)**
Depletion and amortization	(24,389)	(4,983)	(1,274)	(11,948)	–	**(42,594)**
Impairment charges	(35,072)	(6,613)	–	(14,508)	–	**(56,193)**
Adjustment on currency translation	(565)	(1,875)	(44)	–	–	**(2,484)**
Net book value at June 30, 2013	**$ 134,660**	**$ 39,632**	**$ 4,518**	**$ 40,558**	**$ 9,561**	**$ 228,929**
Consisting of:						
Cost	218,826	67,592	13,161	113,417	9,561	**422,557**
Accumulated depletion and amortization	(84,166)	(27,960)	(8,643)	(72,859)	–	**(193,628)**
	$ 134,660	**$ 39,632**	**$ 4,518**	**$ 40,558**	**$ 9,561**	**$ 228,929**

The above table includes Serrote development costs of $28,191,000 and consists of land and buildings of $21,378,000, mineral properties of $6,395,000 and furniture, fixtures and equipment of $418,000 at net book value.

Expressed in United States dollars, except where otherwise noted.
Tables are expressed in thousands of United States dollar, except where otherwise noted.

10 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Property, plant and equipment for the year ended December 31, 2012 is as follows:

	Mineral properties	Land and buildings	Furniture, fixtures and equipment	Plant and machinery	Assets under construction	Total
Net book value at January 1, 2012	**$ 191,359**	**$ 43,169**	**$ 6,750**	**$ 75,774**	**$ 2,432**	**$ 319,484**
Additions	8,649	3,493	691	11,182	4,752	**28,767**
Change in provision for mine closure and restoration	179	–	–	–	–	**179**
Reclassifications and adjustments	132	1,137	–	111	(1,482)	**(102)**
Disposals	–	–	(184)	(2,065)	–	**(2,249)**
Capitalized stripping costs	5,505	–	–	–	–	**5,505**
Depletion and amortization	(24,949)	(10,261)	(2,855)	(23,571)	–	**(61,636)**
Impairment charges	(3,082)	–	–	(3,154)	–	**(6,236)**
Impairment reversal	1,254	–	–	4,982	–	**6,236**
Adjustment on currency translation	–	(439)	(49)	–	–	**(488)**
Net book value at December 31, 2012	**$ 179,047**	**$ 37,099**	**$ 4,353**	**$ 63,259**	**$ 5,702**	**$ 289,460**
Consisting of:						
Cost	238,824	60,076	11,722	124,170	5,702	**440,494**
Accumulated depletion and amortization	(59,777)	(22,977)	(7,369)	(60,911)	–	**(151,034)**
	$ 179,047	**$ 37,099**	**$ 4,353**	**$ 63,259**	**$ 5,702**	**$ 289,460**

For the three and six months ended June 30, 2013, depletion and amortization expense of $18,549,000 and $37,949,000 (2012: $14,449,000 and $27,203,000), respectively, has been charged to cost of goods sold on the statement of loss, and $124,000 and $267,000 (2012: $228,000 and $471,000), respectively, has been charged to general and administrative expenses.

11 TRADE AND OTHER PAYABLES

	June 30, 2013	December 31, 2012
Trade accounts payable	**$ 19,247**	$ 25,536
Income taxes payable	**828**	706
Accrued liabilities	**5,833**	7,039
Other payables	**9,459**	10,954
Deferred revenue	**209**	4,136
	$ 35,576	$ 48,371

Expressed in United States dollars, except where otherwise noted.
Tables are expressed in thousands of United States dollar, except where otherwise noted.

12 DEBT

		June 30, 2013		December 31, 2012
Current				
Short-term loans (a) (b)	**$**	**24,694**	$	-
Finance leases		**3,204**		1,828
Credit facility		**29,133**		-
		57,031		1,828
Long-term				
Credit facility		**-**		29,160
Finance leases		**1,140**		1,246
		1,140		30,406
	$	**58,171**	$	32,234

Short-term loans

During the six months ended June 30, 2013, the Company entered into two short-term financings as described below.

a) $5 million short-term promissory note

On March 15, 2013, the Company's wholly-owned subsidiary, Minerales de Occidente, S.A. de C.V. obtained a promissory note in the amount of $5 million to fund capital expenditures. During the six months ended June 30, 2013, $5 million was drawn and $1 million was repaid resulting in an outstanding balance of $4 million at June 30, 2013. The loan bears an interest rate of 9.25% p.a.

b) Serrote Project Bridge financing

During the six months ended June 30, 2013, the Company's wholly-owned subsidiary Mineração Vale Verde Ltda. received funds in the amount of R$45 million or approximately $20 million (the "Bridge Loan") from Banco Itaú BBA S.A. ("Itaú"). The loan bears an interest rate of the Interbank Deposit Rate + 4% p.a. and is due December 2, 2013. The funds may only be used for expenditures relating to the Serrote Project (note 5).

Expressed in United States dollars, except where otherwise noted.
Tables are expressed in thousands of United States dollar, except where otherwise noted.

12 DEBT *(continued)*

Credit facility

		June 30, 2013		December 31, 2012
Balance, beginning of period	**$**	**29,160**	$	19,332
Credit facility drawn down in the period, net of transaction costs		**12,000**		9,318
Credit facility repayments in the period		**(12,307)**		–
Amortization of deferred transaction costs		**280**		510
Balance, end of period		**29,133**		29,160
Less: current portion included in current liabilities		**(29,133)**		–
	$	**–**	$	29,160

On February 7, 2013, the Company drew $12 million from the Credit Facility.

During the three months ended June 30, 2013, the Company made repayments of $12.3 million.

The Credit Facility balance of $29.7 million is due June 30, 2014. No additional amounts may be drawn.

Pursuant to the terms of the Credit Facility, the Company is required to maintain a total debt/EBITDA ratio of not more than one to one for each reporting period and at the date of any additional draw. As at June 30, 2013, the Company was in compliance with its financial covenant. However, certain defaults and events of default have occurred and are continuing under the Credit Facility. The Company obtained a forbearance which expires July 31, 2013. The Company is currently in negotiations with the lenders to obtain a waiver or an extension to the forbearance. If a waiver or a forbearance is not obtained, the credit facility, in the amount of $29.7 million, will be repayable on demand. See Note 1 – Nature of operations and going concern.

Finance leases

		June 30, 2013		December 31, 2012
Balance, beginning of period	**$**	**3,074**	$	–
Finance leases entered into during the period		**2,930**		3,656
Finance lease payments made during the period		**(1,661)**		(582)
Balance, end of period		**4,344**		3,074
Less: current portion included in current liabilities		**(3,204)**		(1,828)
	$	**1,140**	$	1,246

Expressed in United States dollars, except where otherwise noted.
Tables are expressed in thousands of United States dollar, except where otherwise noted.

13 OTHER LIABILITIES

		Net Smelter Return Royalty payable
As of December 31, 2011	$	12,500
Accretion expense		620
Change in estimate		278
As of December 31, 2012	$	13,398
Accretion expense		328
Royalty payment		(248)
Change in estimate		(877)
As of June 30, 2013	**$**	**12,601**
Less: current portion included in current liabilities		**(3,496)**
	$	**9,105**

14 SHARE CAPITAL

a) Authorized – Unlimited number of common shares

b) Stock options

A continuity of the Company's stock options issued and outstanding are as follows:

	Number of options		Weighted average exercise price C$
Balance, December 31, 2011	15,153,681	$	3.49
Granted	4,573,721		1.28
Exercised	(100,000)		0.78
Forfeited	(4,473,084)		4.24
Balance, December 31, 2012	15,154,318	$	2.62
Granted	6,490,500		0.30
Forfeited	(3,347,895)		3.91
Balance, June 30, 2013	**18,296,923**	**$**	**1.56**

Expressed in United States dollars, except where otherwise noted.
Tables are expressed in thousands of United States dollar, except where otherwise noted.

14 SHARE CAPITAL *(continued)*

c) Share-based payment expense

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. Share-based payment expense recognized in general and administrative expense in the statement of loss for the three and six months ended June 30, 2013 totalled $373,000 and $902,000 (2012: $703,000 and $2,729,000), respectively.

There were no stock options granted during the three months ended June 30, 2013. The fair value of stock options granted during the three months ended June 30, 2012 was estimated using the Black-Scholes option pricing model with the following assumptions:

	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Expected volatility	**76%**	80%
Risk-free interest rate	**1.25%**	1.20%
Weighted average share price for options granted	**$ 0.30**	$ 1.20
Expected life (years)	**3.3**	3.2
Expected forfeiture rate	**10%**	18%
Expected dividend yield	**0%**	0%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility to estimate the volatility of the share price, and uses historical forfeiture rates to estimate the effect of forfeitures. Changes in the subjective input assumptions can materially affect the fair value estimated.

15 REVENUES BY NATURE

	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Gold sales	**$ 73,021**	$ 63,782	**$ 151,561**	$ 125,400
Copper concentrate sales	**8,235**	8,812	**18,280**	22,790
	$ 81,256	$ 72,594	**$ 169,841**	$ 148,190

Expressed in United States dollars, except where otherwise noted.
Tables are expressed in thousands of United States dollar, except where otherwise noted.

16 COST OF GOODS SOLD BY NATURE

	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Direct operating costs	**$ 77,196**	$ 65,360	**$ 153,576**	$ 139,113
Gains on cash flow hedges	**–**	1,064	**–**	685
Depletion and amortization (note 10)	**18,549**	14,449	**37,949**	27,203
	$ 95,745	$ 80,873	**$ 191,525**	$ 167,001

17 GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Salaries, wages and benefits	**$ 2,456**	$ 1,740	**$ 4,157**	$ 4,180
Share-based payment expense (note 14 (c))	**373**	703	**902**	2,729
Professional and consulting fees	**556**	392	**1,170**	840
Travel expenses	**82**	137	**204**	268
Directors' fees	**89**	91	**187**	197
Amortization (note 10)	**124**	228	**267**	471
Other	**645**	601	**904**	1,475
	$ 4,325	$ 3,892	**$ 7,791**	$ 10,160

18 EXPLORATION EXPENSES

	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Serrote Project	**$ 122**	$ 537	**$ 122**	$ 3,318
Aranzazu Mine	**12**	389	**12**	1,001
Sao Vicente Mine	**224**	298	**264**	653
San Andres Mine	**306**	28	**834**	76
Non-core projects	**23**	46	**131**	115
	$ 687	$ 1,298	**$ 1,363**	$ 5,163

Expressed in United States dollars, except where otherwise noted.
Tables are expressed in thousands of United States dollar, except where otherwise noted.

19 FINANCE COSTS

	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Accretion	**$ 1,229**	$ 296	**$ 2,118**	$ 469
Interest expense on debt	**531**	594	**1,022**	1,193
Other interest and finance costs	**188**	166	**472**	266
	$ 1,948	$ 1,056	**$ 3,612**	$ 1,928

20 OTHER GAINS AND LOSSES

	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Foreign exchange loss	**$ (910)**	$ (1,107)	**$ (1,126)**	$ (838)
Unrealized (loss) gain on copper collar contracts (note 22 (c))	**(43)**	264	**(126)**	(1,109)
Unrealized (loss) gain on gold collar contracts (note 22 (d))	**(2,352)**	3,642	**(781)**	8,274
Realized gain on gold collar contracts	**13,487**	683	**13,963**	683
Unrealized gain (loss) on foreign currency contracts (note 22 (b))	**8**	(375)	**182**	1,742
Realized gain (loss) on foreign currency contracts	**–**	(1,180)	**4**	(1,860)
Gain on change in estimate of net smelter royalty payable (note 13)	**877**	–	**877**	–
Other items	**(413)**	(363)	**(522)**	(415)
	$ 10,654	$ 1,564	**$ 12,471**	$ 6,477

Expressed in United States dollars, except where otherwise noted.
Tables are expressed in thousands of United States dollar, except where otherwise noted.

21 CASH FLOW INFORMATION

a) Items not affecting cash

	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Depletion and amortization	**$ 18,674**	$ 14,677	**$ 38,216**	$ 27,674
Accretion	**1,229**	594	**2,118**	1,193
Impairment charge - Brazilian Mines	**16,021**	–	**16,021**	–
Impairment charge - San Andres Mine	**40,172**	–	**40,172**	–
Deferred tax recovery	**(17,341)**	(2,915)	**(18,600)**	(2,228)
Write-down of inventory to net realizable value	**17,048**	5,630	**21,266**	19,970
Unrealized foreign exchange gains	**(187)**	(79)	**(247)**	(8)
Unrealized loss (gain) on copper collar contracts	**43**	(264)	**126**	1,109
Unrealized loss (gain) on gold collar contracts	**2,352**	(3,642)	**781**	(8,274)
Change in other long-term liabilities	**(877)**	28	**(877)**	(275)
Interest expense	**531**	296	**1,022**	469
Unrealized (gain) loss on foreign currency contracts	**(8)**	375	**(182)**	(1,742)
Share-based payment expense	**373**	703	**902**	2,729
Other non-cash items	**189**	68	**328**	(171)
	$ 78,219	$ 15,471	**$ 101,046**	$ 40,446

b) Changes in non-cash working capital

	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Changes in non-cash working capital				
Trade and other receivables	**$ (2,045)**	$ 1,746	**$ (4,110)**	$ (1,274)
Inventory	**(7,802)**	(2,992)	**(8,232)**	(3,438)
Trade and other payables	**(4,946)**	5,239	**(14,074)**	7,972
	$ (14,793)	$ 3,993	**$ (26,416)**	$ 3,260

Expressed in United States dollars, except where otherwise noted.
Tables are expressed in thousands of United States dollar, except where otherwise noted.

21 CASH FLOW INFORMATION *(continued)*

c) Supplementary cash flow information

		For the three months ended June 30, 2013		For the three months ended June 30, 2012		For the six months ended June 30, 2013		For the six months ended June 30, 2012
Non-cash investing and financing activities consist of:								
Change in accounts payable relating to investing activities	**$**	**2,563**	$	(374)	**$**	**1,314**	$	73
Assets acquired under finance lease	**$**	**–**	$	–	**$**	**2,930**	$	–
Fair value of exercise of stock options	**$**	**–**	$	–	**$**	**–**	$	57
Interest paid	**$**	**531**	$	222	**$**	**1,022**	$	387
Taxes paid	**$**	**–**	$	–	**$**	**–**	$	947

22 DERIVATIVE FINANCIAL INSTRUMENTS

a) Embedded derivatives

The Company has embedded derivatives in its accounts receivable as a result of provisional pricing arrangements on its concentrate sales. These derivatives are marked to their market values at each reporting date. Adjustments to the fair values of the accounts receivable are shown in the consolidated statement of loss within revenue.

b) Foreign currency contracts

The Company enters into foreign currency contracts from time to time to mitigate its exposure to fluctuations in the Brazilian real against the United States dollar.

These derivative instruments are not designated as hedges by the Company and are marked to their market values at the end of each reporting date. Adjustments to the market value are included in the statement of loss in other gains and losses. For the three and six months ended June 30, 2013, the Company recorded an unrealized gain of $8,000 and $182,000 (2012: unrealized loss of $375,000 and unrealized gain of $1,742,000), respectively.

At June 30, 2013, the Company did not have any foreign currency contracts outstanding.

The Company's liabilities related to the foreign currency contracts as at June 30, 2013 and December 31, 2012 consist of:

		June 30, 2013		December 31, 2012
Derivative financial liabilities	**$**	**–**	$	182
Less: current portion		**–**		(182)
Long-term portion	**$**	**–**	$	–

Expressed in United States dollars, except where otherwise noted.
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22 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

c) Copper collar contracts

During the six months ended June 30, 2013, put/call collars for January to May expired unexercised while the June contract was exercised.

These derivative instruments are not designated as hedges by the Company and are marked to their market values at the end of each reporting date. Adjustments to the market value are included in the statement of loss in other gains and losses. For the three and six months ended June 30, 2013, the Company recorded an unrealized loss of $43,000 and $126,000 (2012: unrealized gain of $264,000 and unrealized loss of $1,109,000), respectively.

At June 30, 2013, the Company did not have any copper collar contracts outstanding.

The Company's assets related to the copper collar contracts as at June 30, 2013 and December 31, 2012 consist of:

	June 30, 2013	December 31, 2012
Derivative financial assets	**$** –	$ 125
Less: current portion (note 8)	–	(125)
Long-term portion	**$** –	$ –

d) Gold collar contracts

These derivative instruments are not designated as hedges by the Company, and are marked to their market values at the end of each reporting date. Adjustments to the market value are included in the statement of loss in other gains and losses. For the three and six months ended June 30, 2013, the Company recorded unrealized losses of $2,352,000 and $781,000 (2012: unrealized gains of $3,642,000 and $8,274,000).

At June 30, 2013, the Company did not have any gold collar contracts outstanding.

The Company's liabilities related to the gold collar contracts as at June 30, 2013 and December 31, 2012 consist of:

	June 30, 2013	December 31, 2012
Derivative financial assets	**$** –	$ 2,265
Less: current portion (note 8)	–	(1,774)
Long-term portion (note 9)	**$** –	$ 491

23 RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, 2013, the Company paid $39,000 and $72,000, respectively, to two companies with common directors for rent and other charges on an arm's length basis.

Expressed in United States dollars, except where otherwise noted.
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24 SEGMENTED INFORMATION

The reportable operating segments have been identified as the San Andres Mine, Brazilian Mines, Aranzazu Mine, Serrote Project and Corporate while all other projects and properties have been aggregated into the category "All Other Segments". The Company manages its business, including the allocation of resources and assessment of performance, on a project by project basis, except where the Company's projects are substantially connected and share resources and administrative functions.

For the six months ended June 30, 2013, segmented information is as follows:

	San Andres Mine	Brazilian Mines	Aranzazu Mine	Serrote Project	Corporate	All other Segments	Total
Sales to external customers	$ 47,087	$ 104,474	$ 18,280	$ –	$ –	$ –	$ 169,841
Direct operating costs	37,035	89,709	26,832	–	–	–	153,576
Depletion and amortization	6,487	26,151	5,311	–	–	–	37,949
Gross margin	3,565	(11,386)	(13,863)	–	–	–	(21,684)
Impairment charges	(40,172)	(16,021)	–	–	–	–	(56,193)
Other (expenses) income	(2,579)	(1,697)	(2,552)	(120)	6,513	214	(221)
(Loss) profit before income taxes	$ (39,186)	$ (29,104)	$ (16,415)	$ (120)	$ 6,513	$ 214	$ (78,098)
Property, plant and equipment	$ 42,454	$ 15,246	$ 141,807	$ 28,191	$ 1,136	$ 95	$ 228,929
Total assets	$ 79,019	$ 73,566	$ 158,273	$ 32,609	$ 14,666	$ 7,064	$ 365,197
Capital expenditures	$ 6,780	$ 19	$ 12,659	$ 21,365	$ 199	$ –	$ 41,022

For the six months ended June 30, 2012, segmented information is as follows:

	San Andres Mine	Brazilian Mines	Aranzazu Mine	Serrote Project	Corporate	All other Segments	Total
Sales to external customers	$ 41,771	$ 83,629	$ 22,790	$ –	$ –	$ –	$ 148,190
Direct operating costs	27,779	92,037	19,982		–	–	139,798
Depletion and amortization	5,524	16,763	4,916	–	–	–	27,203
Gross margin	8,468	(25,171)	(2,108)	–	–	–	(18,811)
Other (expenses) income	(934)	(3,293)	(3,363)	(3,008)	204	(372)	(10,766)
Profit (loss) before income taxes	$ 7,534	$ (28,464)	$ (5,471)	$ (3,008)	$ 204	$ (372)	$ (29,577)
Property, plant and equipment	$ 85,297	$ 80,281	$ 129,881	$ 5,361	$ 1,341	$ 141	$ 302,302
Total assets	$ 118,591	$ 139,618	$ 147,219	$ 5,881	$ 15,356	$ 6,181	$ 432,846
Capital expenditures	$ 2,180	$ 2,323	$ 7,334	$ 5	$ 16	$ 1	$ 11,859

Revenues for the San Andres Mine and the Brazilian Mines relate to the sale of refined gold.

Revenues for the Aranzazu Mine relate to the sale of copper-gold-silver concentrate to two external customers.

Expressed in United States dollars, except where otherwise noted.
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25 CONTINGENCIES AND COMMITMENTS

a) Operating commitments

The Company has the following commitments for future minimum payments under operating leases:

2013		271
2014		172
	$	**443**

As of June 30, 2013, the Company had committed to purchases for equipment and capital projects in process of $508,000 at the Aranzazu Mine and $56,000 at the San Andres Mine.

b) Royalties

(i) Copper production from the Aranzazu Mine is subject to an underlying 1% NSR royalty when during any calendar month the monthly average copper price as quoted by the London Metals Exchange equals or exceeds $2.00 per pound.

(ii) Gold sales from the San Andres Mine, the Sao Francisco Mine and the Sao Vicente Mine are subject to a 1.5% NSR Royalty up to a cumulative amount of $16,000,000, commencing March 1, 2013.

c) Contingencies

Certain conditions may exist as of the date of these financial statements which may result in a loss to the Company in the future when certain events occur or fail to occur. The Company assesses at each reporting date its loss contingencies related to ongoing legal proceedings by evaluating the likelihood of such proceedings, as well as the amounts claimed or expected to be claimed. If the assessment of such claims suggests that a loss is probable, and the amount can be reasonably estimated, then a provision for loss is recorded. When the contingent loss is unlikely, or when it is probable but the amount of the loss cannot be reasonably estimated, the details of the contingent loss are disclosed, if they are significant. Loss contingencies considered to be remote are generally not disclosed.

Included in other long-term liabilities as of June 30, 2013 is a provision of $527,000 (2012: $616,000) for loss contingencies related to ongoing legal claims associated with the Brazilian Mines, which were assumed as part of the acquisition of these mines.

Expressed in United States dollars, except where otherwise noted.
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26 FAIR VALUE MEASUREMENTS

The Company measures certain of its financial assets and liabilities at fair value on a recurring basis and these are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The three levels of the fair value hierarchy are: Level 1, which are inputs that are unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, which are inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; and Level 3, which are inputs for the asset or liability that are not based on observable market data.

The Company classifies derivative assets and liabilities in Level 2 of the fair value hierarchy as they are valued using pricing models which require a variety of inputs. The Company classified its other liabilities in Level 3 as there is no observable market data for the fair value inputs. The Company uses a discounted cash flow model to determine the fair value. The key inputs are the expected gold price, expected production and discount rate.

The fair value of the Company's financial assets and liabilities measured at fair value on a recurring basis at June 30, 2013 and December 31, 2012 are summarized in the following table:

	June 30, 2013				December 31, 2012 (restated)			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	Total
Financial Assets								
Derivative assets	$ -	$ -	$ -	**$ -**	$ -	$ 2,390	$ -	$ 2,390
	$ -	$ -	$ -	**$ -**	$ -	$ 2,390	$ -	$ 2,390
Financial Liabilities								
Derivative liabilities	$ -	$ -	$ -	**$ -**	$ -	$ 182	$ -	$ 182
Other liabilities (note 13)	-	-	12,601	**12,601**	-	-	13,398	13,398
	$ -	$ -	$ 12,601	**$ 12,601**	$ -	$ 182	$ 13,398	$ 13,580

27 ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

As of January 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

a) Pronouncement affecting financial statement presentation or disclosures

i) IFRS 12, Disclosure of interests in other entities

The Company adopted IFRS 12 on January 1, 2013. IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

The requirements of IFRS 12 relate to disclosures only and are applicable for the first annual period after adoption. IFRS 12 does not require the disclosures to be included for any period that precedes the first annual period for which IFRS 12 is applied. Additional disclosures will be included in the Company's annual consolidated financial statements for the year ended December 31, 2013.

ii) IFRS 13, Fair value measurement

The Company adopted IFRS 13 with prospective application from January 1, 2013. IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

The adoption of IFRS 13 did not have an effect on the Company's condensed interim consolidated financial statements for the current period. The Company has added additional disclosures on fair value measurement in note 26.

iii) Amendment to IAS 1, Presentation of Financial Statements

The Company adopted the amendments to IAS 1 on January 1, 2013, with restrospective application. The amendments to IAS 1 require items to be grouped within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified.

The Company has amended its condensed interim consolidated statements of comprehensive loss for all periods presented to reflect the presentation changes required under the amended IAS 1. There is no net impact on comprehensive income.

iv) Amendment to IAS 34, Interim financial reporting

The Company adopted the amendments to IAS 34 effective January 1, 2013. IAS 34 was amended to establish criteria for disclosing total segmented assets and require certain fair value disclosures. The fair value disclosures have been incorporated into these condensed interim consolidated financial statements.

27 ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS *(continued)*

b) Pronouncements affecting accounting policies only

i) IFRS 10, Consolidated financial statements

The Company adopted IFRS 10 on January 1, 2013 with retrospective application. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supercedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities.

The Company has concluded that IFRS 10 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the adoption did not result in the consolidation status of any of the subsidiaries.

ii) IFRS 11, Joint arrangements

The Company adopted IFRS 11 on January 1, 2013 with retrospective application. IFRS 11 requires a venturer to classify its interest in a joint agreement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

The Company has concluded that IFRS 11 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the Company does not have any joint arrangements.

iii) IFRIC 20, Stripping costs in the production phase of a surface mine

The Company adopted IFRIC 20 and applied the requirements to production stripping costs incurred on or after January 1, 2012, in accordance with the transitional provisions. The predecessor stripping assets recorded as of January 1, 2012, the date of the earliest period presented, have been reviewed in accordance with IFRIC 20. IFRIC 20 sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine.

The Company has concluded that IFRIC 20 did not have an effect on the condensed interim consolidated financial statements for the current period or prior periods presented.