Aura Minerals Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

Dated as of November 14, 2013

This management's discussion and analysis ("MD&A") should be read in conjunction with Aura Minerals Inc.'s (the "Company" or "Aura Minerals") unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2013 and related notes thereto (the "Financial Statements") which have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"). In addition, this MD&A should be read in conjunction with the 2012 audited consolidated financial statements, the related management discussion and analysis and the 2012 Annual Information Form ("AIF") dated March 20, 2013, as well as other information relating to Aura Minerals as filed on the Company's profile on SEDAR at www.sedar.com. Unless otherwise noted, references herein to "$" are to the United States dollar. References to "C$" are to the Canadian dollar. Tables are expressed in thousands of United States dollar, except where otherwise noted.

This MD&A has been prepared as at November 14, 2013 and provides information that management believes is relevant to assessing and understanding the financial condition of the Company and the results of operations and cash flows for the three and nine months ended September 30, 2013.

The Audit Committee, consisting of three independent directors of the Board of Directors of the Company, has reviewed this MD&A pursuant to its charter and the Board has approved the disclosure contained herein. A copy of this MD&A will be provided to anyone who requests it.

Statements herein are subject to the risks and uncertainties identified in the Risk Factors and Cautionary Note regarding Forward-Looking Information sections of this MD&A.

1. BACKGROUND AND CORE BUSINESS

Aura Minerals is a Canadian mid-tier gold-copper production company focused on the operation and development of gold and copper projects in the Americas. The Company is listed on the Toronto Stock Exchange under the symbol ORA. The Company's assets include:

- *The San Andres Gold Mine ("San Andres")* – An open-pit heap leach gold mine located in the highlands of western Honduras, in the municipality of La Union, Department of Copan approximately 150 kilometres southwest of the city of San Pedro Sula. The mine has been in production since 1983;
- *The Sao Francisco Gold Mine ("Sao Francisco")* – An open-pit heap leach gold mine located in the State of Mato Grosso, Brazil, approximately 560 kilometres west of Cuiaba, the state capital. The mine has been in production since 2006;
- *The Sao Vicente Gold Mine ("Sao Vicente")* – An open-pit heap leach gold mine located approximately 50 kilometres to the north of Sao Francisco in the State of Mato Grosso, Brazil. The mine has been in production since 2009;
- *The Aranzazu Copper Mine ("Aranzazu")* – An open-pit and underground mine operation with a 2,600 tonnes per day ("tpd") mill, producing a copper-gold-silver concentrate using flotation, located near the town of Concepcion del Oro in the state of Zacatecas, Mexico. The Company also controls approximately 11,380 hectares of exploration concessions centred on the Arroyos Azules underground mine and the past-producing El Cobre area. The mine has been in commercial production since February 1, 2011. In July 2012, the Company announced that it had received the results from the Aranzazu preliminary economic assessment study ("PEA") which evaluates a process plant feed rate expansion to a larger facility;

- *The Serrote da Laje Project ("Serrote")* – A wholly-owned, development-stage copper-gold-iron project which is the Company's core development asset. The Serrote Project is located in the central-southern part of the State of Alagoas, Brazil, approximately 15 kilometres northwest of the city of Arapiraca and currently consists of 24 exploration licences totalling 40,899 hectares, 11 exploration applications totalling 19,622 hectares and one mining concession totalling 400 hectares. In September 2012, the Company announced the results from the feasibility study describing the scope, design and viability of developing Serrote based on an open pit mining operation with a copper concentrator operating at 19,000 tonnes per day and producing approximately 66 million pounds of copper and 13,000 gold ounces as a by-product per year.

  Aura Minerals is focused on responsible, sustainable growth and strives to operate to the highest environmental and safety standards and in a socially responsible manner at all of its operations.

2. THIRD QUARTER 2013 FINANCIAL AND OPERATING HIGHLIGHTS

- Operating cash flow[1] of $22.1 million for the third quarter of 2013 compared to $18.0 million for the third quarter of 2012;

- Net sales revenue in the third quarter of 2013 increased 4% over the third quarter of 2012. Revenue detail is as follows:

	For the three months ended September 30, 2013	For the three months ended September 30, 2012	**For the nine months ended September 30, 2013**	For the nine months ended September 30, 2012
San Andres, *(oz)*	**16,551**	13,500	**48,066**	40,058
Sao Francisco, *(oz)*	**29,237**	18,631	**80,493**	51,760
Sao Vicente, *(oz)*	**11,060**	7,368	**28,587**	26,748
Total ounces sold	**56,849**	39,499	**157,147**	118,566
Realized average gold price per ounce ("oz")	**$ 1,323**	$ 1,643	**$ 1,459**	$ 1,626
Gold sales revenues *(in '000's) net of local sales taxes*	**$ 74,216**	$ 63,576	**$ 225,777**	$ 188,976
Copper concentrate sales *(in '000's)*	**$ 11,848**	$ 9,242	**$ 30,128**	$ 32,032
Total net sales *(in '000's)*	**$ 86,064**	$ 72,818	**$ 255,905**	$ 221,008

  The average realized prices per oz for the quarters ended September 30, 2013 and 2012 in the above table compare to the average market prices (London PM Fix) of $1,326 and $1,652 per oz, respectively.

  Copper concentrate sales are from the shipment of 6,812 dry metric tonnes ("DMT") and 5,396 DMT of copper concentrate for the quarters ended September 30, 2013 and 2012, respectively;

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[1] A cautionary note regarding non-GAAP measures is included in Section 17 of this MD&A.

- Gold oz production in the third quarter of 2013 was 29% higher compared to the third quarter of 2012. Gold production and cash costs[1] for the three and nine months ended September 30, 2013 and 2012 are as follows:

	For the three months ended September 30, 2013			For the three months ended September 30, 2012		
	Oz Produced	**Cash Costs[1]**		Oz Produced	Cash Costs[1]	
San Andres	**17,706**	**$**	**998**	16,298	$	863
Sao Francisco	**27,859**		**903**	19,814		1,116
Sao Vicente	**10,046**		**809**	6,947		2,038
Total / Average	**55,611**	**$**	**916**	43,058	$	1,169

	For the nine months ended September 30, 2013			For the nine months ended September 30, 2012		
	Oz Produced	**Cash Costs[1]**		Oz Produced	Cash Costs[1]	
San Andres	**48,794**	**$**	**1,083**	47,815	$	959
Sao Francisco	**80,282**		**1,190**	50,989		1,707
Sao Vicente	**29,374**		**1,115**	24,203		1,702
Total / Average	**158,450**	**$**	**1,143**	123,007	$	1,415

- Copper production at Aranzazu for the third quarter of 2013 and 2012 was 3,774,500 pounds and 2,450,800 pounds, respectively, an increase of 54%. On-site average cash cost[1] per pound of payable copper produced, net of gold and silver credits was $3.52 for the third quarter of 2013 compared to $4.48 for the third quarter of 2012;

- Gross margin of $8.3 million and $4.5 million for the three months ended September 30, 2013 and 2012, respectively;

- Loss of $1.8 million or $0.01 per share for the third quarter of 2013 compared to a loss of $16.9 million or $0.07 per share for the third quarter of 2012. The loss for the third quarter of 2013 includes a non-recurring loss on disposal of intangible assets relating to the Brazilian exploration properties of $8.8 million; and

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[1] A cautionary note regarding non-GAAP measures is included in Section 17 of this MD&A.

3. REVIEW OF MINING OPERATIONS AND DEVELOPMENT PROJECTS

San Andres, Honduras

The table below sets out selected operating information for San Andres for the three and nine months ended September 30, 2013 and 2012:

	Q3 2013	Q3 2012	**YTD 2013**	YTD 2012
Ore mined (tonnes)	**1,424,898**	882,600	**4,319,990**	3,172,500
Waste mined (tonnes)	**675,642**	440,600	**2,623,629**	1,594,400
Total mined (tonnes)	**2,100,540**	1,323,200	**6,943,619**	4,766,900
Waste-to-ore ratio	**0.47**	0.50	**0.61**	0.50
Ore plant feed (tonnes)	**1,433,930**	818,900	**4,308,218**	3,120,900
Grade (g/tonne)	**0.60**	0.65	**0.60**	0.69
Production (oz)	**17,706**	16,298	**48,794**	47,815
Sales (oz)	**16,551**	13,500	**48,066**	40,058
Average cash cost per oz of gold produced[1]	**$ 998**	$ 863	**$ 1,083**	$ 959

Total ore and waste mined during the third quarter 2013 was 59% higher than the comparable quarter. During the third quarter of 2013, ore mined was 61% higher than the comparable quarter and waste mined was 53% higher. The waste-to-ore ratio was 5% lower when comparing the third quarters of 2013 and 2012. The increase in the waste and ore tonnes moved resulted from the mining contractor bringing in a larger rigid body 65 tonne truck in September which has increased efficiency and lowered unit costs.

Total plant feed during the third quarter of 2013 was 75% higher than the tonnes processed in the same quarter in 2012. The ore plant feed average grade for the third quarter 2013 decreased by 7% compared to the third quarter of 2012, due to lower grade areas mined in 2013. Mining in the Cerro Cortez area continues to yield higher grades than originally expected and will be closely monitored.

Gold production at San Andres in the third quarter of 2013 increased by 9% over the comparable period primarily due to higher tonnes mined.

Average cash cost per oz of gold produced[1] in the third quarter of 2013 increased 16% over the third quarter of 2012.

The 15,000 metre drilling program for 2013 continues with priority on near term production targets with higher grades.

[1] A cautionary note regarding non-GAAP measures is included in Section 17 of this MD&A.

Sao Francisco, Brazil

The table below sets out selected operating information for Sao Francisco for the three and nine months ended September 30, 2013 and 2012:

	Q3 2013	Q3 2012	**YTD 2013**	YTD 2012
Ore mined (tonnes)	**1,140,958**	1,649,200	**3,915,688**	4,011,400
Waste mined (tonnes)	**1,806,912**	3,106,300	**5,336,903**	10,201,100
Total mined (tonnes)	**2,947,869**	4,755,500	**9,252,592**	14,212,500
Waste-to-ore ratio (Includes deferred stripping waste)	**1.58**	1.88	**1.36**	2.54
Ore plant feed (tonnes)	**1,083,491**	1,715,600	**3,982,569**	3,912,700
Grade (g/tonne)	**0.85**	0.61	**0.70**	0.57
Production (oz)	**27,859**	19,814	**80,282**	50,989
Sales (oz)	**29,237**	18,631	**80,493**	50,561
Average cash cost per oz of gold produced[1]	**$ 903**	$ 1,116	**$ 1,190**	$ 1,707

Total material moved during the third quarter of 2013 was 38% lower than the third quarter of 2012. The waste-to-ore ratio was 16% lower than the comparable period in 2012 because of the reduced strip ratio as the pit deepened and higher ore tonnes were encountered outside the block model. Material moved is lower due to restrictions resulting from the tightening of the pit and longer haul distances of both waste and ore.

Total plant feed during the third quarter of 2013 was 37% lower than the third quarter in 2012. The ore plant feed average grade for the second quarter of 2013 was 39% higher than the third quarter of 2012.

Gold production in the third quarter of 2013 was 41% higher than the third quarter of 2012 due primarily to the higher grade and the recovery of additional gold from the staged leach on the heap. The third quarter of 2012 operations continued to reflect that quarter's recovery to normalized operations from the structural failure of the primary crusher feed bin in early February 2012, which resulted in Sao Francisco experiencing lower leached gold in the third quarter of 2012.

Average cash cost per oz of gold produced[1] in the third quarter of 2013 was 19% lower than the third quarter of 2012. The lower average cash cost per oz of gold produced[1] in the third quarter of 2013 was primarily due to the higher grades encountered and the increased recoveries from the leach while Q3 2013 continued to benefit by the weakening of the Brazilian real.

Mining at Sao Francisco is expected to continue to the end of 2014 as exploration drilling to-date in 2013 has located additional mineralized material below the ramp in the northwest area of the pit. An updated reconciliation indicates that certain waste and low grade zones could potentially convert to additional plant feed. Indications are that the plant processing at Sao Francisco could extend into 2015 as a result.

[1] A cautionary note regarding non-GAAP measures is included in Section 17 of this MD&A.

Sao Vicente, Brazil

The table below sets out selected operating information for Sao Vicente for the three and nine months ended September 30, 2013 and 2012:

	Q3 2013	Q3 2012	**YTD 2013**	YTD 2012
Ore mined (tonnes)	**148,241**	821,300	**1,681,547**	1,608,700
Waste mined (tonnes)	**6,931**	1,008,900	**1,123,658**	2,995,000
Total mined (tonnes)	**155,172**	1,830,200	**2,805,205**	4,603,700
Waste-to-ore ratio	**0.05**	1.23	**0.67**	1.86
Ore plant feed (tonnes)	**331,986**	826,900	**1,622,669**	1,957,800
Grade (g/tonne)	**0.67**	0.46	**0.58**	0.55
Production (oz)	**10,046**	6,947	**29,374**	24,203
Sales (oz)	**11,060**	7,368	**28,587**	26,748
Average cash cost per oz of gold produced[1]	**$ 809**	$ 2,038	**$ 1,115**	$ 1,702

Total material moved in the third quarter of 2013 was 92% lower than the third quarter of 2012 and the waste-to-ore ratio decreased by 96%. Total ore crushed and stacked in the third quarter of 2013 was 60% lower than during the third quarter of 2012. The previously planned suspension of mining operations in Q3 2013 is primarily responsible for these decreases.

The average head grade of the ore processed for the third quarter of 2013 was 46% higher as compared to 2012.

During the third quarter of 2013, 45% more gold oz were produced as compared to the third quarter of 2012.

The average cash cost per oz of gold produced[1] in the third quarter of 2013 was 60% lower than the average cash cost[1] in the third quarter of 2012 due to both improved grades and recoveries from the heaps.

There is sufficient feed material in stockpiles to keep the plant full at 110,000 tonnes per month during Q4 2013. The heap leach pads will continue to be operated with cyanide addition in early 2014, while we continue to irrigate the heap.

[1] A cautionary note regarding non-GAAP measures is included in Section 17 of this MD&A.

Aranzazu, Mexico

The table below sets out selected operating information for Aranzazu for three and nine months ended September 30, 2013 and 2012:

	Q3 2013	Q3 2012	**YTD 2013**	YTD 2012
Ore mined (tonnes)	**220,000**	238,300	**692,900**	663,300
Ore milled (tonnes)	**200,100**	197,600	**589,600**	608,700
Copper grade (%)	**0.99%**	0.80%	**0.95%**	0.88%
Gold grade (g/tonne)	**0.48**	0.50	**0.47**	0.50
Silver grade (g/tonne)	**17.26**	13.49	**16.28**	12.50
Copper recovery[1]	**80.3%**	72.3%	**78.9%**	73.6%
Gold recovery	**63.5%**	59.8%	**63.9%**	64.4%
Silver recovery	**57.8%**	42.8%	**51.3%**	52.0%
Concentrate production:				
Copper concentrate produced (DMT)	**7,194**	4,802	**18,814**	16,587
Copper contained in concentrate (%)	**23.8%**	23.2%	**24.1%**	23.9%
Gold contained in concentrate (g/DMT)	**8.7**	12.0	**9.2**	11.3
Silver contained in concentrate (g/DMT)	**288.8**	234.9	**267.2**	242.2
Copper contained in concentrate (pounds)	**3,774,500**	2,450,800	**9,984,500**	8,757,000
Estimated payable copper produced (pounds)	**3,577,100**	2,319,100	**9,467,900**	8,301,600
Estimated payable gold produced (oz)	**1,780**	1,693	**4,960**	5,475
Estimated payable silver produced (oz)	**59,739**	31,566	**143,185**	112,938
Average cash cost per payable pound of copper produced, net of gold and silver credits [2]	**$ 3.52**	$ 4.48	**$ 3.61**	$ 3.18

[1] Recoveries based on a mixture of sulphide and oxide ores, not primary sulphide ores.

[2] A cautionary note regarding non-GAAP measures is included in section 17 of this MD&A.

For the three months ended September 30, 2013, ore mined and ore milled were 8% lower and 1% higher than the comparative period in 2012.

Copper concentrate production increased by 54% in the third quarter of 2013 as compared to the third quarter of 2012, due to the combined effect of a 24% increase in copper grade as a result of a previously planned shift to higher grade underground mining, as well as an 11% increase in the copper recoveries. Q3 2013's concentrate production was negatively impacted by ten days of crusher downtime during the quarter – a temporary crusher was installed to limit both this downtime and its effect on operations. Aranzazu's mine development has been focused on near-term development in Q3 2013. This will continue in Q4 2013.

Average cash cost per payable pound of copper produced[1] for the three months ended September 30, 2013 decreased by 21% as compared to the three months ended September 30, 2012.

The average arsenic level in the copper concentrate was 0.98% during the three months ended September 30, 2013.

[1] A cautionary note regarding non-GAAP measures is included in Section 17 of this MD&A.

In February 2013, a partial roasting facility package was selected and awarded, with an expected delivery time of 46 weeks. Detailed engineering, procurement and arsenic stabilization engineering commenced but has now been placed on hold pending the outcome of the financing discussions. Aranzazu continues with a successful program of blending to ensure that value is maximized from the current sales of concentrates. The basic engineering design for the planned processing plant expansion is advancing well and expected to be completed in Q4 2013. A new fresh water system, coarse ore feeder redesign and a high solids thickener are also part of the engineering design package.

Serrote

The Serrote project early development phase is continuing. During the nine months ended September 30, 2013, the Company's wholly-owned subsidiary Mineração Vale Verde Ltda. received R$45 million (approximately $20 million) (the "Bridge Loan") from Banco Itaú BBA S.A. ("Itaú"). The Bridge Loan is being used by the Company for community resettlement, engineering, long-lead equipment procurement and early site improvements. Community resettlement is proceeding, with resettlement in areas of early construction substantially complete. Basic engineering is complete, and engineering of long lead equipment has been awarded.

The Company has also retained Itaú as a financial advisor to assist in structuring long-term project financing for the Serrote project on a best efforts basis and subject to customary terms and conditions, including market conditions. The Company is considering options to maximize the value of Serrote including, but not limited to, a disposal of a majority interest in the project equity and has appointed Itaú and RBC Capital Markets to manage this process.

Brazilian Mines – Value Maximization

The Company continues to investigate multiple options to maximize the disposal and closure value of the assets of the Brazilian Mines, including selling the plant and equipment and utilizing key members of their operating teams at our other locations.

Non-core exploration properties

The Company has converted its interests in its non-core Cumaru and Inaja exploration properties in the Northern Carajas state in Brazil into net smelter royalties and has wholly disposed of these properties during the three and nine months ending September 30, 2013.

National Instrument 43-101 Compliance

Unless otherwise indicated, Aura Minerals has prepared the technical information in this MD&A ("Technical Information") based on information contained in the technical reports and news releases (collectively the "Disclosure Documents") available under the Company's profile on SEDAR at www.sedar.com. Each Disclosure Document was prepared by or under the supervision of a qualified person (a "Qualified Person") as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*. Readers are encouraged to review the full text of the Disclosure Documents which qualify the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents. The disclosure of Technical Information in this MD&A has been reviewed and approved by Bruce Butcher, P. Eng., Vice President, Technical Services.

4. OUTLOOK AND STRATEGY

Aura Minerals' future profitability, operating cash flows and financial position will be closely related to the prevailing prices of gold and copper. Key factors influencing the price of gold and copper include the supply of and demand for these commodities, the relative strength of currencies (particularly the U.S. dollar) and macroeconomic factors such as current and future expectations for inflation and interest rates. Management believes that the short-to-medium term economic environment is likely to remain relatively supportive for both gold and copper prices but with continued volatility for both commodities. In order to decrease risks associated with gold price volatility the Company will evaluate entering into additional hedging programs.

Other key factors influencing profitability and operating cash flows are production levels (impacted by grades, ore quantities, labour, plant and equipment availabilities, and process recoveries) and production and processing costs (impacted by production levels, prices and usage of key consumables, labour, inflation, and exchange rates).

The Company expects to exceed the upper end of the 2013 gold production range previously provided while achieving its cash cost per oz guidance. Previous guidance provided is as follows:

Gold Mines	Cash Cost per oz[1]	2013 Production
San Andres	\$1,000 - \$1,150	60,000 - 65,000 oz
Sao Francisco	\$1,100 - \$1,250	78,000 - 88,000 oz
Sao Vicente	\$ 950 - \$1,100	28,000 - 32,000 oz
Total	\$1,050 - \$1,200	166,000 - 185,000 oz

Aranzazu's production for 2013 is expected to be between 13,000,000 and 15,000,000 pounds of copper at a range of \$3.00 to \$3.50 average cash cost per payable pound[1] of copper.

For the remainder of 2013, total capital spending is expected to be \$5 million. This amount relates to growth and sustaining capital for existing mines - including \$2 million on the development of Aranzazu and \$3 million on installation of a second secondary crusher and community expenditures at San Andres. These capital expenditures are expected to be funded by a combination of internal cash flows and external financing and may be delayed if financing is not obtained; The Company continues to delay previously planned development expenditures at Serrote until project financing is completed.

[1] A cautionary note regarding non-GAAP measures is included in Section 17 of this MD&A.

5. RESULTS OF OPERATIONS

Comparing the three months ended September 30, 2013 to the three months ended September 30, 2012

Revenues

Details of revenues, cost of goods sold and gross margin are presented below:

(In thousands of dollars)		**For the three months ended September 30, 2013**		For the three months ended September 30, 2012
Revenues:				
San Andres	**$**	**21,157**	$	20,814
Brazilian Mines		**53,059**		42,762
Aranzazu		**11,848**		9,242
	$	**86,064**	$	72,818
Direct Operating Costs:				
San Andres	**$**	**16,793**	$	12,124
Brazilian Mines		**35,950**		34,740
Aranzazu		**11,488**		10,818
	$	**64,231**	$	57,682
Depletion and Amortization:				
San Andres	**$**	**1,997**	$	1,791
Brazilian Mines		**9,189**		8,022
Aranzazu		**2,340**		823
	$	**13,526**	$	10,636
Gross Margin:				
San Andres	**$**	**2,367**	$	6,899
Brazilian Mines		**7,920**		-
Aranzazu		**(1,980)**		(2,399)
	$	**8,307**	$	4,500

Revenues for the three months ended September 30, 2013 increased 18% compared to the three months ended September 30, 2012. The increase in revenues resulted from a 17% increase in gold sales and a 28% increase in copper concentrate sales.

The 17% increase in gold sales is mainly attributable to a 44% increase in oz sold partially offset by a 19% decrease in the realized average gold price per oz.

Revenue related to concentrate shipments for three months ended September 30, 2013 and 2012 is comprised as follows:

(In thousands of dollars)		**For the three months ended September 30, 2013**		For the three months ended September 30, 2012
Copper revenue, net of treatment and refining charges	**$**	**7,986**	$	5,258
Gold by-product revenue		**2,599**		3,337
Silver by-product revenue		**1,252**		1,162
Price adjustments recorded		**11**		(515)
Total revenue	**$**	**11,848**	$	9,242

The increase in revenue from copper concentrate net sales is attributable to a 3% increase in realized revenue per DMT of copper concentrate and a 24% increase in DMT sold. Total revenues for the three months ended September 30, 2013 at Aranzazu related to the shipment of 6,812 DMT of copper concentrate compared to 5,486 DMT of copper concentrate for the three months ended September 30, 2012. Total concentrate shipment revenues for the three months ended September 30, 2013 and 2012 were $1,739 per DMT and $1,685 per DMT, respectively. The higher concentrate shipment revenue per DMT is due to the improvements in the off-take contracts only being fully realized in the latter part of Q3 2013.

Cost of Goods Sold

At San Andres, for the three months ended September 30, 2013 and 2012, total cost of goods sold was $18,790,000 or $1,135 per oz compared to $13,195,000 or $1,031 per oz, respectively. For the three months ended September 30, 2013 and 2012, cash operating costs were $1,014 per oz and $982 per oz, respectively, while non-cash depletion and amortization charges were $120 per oz and $181 per oz, respectively.

At the Brazilian Mines, total cost of goods sold for the three months ended September 30, 2013 and 2012 was $45,139,000 or $1,120 per oz and $51,922,000 or $1,940 per oz, respectively. Cash operating costs for the three months ended September 30, 2013 and 2012 were $892 per oz and $1,336 per oz, respectively, while non-cash depletion and amortization charges were $228 per oz and $309 per oz, respectively. The cash operating costs for the three months ended September 30, 2013 included a write-down of $4,810,000 or $119 per oz to bring production inventory to its net realizable value (2012: $10,555,000 or $406 per ounce). The depreciation portion of the inventory write-down during the three months ended September 30, 2013 totalled $1,999,000 or $50 per oz (2012: $7,247,000 or $279 per oz).

At Aranzazu, total cost of goods sold for the three months ended September 30, 2013 and 2012 was $13,828,000 or $2,029 per DMT and $11,641,000 or $2,122 per DMT, respectively. Cash operating costs for the three months ended September 30, 2013 and 2012 were $1,686 per DMT and $1,972 per DMT, respectively, while non-cash depletion and amortization charges were $344 per DMT and $150 per DMT, respectively. The cash operating costs for the three months ended September 30, 2013 included a write-down of $1,583,000 or $232 per DMT to bring production inventory to its net realizable value (2012: $1,167,000 or $213 per DMT of concentrate). The depreciation portion of the inventory write-down during the three months ended September 30, 2013 totalled $1,583,000 or $232 per DMT (2012: $582,000 or $106 per DMT).

Other Expenses, Impairment Charges and Operating Loss

For the three months ended September 30, 2013 and 2012, general and administrative costs include:

(In thousands of dollars)	**For the three months ended September 30, 2013**	For the three months ended September 30, 2012
Salaries, wages and benefits	**$ 1,275**	$ 1,460
Share-based payment expense	**312**	472
Professional and consulting fees	**288**	554
Travel expenses	**63**	107
Directors' fees	**59**	103
Investor relations and filing fees	**-**	(149)
Amortization	**141**	222
Other	**1,109**	729
	$ 3,247	$ 3,498

Salaries, wages and benefits and travel expenses decreased due to reorganizations at the Company's corporate offices. Share-based payment expense decreased 34% as a result of lower grants period on period and forfeitures during the quarter. Professional and consulting fees decreased due to the Company limiting spending on special projects during the period. Other expenses include severance costs at the Company's operations.

For the three months ended September 30, 2013, the Company recorded a loss on disposal relating to the non-core Brazilian exploration properties of $8,760,000.

Exploration costs for the three months ended September 30, 2013 and 2012 included the following:

(In thousands of dollars)	**For the three months ended September 30, 2013**	For the three months ended September 30, 2012
Serrote	**$ –**	$ 1,573
Aranzazu	**29**	466
Sao Vicente	**290**	–
San Andres	**162**	40
Non-core projects	**-**	35
	$ 481	$ 2,114

The decrease in exploration costs for Serrote and Aranzazu reflect the completion of the feasibility study and PEA, respectively.

Finance and Other Income and Expenses, Taxes, and Loss

Finance costs for the three months ended September 30, 2013 and 2012 included the following:

(In thousands of dollars)		**For the three months ended September 30, 2013**		For the three months ended September 30, 2012
Accretion	**$**	**966**	$	375
Interest expense on debt		**619**		1,056
Other interest and finance costs		**222**		111
	$	**1,807**	$	1,542

The increase in accretion relates to changes to the estimate in the net smelter return royalty payable while the interest expense on the debt decreased due to the lower credit facility balance.

Other gains and losses for the three months ended September 30, 2013 and 2012 consisted of:

(In thousands of dollars)		**For the three months ended September 30, 2013**		For the three months ended September 30, 2012
Foreign exchange gain (loss)	**$**	**3,131**	$	(4,099)
Unrealized loss on copper collar contracts		**-**		(631)
Realized gains on copper collar contracts		**37**		–
Unrealized loss on gold collar and gold fixed price contracts		**(843)**		(9,472)
Realized gain on gold collar and fixed price contracts		**1,758**		1,174
Unrealized gain on foreign currency contracts		**-**		1,151
Realized loss on foreign currency contracts		**-**		(677)
Gain on change in estimate of provision for mine closure and restoration		**-**		1,290
Gain (loss) on change in estimates of net smelter royalty payable		**2**		(636)
Other items		**547**		(54)
	$	**4,632**	$	(11,954)

Income tax recovery for the three months ended September 30, 2013 was $451,000.

For the three months ended September 30, 2013 the Company recorded a loss of $1,795,000, which compares to a loss of $16,938,000 for the three months ended September 30, 2012.

Other comprehensive loss

Other comprehensive loss for the three months ended September 30, 2013 totalled $213,000 and related to the translation of foreign subsidiaries from their functional currencies into the Company's presentation currency.

Other comprehensive loss for the three months ended September 30, 2012 totalled $250,000 and consisted of a loss on the translation of foreign subsidiaries from their functional currencies into the Company's presentation currency of $242,000, and a decrease in the fair value of the Company's cash flow hedges, net of tax impact, of $8,000.

Comparing the nine months ended September 30, 2013 to the nine months ended September 30, 2012

Revenues

Details of revenue, cost of goods sold and gross profit are presented below:

(In thousands of dollars)		**For the nine months ended September 30, 2013**		For the nine months ended September 30, 2012
Revenues:				
San Andres Mine	**$**	**68,244**	$	62,585
Brazilian Mines		**157,533**		126,391
Aranzazu Mine		**30,128**		32,032
	$	**255,905**	$	221,008
Direct Operating Costs:				-
San Andres Mine	**$**	**53,828**	$	39,903
Brazilian Mines		**125,659**		126,777
Aranzazu Mine		**38,320**		30,800
	$	**217,807**	$	197,480
Depletion and Amortization:				-
San Andres Mine	**$**	**8,484**	$	7,315
Brazilian Mines		**35,341**		24,785
Aranzazu Mine		**7,651**		5,739
	$	**51,476**	$	37,839
Gross Margin:				
San Andres Mine	**$**	**5,932**	$	15,367
Brazilian Mines		**(3,467)**		(25,171)
Aranzazu Mine		**(15,843)**		(4,507)
	$	**(13,378)**	$	(14,311)

Revenues for the nine months ended September 30, 2013 increased 16% compared to the nine months ended September 30, 2012. The increase in revenues resulted from a 19% increase in gold sales offset by a 6% decrease in copper concentrate sales.

The increase in gold sales is attributable to a 33% increase in gold sales volumes partially offset by a 10% decrease in the realized average gold price per ounce.

Revenue related to concentrate shipments for the nine months ended September 30, 2013 and 2012 is comprised as follows:

(In thousands of dollars)		**For the nine months ended September 30, 2013**		For the nine months ended September 30, 2012
Copper revenue, net of treatment and refining charges	**$**	**22,043**	$	20,458
Gold by-product revenue		**7,669**		9,171
Silver by-product revenue		**3,336**		3,565
Price adjustments recorded		**(2,921)**		(1,162)
Total revenue	**$**	**30,127**	$	32,032

The increase in copper concentrate net sales is primarily attributable to a 14% increase in DMT sold. Total revenues for the nine months ended September 30, 2013 at Aranzazu related to the shipment of 18,486 DMT of copper concentrate compared to 16,210 DMT of copper concentrate for the nine months ended September 30, 2012. Total concentrate shipment revenues for the nine months ended September 30, 2013 and 2012 were $1,630 per DMT and $1,976 per DMT, respectively. The lower concentrate shipment revenue per DMT is due to both lower commodity prices and the comparative effect of the arsenic-related treatment and refining charges and penalties (such charges were implemented mid-way through Q2 2012). The negotiated improvements to off-take contracts are only taking effect in the later part of 2013.

Cost of Goods Sold

For the nine months ended September 30, 2013 and 2012, total cost of goods sold from San Andres was $62,312,000 or $1,296 per ounce compared to $47,218,000 or $1,179 per ounce, respectively. For the nine months ended September 30, 2013 and 2012, cash operating costs were $1,120 per ounce and $996 per ounce, respectively, while non-cash depletion and amortization charges were $177 per ounce and $183 per ounce, respectively.

Total cost of goods sold from the Brazilian Mines for the nine months ended September 30, 2013 and 2012 was $160,999,000 or $1,476 per ounce and $151,562,000 or $1,930 per ounce, respectively. For the nine months ended September 30, 2013 and 2012, cash operating costs were $1,152 per ounce and $1,615 per ounce, respectively, while non-cash depletion and amortization charges were $324 per ounce and $316 per ounce, respectively. The cash operating costs for the nine months ended September 30, 2013 included a write-down of $20,353,000 or $187 per ounce to bring production inventory to its net realizable value (2012: $28,535,000 or $363 per oz). The depreciation portion of the inventory write-down during the nine months ended September 30, 2013 totalled $12,160,000 or $111 per oz (2012: $10,094 or $129 per oz).

Total cost of goods sold from Aranzazu for the nine months ended September 30, 2013 and 2012 was $45,971,000 or $2,487 per DMT and $36,539,000 or $2,254 per DMT, respectively. For the nine months ended September 30, 2013 and 2012, cash operating costs were $2,073 per DMT and $1,900 per DMT, respectively, while non-cash depletion and amortization charges were $414 per DMT and $354 per DMT, respectively. The cash operating costs for the nine months ended September 30, 2013 included a write-down of $7,306,000 or $395 per DMT to bring production inventory to its net realizable value (2012: $3,387,000,000 or $209 per DMT). The depreciation portion of the inventory write-down during the nine months ended September 30, 2013 totalled $5,737,000 or $310 per DMT (2012: $2,209,000 or $136 per DMT).

Other Expenses, Impairment Charges and Operating Loss

For the nine months ended September 30, 2013 and 2012, general and administrative costs include:

(In thousands of dollars)	**For the nine months ended September 30, 2013**	For the nine months ended September 30, 2012
Salaries, wages and benefits	**$ 5,432**	$ 5,640
Share-based payment expense	**1,214**	3,201
Professional and consulting fees	**1,458**	1,394
Travel expenses	**267**	375
Directors' fees	**246**	300
Amortization	**408**	693
Other	**2,013**	2,055
	$ 11,038	$ 13,658

Share-based payment expense decreased 62% as a result of a lower value assigned to stock options granted during the period and prior period forfeitures.

Exploration costs for the nine months ended September 30, 2013 and 2012 included the following:

(In thousands of dollars)	**For the nine months ended September 30, 2013**	For the nine months ended September 30, 2012
Serrote Project	**$ 122**	$ 4,891
Aranzazu Mine	**41**	1,467
Sao Vicente Mine	**554**	653
San Andres Mine	**996**	116
Non-core projects	**131**	150
	$ 1,844	$ 7,277

The decrease in exploration costs for Serrote and Aranzazu reflect the completion of the feasibility study and PEA, respectively. The 2013 exploration program at San Andres is expected to result in the publication of a resource update during Q4 2013.

For the nine months ended September 30, 2013, the Company recorded an impairment charge of $16,021,000 related to the long-lived assets of the Sao Francisco Mine and $40,172,000 related to the long-lived assets of the San Andres Mine and a loss on disposal relating to the non-core Brazilian exploration properties of $8,760,000.

Finance and Other Income and Expenses, Taxes, and Loss for the period

Finance costs for the nine months ended September 30, 2013 and 2012 included the following:

(In thousands of dollars)		**For the nine months ended September 30, 2013**		For the nine months ended September 30, 2012
Accretion	**$**	**3,084**	$	807
Interest expense on debt		**1,641**		2,437
Other interest and finance costs		**694**		226
	$	**5,419**	$	3,470

The increase in accretion relates to changes to the estimate of long-term employee benefits at San Andres and the net smelter return royalty payable, while the decreased interest expense on debt reflects the Company's interest charged on a lower debt balance.

Other gains for the nine months ended September 30, 2013 increased substantially compared to September 30, 2012 loss. Other gains consisted of:

		For the nine months ended September 30, 2013		For the nine months ended September 30, 2012
Foreign exchange gain (loss)	**$**	**2,005**	$	(4,937)
Unrealized loss on copper collar contracts		**(126)**		(1,740)
Realized gains on copper collar contracts		**37**		–
Unrealized loss on gold collar and gold fixed price contracts		**(1,624)**		(1,198)
Realized gain on gold collar and fixed price contracts		**15,721**		1,857
Unrealized gain on foreign currency contracts		**182**		2,893
Realized gain (loss) on foreign currency contracts		**4**		(2,537)
Gain on change in estimate of provision for mine closure and restoration		**-**		1,290
Gain (loss) on change in estimates of net smelter royalty		**879**		(636)
Other items		**25**		(469)
	$	**17,103**	$	(5,477)

Income tax recovery for the nine months ended September 30, 2013 was $17,533,000 and consisted of $2,245,000 in current income tax expense related to San Andres, and $19,510,000 in deferred tax recovery, which primarily related to the impairment charges in San Andres and Brazil. Income tax expense for the nine months ended September 30, 2012 was $3,014,000 and consisted of $4,677,000 in current income tax expense related to San Andres, and $1,663,000 in deferred tax recovery, which primarily relates to deferred tax assets recognized for Aranzazu during the period.

For the nine months ended September 30, 2013, the Company recorded a loss of $62,812,000, which compares to a loss of $47,128,000 for the nine months ended September 30, 2012.

Other comprehensive loss

Other comprehensive loss for the nine months ended September 30, 2013 totalled $741,000 and consisted of a loss on the translation of foreign subsidiaries from their functional currencies into the Company's presentation currency. Other comprehensive loss for the nine months ended September 30, 2012 totalled $1,080,000 and consisted of a loss on the translation of foreign subsidiaries from their functional currencies into the Company's presentation currency of $558,000, and a decrease in the fair value of the Company's cash flow hedges, net of tax impact, of $522,000.

6. SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited interim consolidated financial information for the Company for each of the eight most recently completed quarters.

For the Quarters Ended *(in thousands of US dollars, except per share information)* *(Unaudited)*	**Sept 30, 2013**	**Jun 30, 2013**	**Mar 31, 2013**	**Dec 31, 2012**	**Sept 30, 2012**	**Jun 30, 2012**	**Mar 31, 2012**	**Dec 31, 2011**
Sales revenue	$ 86,064	$ 81,256	$ 88,585	$ 86,404	$ 72,818	$ 72,594	$ 75,596	$ 85,750
Working capital	$ 21,286	$ 12,326	$ 12,887	$ 56,169	$ 49,375	$ 51,896	$ 76,323	$ 83,380
Property, plant and equipment	$ 226,382	$ 228,929	$ 291,796	$ 289,460	$ 290,552	$ 302,302	$ 311,047	$ 319,484
Impairment charges(1)(2)	$ 0	$ 56,193	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Loss on disposal of intangible assets(3)	$ 8 ,760	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Loss	$ (1,795)	$ (50,078)	$ (10,938)	$ (9,681)	$ (16,938)	$ (11,507)	$ (18,683)	$ (10,121)
Loss per share (basic and diluted)	$ (0.01)	$ (0.22)	$ (0.05)	$ (0.04)	$ (0.07)	$ (0.05)	$ (0.08)	$ (0.04)
Operating cash flows (4)	$ 22,139	$ 11,128	$ 11,467	$ 17,908	$ 18,047	$ 3,239	$ (2,497)	$ 15,006

(1) For the quarter ended December 31, 2012, an impairment charge of $6,236,000 was recorded in relation to the Company's Sao Francisco mine while an impairment reversal of $6,236,000 was recorded in relation to the Company's Sao Vicente mine.

(2) For the quarter ended June 30, 2013, an impairment charge of $16,021,000 was recorded in relation to the Company's Sao Francisco mine and an impairment charge of $40,172,000 was recorded in relation to the Company's San Andres mine.

(3) For the quarter ended September 30, 2013, a loss on disposal intangible assets was recorded of $8,760,000

(4) A cautionary note regarding non-GAAP measures is included in Section 17 of this MD&A.

Refer to *"Liquidity and Capital Resources"* for additional information on the working capital movements. For further additional information on period to period variations, see *"Review of Mining Operations and Development Projects" and "Results of Operations".*

7. LIQUIDITY AND CAPITAL RESOURCES

The changes in cash and cash equivalents for the three and nine months ended September 30, 2013 and 2012 are presented in the table below:

(In thousands of dollars)		**For the three months ended September 30, 2013**		For the three months ended September 30, 2012		**For the nine months ended September 30, 2013**		For the nine months ended September 30, 2012
Cash flow generated by (used in) operating activities	**$**	**14,005**	$	(5,807)	**$**	**36,072**	$	(582)
Cash flow used for the purchase of property, plant and equipment		**(6,676)**		(4,984)		**(43,219)**		(15,606)
Decrease (increase) in restricted cash		**3,105**		–		**(1,215)**		–
Cash flow (used in) generated by financing activities		**(2,351)**		4,563		**20,594**		8,561
Effect of exchange rate changes on cash and cash equivalents		**(682)**		(218)		**(598)**		(81)
Increase (decrease) in cash and cash equivalents	**$**	**7,401**	$	(6,446)	**$**	**11,634**	$	(7,708)

Significant capital expenditures during the three months ended September 30, 2013 include $3.3 million on infrastructure and development at Aranzazu and $2.2 million for Serrote development and land acquisitions.

During the nine months ended September 30, 2013, working capital decreased by $33,623,000 to $20,781,000. The working capital includes cash and cash equivalents of $20,951,000 at the quarter end and $4,485,000 of PIS/COFINS receivable tax credits in Brazil.

Cash flow used in financing activities for the nine months ended September 30, 2013 reflects a $2 million draw on the $5 million short-term promissory note at the San Andres project with a $1 million repayment of the short-term promissory note and R$24.6 million (approximately $12.3 million) received from the Bridge Loan. Cash flow used in financing activities for the nine months ended September 30, 2013 also reflects the repayment of $12.3 million on the Credit Facility. As at September 30, 2013, the Company's outstanding balance on the Credit Facility was $30.1 million. Interest paid on this debt for the three months ended September 30, 2013 was $619,000. During October 2013, the Company repaid $5,106,000 of the Credit Facility thereby reducing the balance outstanding to $25,000,000.

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 September 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 Agreement. The Company has obtained a series of forbearance agreements during, and subsequent to, Q3 2013, the latest of which expires on November 29, 2013. The Company expects the lenders to continue to extend the forbearance period granted. If a waiver or forbearance is not obtained, the credit facility will be repayable on demand. The Credit Facility is fully repayable on June 30, 2014.

The Company has experienced recurring operating losses and has a deficit of $371,673,000 at September 30, 2013. For the three months ended September 30, 2013, the Company incurred a loss of $1,795,000 which includes a non-recurring loss on disposal of its non-core Brazilian exploration properties of $8,760,000. 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 and to fund all of its planned expansion activities without refinancing or obtaining additional financing.

These factors raise significant doubt about the Company's ability to continue as a going concern. The Company's continuing operations are dependent upon its ability to refinance its current funding or raise additional funding to meet its obligations and attain profitable operations. Accordingly, the Company is currently evaluating a number of financing alternatives, including, but not limited to, loans and the issuance of notes in the capital markets, to meet its liquidity, debt service and capital expenditure requirements. 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.

8. CONTRACTUAL OBLIGATIONS

For the nine months ended September 30, 2013 and as at the date of this MD&A, the Company has not entered into any contractual obligations that are outside of the ordinary course of business.

As of September 30, 2013 the Company had drawn $30.1 million on the Credit Facility, $4 million on the short-term promissory note at San Andres and R$45 million (approximately $20 million) on the Serrote Bridge Loan (see *Liquidity and Capital Resources*).

9. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of September 30, 2013, other than certain royalty obligations in respect of Aranzazu, the Serrote Project and certain other non-core projects.

10. TRANSACTIONS WITH RELATED PARTIES

During the three and nine months ended September 30, 2013, the Company did not enter into any transactions with related parties.

11. PROPOSED TRANSACTIONS

There are no ongoing or proposed asset or business acquisitions or dispositions currently under consideration.

12. CHANGES IN ACCOUNTING POLICIES

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.

Pronouncement affecting financial statement presentation or disclosures

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.

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 of the Financial Statements.

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.

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 the Financial Statements.

Amendment to IFRS 7, Financial Instruments: Disclosures

The Company adopted the amendments to IFRS 7 effective January 1, 2013. IFRS was amended to enhance disclosure requirements related to offsetting of financial assets and liabilities. The financial instrument disclosures have been incorporated into these condensed interim consolidated financial statements.

Pronouncements affecting accounting policies only

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 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.

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 Financial Statements for the current period or prior periods presented as the Company does not have any joint arrangements.

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 Financial Statements for the current period or prior periods presented.

IAS Employee benefits

IAS 19 is amended to reflect (i) significant changes to recognition and measurement of defined benefit pension expense and termination benefits, and (ii) expanded disclosure requirements.

The Company has concluded that IAS 19 did not have an effect on the condensed interim consolidated financial statements for the current period or prior periods presented.

New accounting pronouncements

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2014 with earlier application permitted and may have an impact on the Company:

The Company is currently assessing the impact of these standards on its consolidated financial statements.

IFRS 9, *Financial Instruments,* was issued in November 2009 and addresses classification and measurement of financial assets. The standard is applicable for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IAS 39, Hedge accounting and novation of derivitives

Amended to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty ("CCP") meets specific criteria.

IAS 36, Impairment of assets – disclosures

Limited scope amendments to disclsoure requirement in IAS 36, Impairment of Assets

IFRIC 21, Accounting for levies imposed by governments

Clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that trigger payment of the levy.

IFRS 10, IFRS 12, IAS 27 Exception for consolidation by "investment entities"

IFRS 10 is amended to define an "investment entity" and introduce an exception from consolidation for investment entities. IFRS 12 and IAS 27 are amended to introduce disclosrues for an investment entity.

IAS 32, Financial instruments: Presentation.

Amended to clarify requirements for offsetting of financial assets and liabilities.

13. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities as well as the reported revenues and expenses during the reporting period. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. The Company's accounting policies relating to work-in-process inventory valuation, deferral of stripping costs, depletion and amortization of mineral property, plant and equipment, impairment of long-lived assets and site reclamation and closure accruals are critical accounting policies that are subject to estimates and assumptions regarding reserves, recoveries, future metal prices and future mining activities. All estimates used are subject to periodic review and are adjusted as appropriate. Life of mine plans are prepared each year, so all estimates relating to mining activities, reserves, recoveries and gold prices are re-assessed annually, or more frequently as determined by management.

Different assumptions would result in different estimates and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the Financial Statements materially and involve a significant level of judgment by management.

The Company's significant accounting policies are described in note 3 to the Financial Statements for the year ended December 31, 2012. Management's critical accounting estimates are applied as follows:

Inventory Valuation

Finished goods, work-in-process, heap leach ore and stockpile ore are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of work-in process inventories include estimates of gold contained in the ore stacked on leach pads, the amount of gold that is expected to be recovered from the leach pads, the amount of gold in the mill circuits and assumption of the gold or copper price expected to be realized when the gold or copper is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its work-in-process inventories, which would reduce the Company's earnings and working capital.

Deferral of stripping costs

In determining whether stripping costs incurred during the production phase of a mining property relate to mineral reserves and mineral resources that will be mined in a future period and therefore should be capitalized, the Company determines whether it is probable that the future economic benefit associated with the stripping activity will flow to the Company.

Provisions for mine closure and restoration

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

Impairment of long-lived assets

Management of the Company reviews and evaluates the carrying value of long-lived assets for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. If the total estimated future cash flows on a discounted cash flow basis are less than the carrying amount of the asset, an impairment loss is measured and assets are written down to fair value. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a long-lived asset is impaired, it is written down to its estimated fair value.

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

Brazilian Mines

At December 31, 2012, the Company recorded an impairment charge relating to Sao Francisco and an impairment reversal in relation to Sao Vicente. 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 Sao Francisco and Sao Vicente 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 Sao Francisco 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 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 Sao Vicente.

During the three months ended September 30, 2013, the consensus gold price and other indicators of impairment did not change significantly, therefore no further impairments, or reversals of previously recorded impairments, have been recorded.

San Andres Mine

During the three months ended June 30, 2013, the consensus gold price declined significantly to below the gold price assumptions used in the Company's life-of-mine forecast for San Andres. 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 San Andres 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 Honduran Lempira. 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 San Andres. 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 San Andres 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.

During the three months ended September 30, 2013, the consensus gold price and other indicators of impairment did not change significantly, therefore no further impairments, or reversals of previously recorded impairments, have been recorded.

14. FINANCIAL INSTRUMENTS AND DERIVATIVES

Financial instruments

Financial instruments that potentially subject the Company to interest rate and credit risk consist of cash and cash equivalents, derivative contracts, accounts receivable, and long-term debt. In order to manage credit risk, the Company deposits cash and cash equivalents with high credit quality financial institutions.

The Company's credit risk is limited to trade receivables and derivative contracts in the ordinary course of business and the quality of its financial investments. At Aranzazu, as of September 30, 2013, the Company's trade accounts receivable balance is due from two customers. The Company believes that its credit risk exposure on sales of concentrate is limited as the Company sells its product to large, international purchasers with high credit ratings.

The sale of gold is at spot prices in world markets. Also, as cash receipts following gold sales are usually at same-day value, the Company does not consider credit risk associated with gold sales to be a significant risk. Furthermore, the Company maintains separate and sufficient insurance and requires the transporters of its gold doré and the refiners to carry sufficient insurance to prevent loss during transportation or the refining process.

The Company is subject to price risk from fluctuations in market prices of gold, copper and other metals. In addition, in respect of metals in concentrate, there is a time lag between the time of initial payment on shipment and final settlement pricing, and changes in the price of gold, copper and other metals during this period impact the Company's revenues and working capital position. As at September 30, 2013, the Company has no outstanding hedge contracts for copper concentrate or gold production.

Foreign exchange

As the Company's primary operating activities are in Honduras, Mexico and Brazil, foreign exchange risk exposures arise from transactions denominated in foreign currencies. Financial instruments that impact the Company's loss or other comprehensive gain (loss) due to currency fluctuations include: cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities denominated in Canadian dollars, Honduran lempiras, Brazilian reais and Mexican pesos. The Company's net revenues from its Honduran, Brazilian and Mexican operations, including treatment charges and royalties are substantially denominated in United States dollars, however, the majority of all other operating expenses are in Honduran lempiras, Brazilian reais and Mexican pesos, respectively. At September 30, 2013, the Company had cash and cash equivalents of $22,166,000, of which $466,000 was held in Canadian dollars, $8,199,000 in United States dollars, 8,896,000 in Brazilian reais $2,220 in Honduran lempiras, and $1,169,000 in Mexican pesos, which are subject to foreign currency fluctuations. The Company's restricted cash of $1,215,000 is held in Brazilian reais, which is subject to foreign currency fluctuations. Accordingly, depending upon the timing of expenditures and receipts at San Andres, the Brazilian Mines, and Aranzazu, the Company will be subject to foreign currency rate fluctuations between these currencies and the United States dollar.

In prior periods, the Company had limited exposure to fluctuations in the Honduran lempira as this currency was pegged to the United States dollar. However, in late-July 2011, the Honduran lempira changed from a fixed exchange currency to a floating exchange currency. Since that time, fluctuations in the Honduran lempira have been minimal. However, fluctuations in this currency going forward could expose the Company to currency risk as could significant fluctuations in the Mexican peso, Brazilian real, or Canadian dollar.

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 nine months ended September 30, 2013, the Company recorded an unrealized gain of $nil and $182,000 (2012: unrealized gain of $1,151,000 and unrealized gain of $2,893,000), respectively. For the three and nine months ended September 30, 2013, the Company recorded an realized gain of $nil and $4,000 (2012: unrealized loss of $677,000 and unrealized loss of $2,537,000), respectively.

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

Copper collar contracts

During the nine months ended September 30, 2013, put/call collars for January to May expired unexercised while the September 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 nine months ended September 30, 2013, the Company recorded an unrealized loss of $nil and $126,000 (2012: unrealized loss of $631,000 and $1,740,000), respectively. For the three and nine months ended September 30, 2013, the Company recorded an realized gain of $37,000 and $37,000 (2012: realized gain or loss of $nil and $nil), respectively.

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

Gold collar and fixed price contracts

During the year ended December 31, 2012, in connection with the implementation of the new mine plans at the Brazilian Mines, the Company entered into contracts to hedge a total of 80,000 ounces of gold between April 1, 2012 and September 30, 2014. The derivative instruments entered into were in the form of zero-cost put/call collars with a floor price of $1,700 per ounce of gold and an average ceiling price of $1,812 per ounce of gold.

These derivative instruments were not designated as hedges by the Company, and were 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. During the three months ended September 30, 2013, the Company entered into new contracts to hedge a total of 22,500 ounces of gold between September 1, 2013 and November 30, 2013. The derivative instruments entered into were in the form of fixed price contracts at an average price of $1,368 per ounce of gold. At September 30, 2013, the Company had 15,000 ounces of gold fixed price contracts outstanding with an average hedge price of $1,369.

For the three and nine months ended September 30, 2013, the Company recorded total unrealized losses of $843,000 and $1,624,000 (2012: unrealized losses of $9,472,000 and $1,198,000) on the gold collar and fixed price contracts. For the three and nine months ended September 30, 2013, the Company recorded realized gains of $1,758,000 and $15,721,000 (2012: realized gains of $1,174,000 and $1,857,000) on the gold collar and fixed price contracts.

15. CORPORATE GOVERNANCE

The Company's Board and its committees substantially follow the recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The current Board is comprised of six individuals, five of whom are neither executive officers nor employees of the Company and are unrelated in that they are independent of management. The Audit Committee is currently comprised of three directors who are independent of management.

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

16. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for designing and maintaining adequate internal controls over financial reporting ("ICFR"), under the supervision of the CEO and CFO, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS. Management is also responsible for the design and effectiveness of disclosure controls and procedures ("DC&P"), under the supervision of the CEO and CFO, to provide reasonable assurance that material information related to the Company is made known to the Company's certifying officers. Based on a review of the ICFR and DC&P as of December 31, 2012 and ongoing review and monitoring of these procedures, and as there were no changes in ICFR or DC&P in the three months ended September 30, 2013 which have materially affected or are reasonably likely to materially affect ICFR or DC&P, management of the Company believes its internal controls and procedures are appropriately designed and effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner, and that material information relating to the Company is made known to them.

17. NON-GAAP PERFORMANCE MEASURES

In this MD&A, the Company has included the average cash cost per oz of gold, average cash cost per payable pound of copper and operating cash flow which are non-GAAP performance measures. These non-GAAP measures do not have any standardized meaning within IFRS and therefore may not be comparable to similar measures presented by other companies. The Company believes that these measures provide investors with additional information which is useful in evaluating the Company's performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Average cash cost per oz of gold or per payable pound of copper is presented as it represents an industry standard method of comparing certain costs on a per unit basis. Total cash cost of gold produced includes on-site mining, processing, administration costs, off-site refining and royalty charges, reduced by silver by-product credits, but excludes amortization, reclamation, and exploration costs, as well as capital expenditures. Total cash cost of gold produced is divided by oz produced to arrive at cash cost per oz. Similarly, total cash cost of copper produced includes the above costs, and is net of gold and silver by-products, but includes offsite treatment and refining charges. Total cash cost of copper produced is divided by payable pounds of copper produced to arrive at an average cash cost per payable pound.

The following table provides a reconciliation from the Financial Statements to average cash cost per oz of gold produced:

(In thousands of dollars except for ounces of gold produced and average cash cost per ounce)	**For the three months ended September 30, 2013**	For the three months ended September 30, 2012	**For the nine months ended September 30, 2013**	For the nine months ended September 30, 2012
Cost of goods sold	**$ 63,929**	$ 56,677	**$ 223,311**	$ 198,780
Less: Depletion and amortization	**(11,186)**	(9,813)	**(43,824)**	(32,100)
Inventory movements and adjustments	**(1,803)**	3,488	**1,621**	7,380
Total cash cost	**$ 50,940**	$ 50,352	**$ 181,108**	$ 174,060
Gold ounces produced	**55,611**	43,059	**158,450**	123,007
Average cash cost per ounce of gold produced	**$ 916**	$ 1,169	**$ 1,143**	$ 1,415

The following table provides a reconciliation from the Financial Statements to the average cash cost per pound of payable copper produced:

(In thousands of dollars except for pounds of payable copper produced and average cash cost per payable pound of copper produced)	**For the three months ended September 30, 2013**	For the three months ended September 30, 2012	**For the nine months ended September 30, 2013**	For the nine months ended September 30, 2012
Cost of goods sold	**$ 13,828**	$ 11,641	**$ 45,971**	$ 36,539
Less: Depletion and amortization	**(2,340)**	(823)	**(7,651)**	(5,739)
Inventory movements and adjustments	**2,474**	1,925	**(196)**	255
Cash production costs	**$ 13,962**	$ 12,743	**$ 38,124**	$ 31,055
Less: Estimated by-product credits	**(3,851)**	(5,551)	**(11,005)**	(12,705)
Plus: Estimated selling costs	**3,182**	3,797	**8,925**	9,540
Total cash costs net of by-product credits	**$ 13,293**	$ 10,989	**$ 36,044**	$ 27,890
Payable copper pounds produced	**3,774,500**	2,450,800	**9,984,500**	8,757,000
Average cash cost per payable pound of copper produced	**$ 3.52**	$ 4.48	**$ 3.61**	$ 3.18

Operating cash flow is the term the Company uses to describe the cash that is generated from operations excluding depletion and amortization, stock based compensation and impairment charges.

The following table reconciles the Financial Statements to the operating cash flow:

	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012	Sept 30, 2012	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011
Operating loss	$ (4,181)	$ (75,694)	$ (11,337)	$ (7,977)	$ (1,112)	$ (13,469)	$ (20,665)	$ (4,650)
Add back:								
Depletion and amortization	13,667	18,673	19,543	19,686	10,858	14,677	12,997	18,919
Depletion and amortization portion of inventory NRV adjustment	3,581	11,583	2,732	5,821	7,829	1,328	3,145	-
Share based payments	312	373	529	378	472	703	2,026	737
Loss on disposal - Intangible assets	8,760	-	-	-	-	-	-	-
Impairment charge - Brazilian Mines	-	16,021	-	-	-	-	-	-
Impairment charge - San Andres Mine	-	40,172	-	-	-	-	-	-
Operating cash flow	$ 22,139	$ 11,128	$ 11,467	$ 17,908	$ 18,047	$ 3,239	$ (2,497)	$ 15,006

18. RISK FACTORS

The operations of the Company contain significant risk due to the nature of mining, exploration and development activities. For details of these risks, please refer to the risk factors set forth in the Company's AIF which could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

19. DISCLOSURE OF SHARE DATA

As at November 14, 2013, the Company had the following outstanding: 228,358,334 common shares, 17,527,620 stock options and 291,960 restricted share units.

20. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A, and the documents incorporated by reference, contain certain "forward-looking information" and "forward-looking statements", as defined in applicable securities laws (collectively, "forward-looking statements"). All statements other than statements of historical fact are forward-looking statements. Forward-looking statements relate to future events or future performance and reflect the Company's current estimates, predictions, expectations or beliefs regarding future events and include, without limitation, statements with respect to: the economic viability of a project; strategic plans, including the Company's plans with respect to its San Andres, Aranzazu, Sao Vicente, Sao Francisco Mines and the Serrote development project; the amount of mineral reserves and mineral resources; the amount of future production over any period; the amount of waste tonnes mined; the amount of mining and haulage costs; cash costs; operating costs; strip ratios and mining rates; expected grades and ounces of metals and minerals; expected processing recoveries; expected time frames; prices of metals and minerals; mine life; and gold hedge programs. Often, but not always, forward-looking statements may be identified by the use of words such as "expects", "anticipates", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Forward-looking statements in this MD&A are based upon, without limitation, the following estimates and assumptions: the presence of and continuity of metals at the Company's projects at modeled grades; gold and copper price volatility; the capacities of various machinery and equipment; the availability of personnel, machinery and equipment at estimated prices; exchange rates; metals and minerals sales prices; appropriate discount rates; tax rates and royalty rates applicable to the mining operations; cash costs; anticipated mining losses and dilution; metals recovery rates, reasonable contingency requirements; our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable; our expected ability to develop our projects including financing such projects; and receipt of regulatory approvals on acceptable terms.

Known and unknown risks, uncertainties and other factors, many of which are beyond the Company's ability to predict or control could cause actual results to differ materially from those contained in the forward-looking statements. Specific reference is made to the Company's most recent AIF for a discussion of some of the factors underlying forward-looking statements, which include, without limitation, gold and copper or certain other commodity price volatility, changes in debt and equity markets, the uncertainties involved in interpreting geological data, increases in costs, environmental compliance and changes in environmental legislation and regulation, interest rate and exchange rate fluctuations, general economic conditions, political stability and other risks involved in the mineral exploration and development industry. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements.

All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements.