Aura Minerals Inc.

Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

Management's Responsibility for Financial Reporting and Report on Internal Control Over Financial Reporting

The accompanying consolidated financial statements have been prepared by and are the responsibility of the Board of Directors and management of the Company. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgments based on currently available information. The Company has developed and maintains a system of internal controls in order to ensure, on a reasonable and cost effective basis, the reliability of its financial information.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and accounted for, that transactions are authorized, and to facilitate the preparation of relevant, reliable, and timely financial information. Where appropriate, management uses its best judgement, based on currently available information, to make estimates required to ensure fair and consistent presentation of this information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises this responsibility through the Audit Committee. The Audit Committee consists of three directors all of whom are independent. The functions of the Audit Committee are to review the quarterly and annual consolidated financial statements and submit them to the Board of Directors for approval; review the adequacy of the system of internal controls; review any relevant accounting, financial and security regulatory matters; recommend the appointment of external auditors; and approve the scope of the external auditors' audit and non-audit work.

"James Bannantine"
President, Chief Executive Officer

"Rory Taylor"
Chief Financial Officer

Toronto, Canada
March 26, 2014

March 26, 2014

Independent Auditor's Report

To the Shareholders of
Aura Minerals Inc.

We have audited the accompanying consolidated financial statements of Aura Minerals Inc. which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of loss, comprehensive loss, changes in equity, and cash flows for the years then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aura Minerals Inc. as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the corporation's ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Aura Minerals Inc.

Consolidated Statements of Loss

For the years ended December 31, 2013 and 2012

Expressed in thousands of United States dollars, except where otherwise noted

	Note		2013		2012
					Restated (note 5c)
Revenue	20	**$**	**330,877**	$	307,412
Cost of goods sold	21		**336,570**		322,726
Gross margin			**(5,693)**		(15,314)
General and administrative expenses	22		**16,078**		18,593
Exploration expenses	23		**1,987**		7,696
Loss on disposal - Brazilian exploration properties	12		**8,760**		–
Impairment charge - Brazilian mines	6		**16,019**		–
Impairment charge - San Andres mine	6		**40,172**		–
Operating loss			**(88,709)**		(41,603)
Finance costs	24		**(5,817)**		(4,917)
Other (loss) income			**(746)**		62
Other gains (losses)	25		**13,402**		(5,099)
Loss before income taxes			**(81,870)**		(51,557)
Income tax recovery (expense)			**7,677**		(3,385)
Loss for the year		**$**	**(74,193)**	$	(54,942)
Loss per share:					
Basic and diluted		**$**	**(0.32)**	$	(0.24)
Weighted average number of common shares outstanding:					
Basic and diluted			**228,361,341**		228,193,645

The accompanying notes form an integral part of these consolidated financial statements

Aura Minerals Inc.

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2013 and 2012

Expressed in thousands of United States dollars, except where otherwise noted

		2013		2012
				Restated (note 5c)
Loss for the year	**$**	**(74,193)**	$	(54,942)
Other comprehensive loss				
Items that may be reclassified to consolidated statements of loss				
Loss on foreign exchange translation of subsidiaries		**(1,136)**		(651)
Actuarial loss of post employment benefit, net of tax		**(533)**		(330)
Change in the fair value of cash flow hedges, net of tax		**–**		(521)
Other comprehensive loss, net of tax		**(1,669)**		(1,502)
Total comprehensive loss	**$**	**(75,862)**	$	(56,444)

The accompanying notes form an integral part of these consolidated financial statements

Aura Minerals Inc.

Consolidated Statements of Cash Flows

As at December 31, 2013 and 2012

Expressed in thousands of United States dollars, unless otherwise noted

	Note	2013	2012
			Restated (note 5c)
Cash flows from operating activities			
Loss for the year		**$ (74,193)**	$ (54,942)
Items not affecting cash	26 (a)	**153,652**	104,868
Changes in non-cash working capital	26 (b)	**(41,267)**	(28,134)
Other assets		**9,546**	(14,021)
Net cash generated by operating activities		**47,738**	7,771
Cash flows from investing activities			
Purchase of property, plant and equipment		**(49,465)**	(28,558)
Proceeds from sale of fixed assets		**–**	105
Net cash used in investing activities		**(49,465)**	(28,453)
Cash flows from financing activities			
Draw down of short-term loans		**27,543**	–
Repayment of short-term loans		**(1,000)**	–
Draw down of credit facility, net of transaction costs		**11,221**	9,318
Repayment of credit facility		**(20,593)**	–
Interest paid on debt		**(2,175)**	(1,232)
Finance lease payments		**(3,242)**	(582)
Repayment of other provisions		**(1,537)**	–
Repayment of other liability		**(2,401)**	–
Proceeds on exercise of options		**–**	78
Net cash generated by financing activities		**7,816**	7,582
Increase (decrease) in cash and cash equivalents		**6,089**	(13,100)
Effect of exchange rate changes on cash and cash equivalents		**(47)**	(39)
Cash and cash equivalents, beginning of the period		**9,317**	22,456
Cash and cash equivalents, end of the period		**$ 15,359**	$ 9,317

Supplementary cash flow information (note 26 (c))

The accompanying notes form an integral part of these consolidated financial statements

Aura Minerals Inc.

Consolidated Statements of Financial Position

As at December 31, 2013 and 2012

Expressed in thousands of United States dollars, unless otherwise noted

	Note	2013	2012
			Restated (note 5c)
ASSETS			
Current			
Cash and cash equivalents		**$ 15,359**	$ 9,317
Trade and other receivables	7	**18,537**	11,769
Inventory	8	**66,526**	76,514
Other current assets	9	**7,662**	10,543
		108,084	108,143
Other long-term assets	10	**10,265**	19,320
Property, plant and equipment	11	**228,762**	289,460
Deferred income tax asset	15	**4,502**	–
Intangible assets	12	**–**	8,760
		$ 351,613	$ 425,683
LIABILITIES			
Current			
Trade and other payables	13	**$ 38,790**	$ 48,371
Current portion of debt	14	**47,027**	1,828
Current portion of provision for mine closure and restoration	16	**2,849**	1,593
Current portion of other liability	18	**4,269**	3,406
Derivative financial liabilities	27 (b)	**–**	182
		92,935	55,380
Debt	14	**202**	30,406
Deferred income tax liabilities	15	**12,341**	19,448
Provision for mine closure and restoration	16	**18,986**	18,623
Other provisions	17	**7,543**	5,419
Other liability	18	**7,661**	9,992
		139,668	139,268
SHAREHOLDERS' EQUITY			
Share capital	19	**537,603**	537,449
Contributed surplus		**53,605**	52,367
Accumulated other comprehensive income		**1,142**	2,278
Deficit		**(380,405)**	(305,679)
		211,945	286,415
		$ 351,613	$ 425,683

Nature of operations and going concern (note 1), Contingencies and commitments (note 32) and Subsequent events (note 33)

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 consolidated financial statements

Aura Minerals Inc.

Consolidated Statements of Changes in Equity

As at December 31, 2013 and 2012

Expressed in thousands of United States dollars

	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**	**$ (305,679)**	**$ 286,415**
Loss for the period		–	–	–	–	(74,193)	(74,193)
Loss on translation of subsidiaries		–	–	–	(1,136)	–	(1,136)
Actuarial loss on severance liability, net of tax	5 (c)	–	–	–	–	(533)	(533)
Shares issued on exercise of RSUs	19 (c)	99,772	154	(154)	–	–	–
Share-based payments	19 (c)	–	–	1,392	–	–	1,392
At December 31, 2013		**228,458,106**	**$ 537,603**	**$ 53,605**	**$ 1,142**	**$ (380,405)**	**$ 211,945**

	Note	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit *(restated - note 5c)*	Total equity
At December 31, 2011		**228,042,533**	**$ 536,965**	**$ 49,194**	**$ 3,450**	**$ (250,407)**	**$ 339,202**
Net loss for the period		–	–	–	–	(54,942)	(54,942)
Loss on translation of subsidiaries		–	–	–	(651)	–	(651)
Actuarial loss on severance liability, net of tax	5 (c)	–	–	–	–	(330)	(330)
Change in fair value of cash flow hedges, net of tax		–	–	–	(521)	–	– (521)
Shares issued on exercise of options	19 (b)	100,000	135	(57)	–	–	78
Shares issued on exercise of RSUs	19 (c)	215,801	349	(349)	–	–	–
Share-based payments	19 (c)	–	–	3,579	–	–	3,579
At December 31, 2012		**228,358,334**	**$ 537,449**	**$ 52,367**	**$ 2,278**	**$ (305,679)**	**$ 286,415**

The accompanying notes form an integral part of these 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 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 $380,405 at December 31, 2013. For the year ended December 31, 2013, the Company incurred a loss of $74,193. 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 14) 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 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 consolidated financial statements of Aura Minerals for the years ended December 31, 2013 and 2012 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved for issue by the board of directors effective March 26, 2014.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all periods presented unless otherwise stated.

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, after eliminating intercompany balances and transactions. The Company's principal operating subsidiaries are: Minerales de Occidente, S.A. (100% owned, Honduras), Aranzazu Holding, S.A. de C.V. (100% owned, Mexico), Mineracao Apoena Ltda. (100% owned, Brazil) and Mineracao Vale Verde Ltda. (100% owned, Brazil).

Subsidiaries

Subsidiaries are all the entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases.

b) Foreign currency translation

Functional and presentation currency

Items included in the accounts of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in United States dollars, which is the parent Company's functional currency and the Company's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when deferred in equity as qualifying cash flow hedges.

Translation of subsidiary results into the presentation currency

The results and statements of financial position of all the Company's subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each statement of income are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognized in a separate component of equity. When a foreign operation is sold, such exchange differences are recognized in the statement of income as part of the gain or loss on sale.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less.

d) Trade and other receivables

Trade and other receivables are amounts due from customers and others in the normal course of business. If collection is expected in one year or less, they are classified as current assets; if not, they are presented as non-current assets and discounted accordingly.

e) Inventory

Finished product inventory and work-in-process inventory, which includes leach pad and ore stockpile inventory, are valued at the lower of average cost and net realizable value. Finished product inventory consists of finished gold products and metals in concentrate. Work-in-process inventory represents inventory in-circuit at the Company's process plants and leach pad. Stockpile inventory represents ore stacked on leach pads and in stockpiles. The cost of work-in-process and finished product inventories includes mining costs, direct labour, operating materials and supplies, applicable haulage and transportation charges, and an applicable portion of operating overhead, including amortization and depletion. Costs of inventory also include the transfer from equity of any realized gains or losses on qualifying cash flow hedges related to operating costs. Net realizable value is the expected selling price for the finished product less the costs to get the product into saleable form and to the selling location.

Parts and supplies inventory consists of consumables and are valued at weighted average cost after provision for slow moving and obsolete items. For inventory which has been written down to net realizable value, if subsequent assessments conclude that the circumstances causing the write down no longer exist or when there is clear evidence of an increase in net realizable value due to a change in economic circumstances, the write down is reversed.

f) Mining interests

Mining interests represent capitalized expenditures related to the development of mining properties, expenditures arising from property acquisitions and related plant and equipment. Upon disposal or abandonment, the carrying amounts of mining interests are derecognized and any associated gains or losses are recognized in net loss.

Mining properties

Mineral properties acquired through business acquisitions are recognized at fair value on the acquisition date.

Expenditures for mine construction and development are capitalized once the Company can conclude that it will receive future economic benefits from an exploration property, which is generally when a feasibility study is completed and economically recoverable mineral resources for the project are determined. Development expenditures consist primarily of direct expenditures incurred to establish productive capacity, and are included as part of assets under construction until commissioning is completed.

When further development expenditures are incurred in respect of a mine already in production, such expenditures are capitalized when it is likely that additional future economic benefits associated with the expenditure will flow to the Company. Otherwise, such expenditures are classified as a cost of production in the periods they are incurred.

Once development projects are complete, they are transferred to the appropriate classifications within mining interest and are depleted commencing on the date that commissioning is completed.

Plant and equipment

Plant and equipment is originally recorded at cost at the time of construction, purchase, or acquisition, and is subsequently measured at cost less accumulated amortization and impairment. Cost includes all costs required to bring the item into its intended use by the Company.

Costs incurred for major overhaul of existing equipment are capitalized as plant and equipment and are subject to amortization once they are commissioned. The costs of routine maintenance and repairs are expensed as incurred.

Leased assets

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under financial leases are recognized at the lower of the fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as discussed in note 3(m).

Amortization and depletion

Plant and equipment is amortized using the straight line or units of production methods over the life of the mine, or over the remaining useful life of the asset, if shorter. Land is not amortized. The following amortization rates are used by the Company:

Major class of assets	Depreciation Method	Depreciation Rate
Vehicles	Straight-line	3-5 years
Machinery and equipment	Straight-line	2-25 years
Mobile mining equipment	Straight-line	4-8 years
Furniture and fixtures	Straight-line	4-10 years
Computer equipment and software	Straight-line	2-5 years
Leasehold improvements	Straight-line	Lease term
Buildings	Straight-line	4-20 years
Plant	Straight-line	4-20 years

Residual values and useful lives are reviewed on an annual basis and adjusted, if necessary, on a prospective basis.

Once a mining operation has achieved commercial production, capitalized mineral property expenditures are depleted on unit-of production basis using proven and probable reserves and a portion of measured and indicated resources that are reasonably expected to be converted into proven and probable reserves.

g) Intangible assets

Intangible assets represents exploration properties for which the Company has not yet performed sufficient exploration work to determine whether significant mineralization exists. Such properties are carried at the cost of acquisition. Exploration properties are not subject to depletion or amortization, but rather are tested for impairment when circumstances indicate that the carrying value may not be recoverable. Where the Company has determined that there is little likelihood of the properties providing future economic benefits, when the properties are abandoned, or when the future realizable benefits of the properties falls below cost, an impairment charge is recorded and the asset is written down to its recoverable amount.

h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or whenever other indicators exist. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of assets is the greater of their fair value less costs of disposal (“FVLCD”) and value in use. FVLCD is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm’s-length basis. FVLCD for mineral properties is generally determined as the present value of estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, and discounted by an appropriate post-tax discount rate to arrive at a net present value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is determined by applying assumptions specific to the Company’s continued use and cannot take into account future development discounted by an appropriate pre-tax discount rate. As such, these assumptions differ from those used in calculating FVLCD. The Company’s cash generating units are the lowest level of identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

i) Deferred stripping costs

At the Company’s mining operations, it is necessary to remove overburden and other waste in order to access the ore body (stripping). During the pre-production phase and during the production period, stripping costs are deferred as part of the mineral property to the extent that the costs relate to anticipated future benefits and represent a betterment. Deferred stripping costs are depleted using the units of production method as the ore body accessed by the stripping activities is mined. Waste removal which relates to current production activities and does not give rise to a future benefit is accounted for as a production cost in the period in which it is incurred and is included in the cost of inventory. Refer to Note 5 for implication of IFRIC 20 “Stripping Cost in the Production Phase of a Surface Mine”.

j) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. Where the Company expects to realize the asset or discharge the liability within twelve months, it is recorded as a current asset or liability; otherwise, it is recorded as a long-term asset or liability.

Financial assets and liabilities at fair value through profit and loss (“FVTPL”)

Financial assets and liabilities at FVTPL considered to be held for trading. A financial asset or liability is classified in this category is acquired principally for the purpose of selling or redeeming in the short-term. Derivatives are included in this category unless they are designated as hedges.

Financial assets and liabilities carried at FVTPL are initially recognized at fair value and are subsequently remeasured to their fair value at each statement of financial position date. Realized and unrealized gains and losses arising from changes in the fair value of these financial assets or liabilities are included in the statement of loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non current assets based on their maturity date. The Company classifies its trade and other receivables, other assets and cash and cash equivalents in the statement of financial position, as loans and receivables. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are those non-derivatives financial assets that are designated as such or are not classified in any of the other categories.

AFS financial assets are initially recorded at fair value upon initial recognition and at each period end, with unrealized gains and losses being recognized as a separate component of equity in other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in net loss.

Other financial liabilities

Other financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net loss when the liabilities are derecognized as well as through the amortization process.

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments such as forward currency contracts to manage its foreign currency exposure of forecasted expenditures in its international operations. Derivative financial instruments are initially recognized at fair value on the date the contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The method of recognizing the resulting gain or loss on the changes in fair value of derivative financial instruments depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain forward currency contracts as hedges of highly probable forecast transactions (cash flow hedges). At the inception of the transaction, the Company documents the relationship between hedge instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedge items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity in other comprehensive income. Any gain or loss on the ineffective portion or any undesignated portion of the instrument is recognized in the statement of loss. Amounts accumulated in equity are recognized in the statement of income at the point when the hedged item will affect profit or loss.

When a hedging instrument expires or is sold or terminated or when the hedge no longer meets the criteria for hedge accounting, any accumulated gain or loss in equity remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, any cumulative gain or loss in equity is transferred to the statement of loss.

Derivatives that do not qualify for hedge accounting are initially recorded at fair value and are remeasured at each reporting date to their fair values, and any resulting gains or losses are recognized in the statement of income for the period.

Fair value of financial instruments

The fair values of quoted investments are determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, the Company determines fair value by using valuation techniques. These include using recent arm's length market transactions, referenced to the current market value of other instruments that are substantially the same, discounted cash flow analysis, and pricing models.

Financial instruments that are measured subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

Level 1 - fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

Financial assets, other than those recorded at FVTPL, are assessed for indicators of impairment at each period end. A financial asset is considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investments have been impacted.

Derecognition of financial assets and liabilities

Financial assets are derecognized when the investments mature or are sold and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized within interest and other income and finance costs respectively.

k) Provisions

Provisions are recognized when the Company or its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are not recognized in the consolidated financial statements, if not estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote.

Contingent assets are not recognized in the consolidated financial statements, but are disclosed in the notes if their recovery is deemed probable.

Mine closure and restoration

Provisions for mine closure and restoration are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitiation cost (which includes such costs as dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate and the accretion is included in finance cost. At the time of establishing the provision, the net present value of the obligation is capitalized as part of the cost of mineral properties.

The provision is reviewed on an annual basis for changes in cost estimates, discount rates, inflation and operating lives. The net present value of changes in cost estimate of the mine closure and restoration obligation are capitalized to mineral properties.

Restoration activities will occur primarily upon closure of a mine, but can occur from time to time throughout the life of the mine. As restoration projects are undertaken, their costs are charged against the provision as the costs are incurred.

l) Long-term employee benefits

Long-term employee benefits are payable when employment is terminated. The expected costs of these benefits are accrued in the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

m) Leases

Assets held under financial leases are recognized as discussed in note 3(f). The corresponding liability is recognized as finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are charged as an expense to profit and loss.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

n) Share capital

Common shares issued by the Company are classified as equity. Incremental costs directly attributable to the issue of new shares are recognized in equity, net of tax, as a deduction from the share proceeds.

o) Share-based payments

The fair value of the employee services received in exchange for the grant of stock options or other share-based payments plans is recognized as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by calculating the fair value of the options or other share-based payments plan at the date of grant. The Company uses the Black-Scholes option pricing model to calculate the fair value of options granted.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions; and
- Excluding the impact of any service and non-market performance vesting conditions, such as profitability, sales growth targets, and remaining an employee of the entity over a specific time period.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. This estimate is revised at each statement of financial position date and the difference is charged or credited to the statement of income with the corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The fair value and any proceeds received, net of any directly attributable transaction costs, are credited to equity.

p) Taxation

Tax expense comprises both current and deferred tax expense for the period. Tax expense is recognized in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Current income tax expense is the tax expected to be payable on the taxable income for the year calculated using rates (and laws) that have been enacted or substantively enacted at the statement of financial position date in the countries where the Company operates. It includes adjustments for tax expected to be payable or recoverable in respect of previous periods.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that they will be realized in the future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use) are capitalized as part of the cost of the asset. Capitalization of borrowing costs begins when costs are incurred and activities are undertaken to prepare the asset for its intended use and ceases when the asset is substantially complete or commissioned for use. Once the identified asset is substantially complete, the attributable borrowing costs are amortized over the useful life of the related asset. All other borrowing costs are expensed in the period they occur.

r) Revenue recognition

The Company recognizes revenue when the product has been delivered in accordance with the terms of the contract, the significant risks and rewards of ownership have been transferred to the buyer, the amount of revenue can be reliably measured, and the collection of the sales price is reasonably assured.

Gold sales

The Company's gold sales are recognized at the date that title passes to the buyer, which is generally when the gold is settled from the refinery. However, title could pass at any stage during the refining process for certain of the Company's gold sales. Gold revenues are shown net of local taxes calculated on gross revenues.

Metals in concentrate

Sales of metals in concentrate are recognized when the title passes, which is generally the date the concentrate is delivered to the buyer at the shipping port. The majority of the Company's sales of concentrates are sold under pricing arrangements where the final prices are determined by quoted market prices in a period subsequent to the date of sale. As a result, the estimated revenue is recorded based on forward metal prices for the expected date of final settlement, resulting in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value recorded as adjustments to revenue as they occur. These adjustments also reflect changes in quantities arising from final weight and assay calculations. Revenues from the sale of metals in concentrate are shown in the statement of income net of treatment and refining costs paid to counterparties under the terms of the off-take arrangements.

s) Exploration expenses

Exploration activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration expenditures, which include costs associated with researching and analysing historical data, gathering data, exploration drilling and sampling, determining infrastructural requirements and preparing financial viability studies, are expensed until the Company can conclude that it is more likely than not that economically recoverable mineral resources exist.

t) (Loss) Earnings per share

Basic (Loss) Earnings per share is computed by dividing net (loss) earnings available to common shareholders by the weighted average number of common shares outstanding during the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported, all outstanding options are excluded from the calculation of diluted loss per share, as they are anti-dilutive.

u) Comprehensive (loss) income

Comprehensive (loss) income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and include items that are not included in net profits such as, unrealized gains and losses on financial assets classified as available-for-sale, gain or losses on certain derivative instruments, foreign currency exchange gains or losses related to foreign subsidiaries whose functional currency is different than the functional currency of the Company and actuarial gains and losses of post employment benefits.

The Company's comprehensive loss is presented in the consolidated statement of comprehensive loss and the consolidated statement of changes in equity.

v) Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (iii) for which discrete financial information is available. The Company's operating segments are identified as San Andres Mines, Brazilian Gold Mines, Aranzazu Mine, Serrote Project and Corporate.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires management to make estimates and judgements and to form assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities. Management's estimates and judgements are continually evaluated and are based on historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates.

The Company has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company's statement of financial position reported in future periods.

a) Determination of ore reserves

The Company determines ore reserves and resources under the principles incorporated in the Canadian Institute of Mining, Metallurgy and Petroleum standards for mineral reserves and resources, known as the CIM Standards. The information is regularly compiled by Qualified Persons and reported under National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI-43-101"). Reserves and resources determined in this way are used in the calculation of depletion expense, assessment of impairment charges and the carrying values of assets, and for forecasting the timing of the payment of mine closure and restoration costs.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and resources and may, ultimately, result in reserves and resources being restated.

b) Impairment of assets

In accordance with the Company's accounting policy, each asset or cash generating unit is evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating unit is measured at either FVLCD or value in use, depending on the availability of relevant information.

The determination of FVLCD and value in use requires management to make estimates and assumptions about expected production and sales volumes, metals prices, reserves, operating costs, mine closure and restoration costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of income.

c) Valuation of work-in-process inventory

Leach pad inventory is comprised of ore that has been extracted from the mine and placed on the heap leach pad for further processing. Costs are added to leach pad inventory based on current mining costs and are removed from leach pad inventory as gold ounces are recovered in the plant, based on the average cost per recoverable ounce on the heap leach pad. The quantity of recoverable gold in process is an engineering estimate which is based on the expected grade and recovery of gold from the ore placed on the leach pad. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. However, the estimate of recoverable gold placed on the leach pad is reconciled to actual gold production and the engineering estimates will be refined based on actual results over time. The ultimate recovery of gold from each heap leach pad will not be known until the leaching process is concluded.

Ore in stockpiles is comprised of ore extracted from the mine and available for further processing. Costs are added to ore in stockpiles at the current mining cost and are removed at the accumulated average cost per tonne.

d) 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.

e) 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 pre-tax risk free interest rates on which the estimated cash flows have been discounted. These estimates also include an assumption on the rate at which the costs may inflate in future periods. Actual results could differ from these estimates. The estimates on which these fair values are calculated require extensive judgement about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices.

5 NEW ACCOUNTING STANDARDS ADOPTED AND ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

a) New accounting standards adopted during the year

IFRS 10, *Consolidated Financial Statements*, 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. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any its subsidiaries.

IFRS 11, *Joint Arrangements*, 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 determined that the adoption of IFRS 11 has no impact on its consolidated financial statements.

IFRS 12, *Disclosure of Interests in Other Entities*, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The Company has concluded that this standard will have no impact on its consolidated financial statements. The Company concluded this amendment has no impact on its consolidated financial statements.

IFRS 13, *Fair Value Measurement*, 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 require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 19, *Employee Benefits*, was amended to eliminate the entity's option to defer the recognition of certain gains or losses related to post employment benefits and requires remeasurement of associated assets and liabilities in other comprehensive income. The Company reviewed its accounting policy for post employment benefits and concluded that under IAS 19, the Company would no longer be allowed to recognize an actuarial gain or loss in the consolidated statements of loss; instead an actuarial gain or loss should be recognized as part of accumulated other comprehensive income ("AOCI"), net of tax. The Company adopted these amendments retrospectively and adjusted its opening equity as at January 1, 2012 to reflect the actuarial gain or loss to AOCI. The impact of these changes is highlighted in section c) "Impact of adoption of Amended IAS 19, Employee Benefit".

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The Company concluded the adoption of IFRIC 20 has no significant impact on its consolidated financial statements.

b) Accounting standards issued but not yet adopted

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. The Company reviewed the new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 9, *Financial Instruments*, addresses classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that related to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model fo rmanageing its financial instruments and the cotnractual cash flow characteristics of the impairment. For financial liabilities, the standards retains mos of the IAS 39 requirements. The main change is that, in case, whwere the fair value option is taken for financial liabilities, the part of the fair value change due to an entity's own credit risk is recorded in the other comprehensive income rather than the income statement unless this creates an accounting mismatch. The IASB has deferred the mandatory effective date for annual periods beginning on or after January 1, 2015 and has left it open pending the finalisation of the impairment and classification and measurement requirements. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IFRIC 21, *Accounting for Levies Imposed by Government*, clarifies that obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. The standard is effective for annual periods beginning on or after January 1, 2014. The Company is still assessing the impact of this standard.

IAS 36*, Impairment of Assets*, was amended in May 2013 to make small changes to the disclosures required by IAS 36 when an impairment loss is recognized or reversed. The amendements require the disclosure of the recoverable amount of an asset or cash generating unit ("CGU") at the time an impairment loss has been recognized or reversed and detailed disclosure of how the associated FVLCD has been determined. The amendments are effective for accounting periods beginning on or after January 1, 2014 with earlier adoption permitted. The Company is currently assessing the impact of this standard on the consolidated financial statements.

Expressed in thousands of United States dollars, except where otherwise noted.

c) Impact of adoption of Amended IAS 19, Employee Benefit

The following table summarizes the effects of the changes to the comparative numbers relating to the adoption of IAS 19:

	As previously reported	Adjustment	As restated
At December 31, 2011			
Consolidated Statement of Financial Position:			
Other provisions	$ 6,060	$ (2,194)	$ 3,866
Deferred tax liability	21,860	549	22,409
Deficit	(252,052)	1,645	(250,407)
At December 31, 2012			
Consolidated Statement of Financial Position:			
Other provisions	$ 9,772	(4,353)	$ 5,419
Deferred tax liability	18,277	1,171	19,448
Deficit	(308,861)	3,182	(305,679)
Other comprehensive income	(1,172)	(330)	(1,502)
Cost of production	(324,346)	1,620	(322,726)
Finance costs	(6,307)	1,390	(4,917)
Other losses	(4,578)	(521)	(5,099)
Income tax expense	(2,763)	(622)	(3,385)
Basic and diluted loss per share	(0.25)	0.01	(0.24)

The Company identified an immaterial error of an overstatement of long-term employee benefits provision of $2,194 at December 31, 2011 and $2,159 at December 31, 2012 (after correcting the opening balance), which resulted from an error in the information used to determine the provision. The Company has corrected the error in the opening retained earnings as of January 1, 2012, as well as the comparative long-term employee benefit provisions in the balance sheet and the associated notes to the financial statements.

6 IMPAIRMENT OF ASSETS

a) Impairment of Brazillian 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 six 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 was considered to be 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 utilized a gold price of $1,300 per ounce over the remaining economic years of the Sao Francisco and Sao Vicente life-of-mine plans and 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 changes could be material.

The Company's analysis concluded that the long-lived assets of the Sao Francisco Mine were impaired as at June 30, 2013 and, as a result, the Company recorded an impairment charge of $16,019 on the property, plant and equipment, which resulted in a reduction in the value of mineral properties of $4,725 and a reduction in the value of plant and machinery of $11,294. The Company concluded that no further impairment was required for the long-lived assets of the Sao Vicente Mine.

Sensitivity analyses to factors which have the most significant impact were also performed for the impairment test. Certain scenarios were reviewed where key inputs were changed: gold price (+/- 5%) and the discount rate (+/-1%). While an increase in the gold price by 5% would reduce the impairment charge by $3,845, a decrease in the gold price would result in an increase in the impairment of $3,845. The change in the discount rate would not have any material impact on the impairment assessment.

During the six months ended December 31, 2013, the consensus gold price and other indicators of impairment did not change significantly, and therefore no further impairments, or reversals of previously recorded impairments, have been recorded on the Sao Francisco or Sao Vicente Mines.

b) Impairment of San Andres mine

During the six 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 was considered to be 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 Honduran lempira. The Company utilized a gold price of $1,300 per ounce over the remaining economic years of the Sao Andres life-of-mine plans and 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 changes could be material.

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

Sensitivity analyses to factors which have the most significant impact on the impairment test were also performed for the impairment test. Certain scenarios were reviewed where key inputs were changed: gold price (+/- 5%) and the discount rate (+/-1%). An increase in the gold price by 5% would result in a decrease in the impairment charge of $29,166, a decrease in the gold price by 5% would result in an increase to the impairment charge by $18,456. The increase or decrease of 1% in the discount rate utilized would change the impairment charge by $2,377 and $8,611, respectively, due to the timing of the estimated cash flows.

Expressed in thousands of United States dollars, except where otherwise noted.

During the six months ended December 31, 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 on the San Andres Mine.

7 TRADE AND OTHER RECEIVABLES

		2013		2012
Trade accounts receivable	**$**	**6,375**	$	2,639
Value added taxes receivable		**19,829**		23,561
Income taxes receivable		**105**		1,311
Other receivables		**487**		94
Total trade and other receivables	**$**	**26,796**	$	27,605
Less: non-current portion of value added taxes receivable (note 10)		**(8,259)**		(15,836)
Trade and other receivables recorded as current asset	**$**	**18,537**	$	11,769

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

Subsequent to year end, the Company received $829 related to value added taxes receivable.

8 INVENTORY

		2013		2012
Finished product inventory	**$**	**17,232**	$	15,379
Work in process		**19,223**		31,228
Parts and supplies		**30,071**		30,740
Total inventory		**66,526**		77,347
Less: non-current portion of ore in stockpiles (note 10)		**–**		(833)
Inventory recorded as a current asset	**$**	**66,526**	$	76,514

The cost of inventories recognized as an expense in 2013 and 2012 is $336,004 and $325,076 (excluding gain of cash flow hedge), respectively. The cost of inventories for 2013 and 2012 includes $34,354 and $40,056, respectively, of inventory write-downs to bring finished product and work in process inventories to their net realizable value.

The non-current portion at December 31, 2012 represents ore in stockpiles which the Company did not anticipate processing during the next year.

9 OTHER CURRENT ASSETS

		2013		2012
Prepaid expenses, advances and deposits	**$**	**7,662**	$	8,644
Current portion of derivative assets (note 27)		**–**		1,899
	$	**7,662**	$	10,543

Expressed in thousands of United States dollars, except where otherwise noted.

10 OTHER LONG-TERM ASSETS

		2013		2012
Long-term receivables and deposits	**$**	**2,006**	$	2,160
Value added taxes receivable (note 7)		**8,259**		15,836
Ore in stockpiles (note 8)		**–**		833
Derivative assets (note 27)		**–**		491
	$	**10,265**	$	19,320

Expressed in thousands of United States dollars, except where otherwise noted.

11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment changes for the year ended December 31, 2013 and 2012 are 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	25,070	15,628	1,532	5,214	8,290	**55,734**
Change in provision for mine closure and restoration	4,405	–	–	–	–	**4,405**
Reclassifications and adjustments	4,304	4,654	–	(1,076)	(9,352)	**(1,470)**
Disposals	–	(1)	(91)	–	–	**(92)**
Depletion and amortization	(35,014)	(5,771)	(1,956)	(16,682)	–	**(59,423)**
Impairment charges (note 6)	(35,070)	(6,613)	–	(14,508)	–	**(56,191)**
Adjustment on currency translation	(1,004)	(2,370)	(62)	–	(225)	**(3,661)**
Net book value at December 31, 2013	**$ 141,738**	**$ 42,626**	**$ 3,776**	**$ 36,207**	**$ 4,415**	**$ 228,762**
Consisting of:						
Cost	236,529	71,374	13,101	113,800	4,415	**439,219**
Accumulated depletion and amortization	(94,791)	(28,748)	(9,325)	(77,593)	–	**(210,457)**
	$ 141,738	**$ 42,626**	**$ 3,776**	**$ 36,207**	**$ 4,415**	**$ 228,762**

	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 (note 6)	(3,082)	–	–	(3,154)	–	**(6,236)**
Impairment reversal (note 6)	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 year ended December 31, 2013 and 2012, depletion and amortization expense of $54,574 and $57,311, respectively, was charged to cost of goods sold, and $283 and $907, respectively, was charged to general and administrative expenses.

Plant and machinery includes cost of $8,193 (2012: $5,510) and accumulated amortization of $1,080 (2012: $159) of mobile equipment under finance leases.

Expressed in thousands of United States dollars, except where otherwise noted.

Borrowing costs incurred on the Serrote bridge loan (note 14(a) (ii)) and credit facility (note 14(b)) totalling $1,961 and $528, respectively, for the year ended December 31, 2013 have been capitalized to the qualifying assets (2012: $nil).

12 INTANGIBLE ASSETS

During the year ended December 31, 2013, option agreements accompanying $8,565 of intangible assets have been exercised resulting in the conversion, or pending conversion, of these assets to net smelter royalties (NSRs). Since no future economic benefits are expected from these NSRs or other assets, these intangible assets have been derecognized and a loss on disposal has been recorded in the consolidated statement of loss. The residual balance of intangible assets consisting of one non-core exploration property, valued at $195, has also been written off during the year ended December 31, 2013.

13 TRADE AND OTHER PAYABLES

		2013		2012
Trade accounts payable	**$**	**20,290**	$	25,534
Accrued liabilities		**6,315**		7,039
Other payables		**9,153**		11,662
Deferred revenue		**3,032**		4,136
	$	**38,790**	$	48,371

14 DEBT

		2013		2012
Current				
Short-term loans (note 14(a))	**$**	**23,254**	$	-
Credit facility (note 14(b))		**21,213**		-
Finance leases (note 14 (c))		**2,560**		1,828
		47,027		1,828
Long-term				
Credit facility (note 14(b))		**–**		29,160
Finance leases (note 14 (c))		**202**		1,246
		202		30,406
	$	**47,229**	$	32,234

a) Short-term loans

During 2013, the Company entered into the following short-term loans:

i) Short-term promissory note

On March 15, 2013, the Company, through its wholly-owned subsidiary, Minerales de Occidente, S.A. de C.V. (“Minosa”), received a $5,000 short-term promissory note (the “Promissory Note”) from Banco Atlantida S.A. (“Banco Atlantida”). The Promissory Note bore an annual interest rate of 9.25% and originally matured on November 15, 2013. Subsequent to March 15, 2013, Minosa repaid $1,000 of the outstanding balance and Banco Atlantida granted an extension on the maturity date to November 15, 2014. Minosa agreed to make quarterly repayments of $1,000 commencing on February 15, 2014. All other terms and conditions remained the same.

As at December 31, 2013, the outstanding balance of the promissory note was $4,000. During 2013, the Company incurred $306 of interest expense (2012: $Nil).

Subsequent December 31, 2013, the Company repaid $1,000 of the outstanding principal amount.

Expressed in thousands of United States dollars, except where otherwise noted.

ii) Bridge Loan

On February 25, 2013, the Company, through its wholly-owned subsidiary, Mineracao Vale Verde Ltda, received an advance of approximately $20,000 (Brazilian Reais 45,000) from Banco Itau BBA S.A (the "Itau Bridge Loan") to finance the development of Serrote Project. The Itau bridge loan bears interest at the Interbank Deposit Rate plus 4% and originally matured on December 2, 2013. The Company obtained an extension on the maturity date to February 3, 2014.

As at December 31, 2013, the outstanding balance on the Itau bridge loan was $19,254 (Brazilian Reais 45,000). During 2013, the Company incurred $1,961 of interest expense and this was capitalized to the Serrote qualifying asset.

Subsequent to December 31, 2013, the Company obtained another extension on the maturity date to May 5, 2014 and made a repayment of $1,900 (Brazilian Reais 4,500) on the outstanding principal.

b) Credit Facility

		2013		2012
Balance, beginning of period	**$**	**29,160**	$	19,332
Credit facility drawn down in the period, net of transaction costs		**11,221**		9,318
Credit facility repayments in the period		**(20,593)**		–
Amortization of deferred transaction costs		**814**		510
Capitalized amendment fee and payment in kind		**611**		–
Balance, end of period		**21,213**		29,160
Less: current portion		**(21,213)**		–
	$	**–**	$	29,160

On March 18, 2011, the Company entered into an agreement for a $25,000 revolving credit facility (the "Credit Facility") with Barclays Bank PLC to finance both the working capital at the Aranzazu Mine and also for general corporate expenditure requirements.

On May 10, 2012, the Company entered into an amended credit facility (the "Amended Credit Facility") pursuant to which Credit Suisse AG was added as a lender to the Company. Under the Amended Credit Facility, the maturity was extended from June 30, 2013 to June 30, 2014. The revolving credit available to the Company was increased from $25,000 to $45,000, but was to be reduced by $3,750 per quarter from June 30, 2013 to March 31, 2014. All other terms and conditions remain unchanged from the Credit Facility, except for the interest margin which increased from 2.75% over LIBOR to 3.25% over LIBOR, the arrangement fee which increased to 1.75% from 1.5%, and the standby fee on undrawn funds which increased from 1.0% to 1.5% per annum. Pursuant to the terms of the Amended Credit Facility, the Company was 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.

During 2013, certain events of default occurred and continued under the Amended Credit Facility. The lenders granted a series of forbearance agreements during 2013. On the forbearance agreement dated August 14, 2013, the lenders amended several terms of the Amended Credit Facility to include default interest of 2% per annum, an amendment fee of 1% added to the outstanding principal at the time and payment-in-kind interest of 1.75% to September 30, 2013, increasing to 3.75% from September 30 to December 31, 2013 and to 8.75% from December 31, 2013 until the maturity date. Payment-in-kind interest of $314 and the amendment fee of $297 were capitalized to the outstanding principal.

As the Amended Credit Facility was to be fully repayable on June 30, 2014, the Company recorded the outstanding balance as at December 31, 2013 as part of current liabilities. Although the most recently granted forbearance agreement matured on January 17, 2014, the outstanding Amended Credit Facility balance of $22,424, including payment-in-kind interest from January 1, 2014 to March 17, 2014, was fully repaid on March 17, 2014 from the proceeds of a financing process (See Note 33, Subsequent Events).

Expressed in thousands of United States dollars, except where otherwise noted.

During the year ended December 31, 2013, the Company incurred interest expense of $2,149 (2012: $1,144), of which $528 was capitalized to qualifying assets (2012: $nil), and amortized transaction costs of $813 (2012: $510) which have been charged to the consolidated statement of loss.

c) Finance leases

		2013		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		**(3,242)**		(582)
Balance, end of period		**2,762**		3,074
Less: current portion		**(2,560)**		(1,828)
	$	**202**	$	1,246

The Company has entered into equipment leases expiring between 2014 and 2015 with interest rates between 8.00% and 8.56%. The Company's obligations under finance leases are secured by the lessor's title to the leased assets. The fair value of the finance lease liabilities approximates their carrying amount. The Company recorded $337 and $109 of interest expense related to finance leases for the year ended December 31, 2013 and 2012, respectively, as part of the consolidated statement of loss

15 INCOME TAXES

a) Income tax expense

Income tax expense included in the consolidated statements of loss and comprehensive loss is as follows:

		2013		2012
				Restated (note 5c)
Current income tax expense in respect of the current year	**$**	**3,880**	$	5,611
Adjustment to current income tax expense in respect of prior periods		**(103)**		629
Current income tax expense		**3,777**		6,240
Deferred income tax recovery		**(11,454)**		(2,855)
Income tax (recovery) expense	**$**	**(7,677)**	$	3,385

The reconciliation of income taxes calculated at the Canadian statutory tax rate to the income tax expense shown in these financial statements is as follows:

Expressed in thousands of United States dollars, except where otherwise noted.

	2013	2012 *Restated (note 5c)*
Loss before income taxes	**$ 81,870**	$ 51,557
Canadian statutory income tax rate	**26.5%**	25.0%
Income tax recovery at the statutory income tax rate	**(21,695)**	(12,889)
Difference in statutory tax rates in foreign jurisdictions	**969**	2,265
Effect of changes in future income tax rates	**(6,463)**	1,027
Non-deductible expenses	**8,364**	4,679
Non-taxable items	**62**	(553)
Deferred tax assets not recognized	**6,563**	8,009
Effect of foreign exchange on income taxes	**(426)**	58
Mexico royalty regime	**7,302**	–
Other	**(2,353)**	789
Income tax (recovery) expense	**$ (7,677)**	$ 3,385

In 2013, the Canadian statutory income tax rate changed due to a decrease in the federal tax rate from 11.5% to 10.0% (2012: 16.5% to 15.0%).

b) Deferred income tax assets (liabilities)

Deferred tax liabilities on the consolidated statements of financial position consist of:

	2013	2012 *Restated (note 5c)*
Deferred income tax assets	**$ 4,502**	$ 3,563
Deferred income tax liabilities	**(12,341)**	(23,011)
	$ (7,839)	$ (19,448)

The movement in the net deferred income tax liability was as follows:

	2013	2012 *Restated (note 5c)*
Balance, January 1	**$ (19,448)**	$ (21,860)
Recovered from the statement of loss	**11,454**	2,306
Recorded through other comprehensive income	**205**	-
Foreign exchange difference	**(50)**	106
Balance, December 31	**$ (7,839)**	$ (19,448)

Expressed in thousands of United States dollars, except where otherwise noted.

The following temporary differences and tax losses give rise to deferred income tax assets and liabilities as at:

	2013	2012
		Restated (note 5c)
Tax losses carried forward	**$ 13,592**	$ 9,981
Provision for mine closure and restoration	**1,175**	899
Property, plant and equipment	**(21,775)**	(28,777)
Resource properties	**–**	(1,337)
Other deductible (taxable) temporary differences	**(831)**	(214)
Net deferred income tax liabilities	**$ (7,839)**	$ (19,448)

Temporary differences and tax losses arising in Canada and Brazil have not been recognized as deferred tax assets due to the fact that management has determined it is not probable that sufficient future taxable profits will be earned in these jurisdictions to recover such assets. The unrecognized deferred tax assets are summarized as follows:

	2013	2012
		Restated (note 5c)
Tax losses carried forward	**$ 43,635**	$ 46,201
Provision for mine closure and restoration	**2,227**	2,570
Property, plant and equipment	**4,384**	2,865
Other deductible temporary differences	**3,591**	795
Unrecognized deferred income tax assets	**$ 53,837**	$ 52,431

Management assesses these temporary differences regularly and adjusts the unrecognized deferred tax asset in the period when management determines it is probable that some portion of the assets will be realized.

In 2010, management determined it was probable that sufficient future taxable profits would be generated in the foreseeable future at the Aranzazu Mine to recover the temporary differences and tax losses in this jurisdiction. Although the Aranzazu Mine has recognized a loss in the 2010, 2013 and 2013 fiscal years, this was a result of being in the development phase and then the early stages of production. As at December 31, 2013, a deferred tax asset in the amount of $15,923 (2013: $12,421) has been recognized.

As of December 31, 2013, the Company had estimated cumulative tax operating losses of approximately $52,457 in Canada expiring between 2025 and 2033, $40,602 in Mexico expiring between 2018 and 2022, and $119,832 in Brazil, which can be carried forward indefinitely.

The aggregate amount of taxable temporary differences associated with investments in subsidiaries for which deferred taxes have not been recognized as at December 31, 2013 is $58,710 (2012: $81,871).

Profit repatriations from Honduras are subject to a 10% withholdings tax and the unrecorded liability associated with this is $5,542(2012: $6,681).

Expressed in thousands of United States dollars, except where otherwise noted.

16 PROVISION FOR MINE CLOSURE AND RESTORATION

		2013		2012
Balance, beginning of period	**$**	**20,216**	$	19,348
Accretion expense		**1,548**		2,096
Change in estimate		**189**		(1,228)
Provision utilized		**(118)**		–
Balance, end of period		**21,835**		20,216
Less: current portion		**(2,849)**		(1,593)
	$	**18,986**	$	18,623

Provision for mine closure and restoration is related to the closure costs and environmental restoration associated with mining operations. The provisions have been recorded at their net present values, using discount rates of between 7.75% and 13.50% (2012: 6.20% to 12.50%). The provisions have been re-measured at each reporting date, with the accretion expense being recorded as a finance cost. The total undiscounted amounts of the estimated obligations at December 31, 2013 are approximately $29,483 and are expected to be incurred through 2026 (2012: $34,837). All assumptions used in the calculation of the provisions are subject to change.

During the year ended December 31, 2013, the Company recorded an increase in its provision for mine closure and restoration related to the San Andres Mine and Aranzazu Mine, offset by a decrease in the provision related to Brazilian Mines. This change in estimate for each mine was as a result of changes in management's estimates of the gross cash flows resulting from legal obligations as well as changes in discount rates and inflation rates. The change in estimate for the Brazilian Mines of $4,172 has been recorded to the consolidated statement of loss.

17 OTHER PROVISIONS

		Long-term employee benefits (note 17(a))		**Provision for judicial contingencies (note 17(b)**		**Other provisions**		**Total**
		Restated (note 5c)						
As of December 31, 2011	$	3,105	$	601	$	160	$	3,866
Periodic service cost		943		–		–		943
Provision settled during the period		(408)		985		(67)		510
Actuarial loss		330		–		–		330
Effect of foreign exchange		(160)		(49)		(21)		(230)
As of December 31, 2012	$	3,810	$	1,537	$	72	$	5,419
Periodic service cost		1,080		–		–		1,080
Additional provision for the period		–		2,060		–		2,060
Provisions settled during the period		(581)		(884)		(72)		(1,537)
Actuarial loss		819		–		–		819
Effect of foreign exchange		(48)		(250)		–		(298)
As of December 31, 2013	**$**	**5,080**	**$**	**2,463**	**$**	**–**	**$**	**7,543**

a) Long term employee benefits

Long term employee benefits liability exists due to the laws in Honduras, which specify that the Company is obligated to pay a severance payment based on the years of service provided by an employee disregarding the cause of the termination (whether it is dismissal, voluntary withdrawal, death, disability or other cause).

The most recent actuarial valuation for the long term employee benefits provision was performed at December 31, 2013. The principal assumptions used for the purpose of the actuarial valuation were as follows:

Expressed in thousands of United States dollars, except where otherwise noted.

	2013	2012
Discount rates	**13.5%**	14.5%
Salary increase rate (administrative)	**6.5%**	8.0%
Salary increase rate (operation)	**7.0%**	8.5%
Long term inflation	**5.5%**	7.0%

b) Provision for judicial contingencies

Provision for judicial contingencies represents compensation claims for unpaid travel time between the mine site and employees' home town brought and other litigations against the Company's. The increase in the carrying amount of the provision for judicial contingencies for the year ended December 31, 2013 mainly resulted from the Company's wholly owned subsidiary Mineracao Apoena S.A. ("Apoena") decision to recognize the claims of the current and dismissed employees for past unpaid travel time between the employee's home and the mine site.

As at December 31, 2013, the Company recognized a liability of $2,060, of which $334 and $1,726, respectively, were charged to the cost of production and general and administrative expense for the year ended December 31, 2013. See also note 32(c).

18 OTHER LIABILITY

		2013		2012
Balance, beginning of period	**$**	**13,398**	$	12,500
Accretion expense		**636**		620
Royalty payments		**(2,401)**		–
Change in estimate		**297**		278
Balance, end of period	**$**	**11,930**	$	13,398
Less: current portion		**(4,269)**		(3,406)
	$	**7,661**	$	9,992

In 2011, the Company completed a restructuring of its contractual obligations, which resulted in the settlement of the deferred purchase consideration and the granting of a net smelter return royalty ("NSR Royalty") equal to 1.5% on the net sales from the San Andres Mine, Sao Francisco Mine and Sao Vicente Mine, up to a cumulative royalty amount of $16,000 commencing on March 1, 2013. The Company has the option to extinguish the NSR Royalty by paying cash: $14,350 before March 31, 2014; and $15,050 before March 31, 2015, as reduced by any payments made to the date of payment of the NSR Royalty.

The liability has been recorded at its net present value using a discount rate of 5% (2012: 5%). The liability is re-measured at each reporting date, with the accretion expense and change in estimate being recorded within finance costs and other gains (losses), respectively.The total undiscounted amounts of the estimated obligations at December 31, 2013 is approximately $13,599 and is expected to be incurred through 2019 (2012: $16,000).

Expressed in thousands of United States dollars, except where otherwise noted.

19 SHARE CAPITAL

a) Authorized – Unlimited number of common shares

b) Stock options

On May 27, 2010, Aura Minerals adopted the 2010 Stock Option and Share Compensation Plan (the "Plan"), which replaced the Company's 2007 Stock Option and Share Compensation Plan. Under this rolling plan, options to purchase common shares have been granted to directors, employees and consultants of the Company and its subsidiaries at exercise prices not less than the volume weighted average trading price for the five trading days immediately preceding the respective grant date and may be exercised within five years from that date, subject to any vesting provisions determined by the board of directors of the Company (the "Board"). Under the Plan, the Board may grant options such that the total number of common shares which may be subject to options and bonus shares granted under the Plan and pursuant to any other security-based compensation plan, unless otherwise approved by shareholders, is 10% of the issued and outstanding common shares at the time of the grant and provided that the number of common shares which may be issued as bonus shares in any calendar year does not exceed 250,000.

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	6,716,500	0.30
Forfeited	(6,128,484)	2.98
Balance, December 31, 2013	**15,742,334**	**$ 1.49**

There were no options exercised for the year ended December 31, 2013. The Company's weighted average share prices of exercise during the year ended December 31, 2012 were as follows:

Date of exercise	Number of options	Share price C$ on date of exercise
February 16, 2012	25,000	1.17
February 23, 2012	25,000	1.26
March 1, 2012	25,000	1.15
March 16, 2012	25,000	1.20
Total/weighted average for the year ended December 31, 2012	**100,000**	**$ 1.20**

As at December 31, 2013, the following stock options were outstanding and exercisable:

Exercise price C$	Options outstanding	Options exercisable	Remaining contractual life (years)	Expiry dates
$0.00 to $1.15	7,222,499	2,215,101	3.94	April 11, 2017 to August 13, 2018
$1.16 to $2.49	4,303,585	3,880,923	2.89	June 24, 2016 to February 22, 2017
$2.50 to $3.75	3,566,250	3,566,250	1.51	September 11, 2014 to April 12, 2016
$3.76 to $5.45	650,000	650,000	1.38	December 14, 2014 to December 13, 2015
	15,742,334	10,312,274	2.54	

Expressed in thousands of United States dollars, except where otherwise noted.

Subsequent to December 31, 2013, the Company issued 4,781,000 options at an exercise price of C$0.12 per share.

c) Other stock-based payment plans

Deferred share unit plan ("DSU Plan")

In April 2010, Aura Minerals adopted a DSU Plan, which is available to all non-executive directors (collectively, "eligible directors"). Pursuant to the DSU Plan, the annual Board retainer fee (the "Annual Retainer") may be paid 50% in cash (the "Annual Cash Retainer") and 50% in the form of deferred share units ("DSUs"). However, on an annual basis, an eligible director can also elect to receive DSUs in full or partial satisfaction of the Annual Cash Retainer and annual retainer fees received for serving as a member of a Board committee and for chairing a Board committee meeting (collectively, "Annual Cash Remuneration"). Notwithstanding the foregoing, an eligible director who has exceeded his or her minimum DSU / common share ownership requirement, as established by the Board, may elect, on an annual basis, to receive cash for all or any portion of the compensation otherwise payable in DSUs. The number of DSUs granted to an eligible director is determined by dividing the portion of the compensation to be paid in DSUs by the volume weighted average trading price of the common shares on the Toronto Stock Exchange for the five trading days immediately preceding the date of grant (the "value of a DSU"). Each eligible director will be required to hold DSUs received until the eligible director ceases to be a director of the Company, following which the DSU will be redeemed for cash.

Non-treasury share unit plan ("NTSU Plan") and treasury share unit plan ("TSU Plan")

The Company adopted a NTSU Plan in April 2010 and a TSU Plan in May 2010, which are both available to eligible employees, officers and consultants of the Company and its subsidiaries (collectively, the "eligible participants"). Pursuant to the NTSU Plan and the TSU Plan, the compensation committee is authorized to grant units ("Share Units") consisting of Restricted Share Units ("RSU") and / or performance share units to eligible participants. Each Share Unit will vest in accordance with applicable conditions specified at the time of grant, consisting of time and/or performance conditions which may be graduated by percentages, including a percentage in excess of 100%. Settlement of Share Units granted under the NTSU plan shall be in common shares, purchased on the open market by a trustee appointed for such purpose, or in cash, based on the market value of a common share on the date of settlement, as determined pursuant to the NTSU Plan, or in a combination thereof, as determined by the compensation committee. The TSU Plan provides that the maximum number of common shares that are reserved for issuance from time to time pursuant to Share Units shall not exceed 0.5% of the issued and outstanding common shares. Settlement of Share Units granted under the TSU Plan shall be in common shares issued from treasury.

A continuity of issued RSUs is as follows:

	Number of units
Balance, December 31, 2011	359,289
Granted	162,112
Exercised	(215,801)
Forfeited	(11,723)
Balance, December 31, 2012	**293,877**
Exercised	(99,772)
Forfeited	(1,917)
Balance, December 31, 2013	**192,188**

Expressed in thousands of United States dollars, except where otherwise noted.

99,761 RSUs were exercised on December 15, 2013 with an exercise price of C$0.09. The Company's weighted average share prices on the date of exercise during the year ended December 31, 2012 were as follows:

Date of exercise	Number of RSUs		Share price C$ on date of exercise
January 31, 2012	753		1.15
February 16, 2012	7,688		1.17
April 5, 2012	8,438		0.89
April 27, 2012	2,510		0.75
July 10, 2012	33,301		0.45
July 13, 2012	16,635		0.45
July 31, 2012	36,908		0.47
August 22, 2012	23,010		0.44
October 12, 2012	715		0.35
December 11, 2012	83,333		0.28
December 20. 2012	2,510		0.30
Total weighted average for the year ended December 31, 2012	**215,801**	**$**	**0.43**

d) 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 consolidated statement of loss for the year ended December 31, 2013 totalled $1,237 (2012: $3,579).

The fair value of stock options granted during the year ended December 31, 2013 and 2012 was estimated using the Black-Scholes option pricing model with the following assumptions:

		2013		**2012**
Expected volatility		**78%**		88%
Risk-free interest rate		**1.20%**		1.13%
Weighted average share price for options granted	**$**	**0.30**	$	0.73
Expected life in years		**3.2**		3.3
Expected forfeiture rate		**7%**		5% - 7%
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.

Expressed in thousands of United States dollars, except where otherwise noted.

20 REVENUES BY NATURE

		2013		2012
Gold sales	**$**	**289,829**	$	270,445
Copper concentrate sales		**41,048**		36,967
	$	**330,877**	$	307,412

21 COST OF GOODS SOLD BY NATURE

		2013		2012
				Restated (note 5c)
Direct mine and mill costs	**$**	**236,816**	$	272,283
Write-down of inventory to net realizable value		**34,354**		40,056
Gains on cash flow hedges		**–**		(730)
Depletion and amortization (note 11)		**54,574**		57,311
Net change in inventories		**10,826**		(46,194)
	$	**336,570**	$	322,726

22 GENERAL AND ADMINISTRATIVE EXPENSES

		2013		2012
Salaries, wages and benefits	**$**	**7,017**	$	7,321
Share-based payment expense (note 19 (d))		**1,392**		3,579
Professional and consulting fees		**1,673**		2,250
Travel expenses		**342**		532
Directors' fees		**354**		408
Amortization (note 11)		**283**		907
Other		**5,017**		3,596
	$	**16,078**	$	18,593

23 EXPLORATION EXPENSES

		2013		2012
San Andres Mine	**$**	**1,109**	$	308
Sao Vicente Mine		**671**		700
Serrote Project		**122**		4,956
Aranzazu Mine		**24**		1,569
Non-core projects		**61**		163
	$	**1,987**	$	7,696

24 FINANCE COSTS

		2013		2012
				Restated (note 5c)
Accretion expense	**$**	**2,179**	$	2,716
Service cost on post employment benefit		**515**		419
Interest expense on debt (note 14)		**2,264**		1,232
Other interest and finance costs		**859**		550
	$	**5,817**	$	4,917

Accretion expense represents the unwinding of the discount on mine closure and restoration provision and other liability.

Expressed in thousands of United States dollars, except where otherwise noted.

25 OTHER GAINS (LOSSES)

		2013		2012
				Restated (note 5c)
Net gain on gold collar and fixed price contracts (note 27 (d))	**$**	**14,579**	$	4,122
Change in estimate of provision for mine closure and restoration (note 16)		**4,172**		1,290
Net gain on foreign currency contracts (note 27 (b))		**178**		489
Foreign exchange loss		**(4,165)**		(6,996)
Change in estimates of net smelter royalty payable (note 18)		**(297)**		(278)
Net loss on copper collar contracts (note 27 (c))		**(88)**		(1,947)
Other items		**(977)**		(1,779)
	$	**13,402**	$	(5,099)

26 CASH FLOW INFORMATION

a) Items not affecting cash

		2013		2012
				Restated (note 5c)
Depletion and amortization	**$**	**54,857**	$	58,218
Impairment charge - San Andres Mine		**40,172**		–
Impairment charge - Brazilian Mines		**16,019**		–
Write-down of inventory to net realizable value		**34,354**		40,056
Loss on disposal - Brazilian exploration properties		**8,760**		–
Foreign exchange loss		**(925)**		(162)
Accretion expense		**2,179**		2,716
Interest expense		**2,264**		1,232
Share-based payment expense		**1,392**		3,579
Service cost on post-employment benefit		**1,080**		419
Net loss on copper collar contracts		**125**		1,947
Deferred tax recovery		**(7,677)**		(2,855)
Net gain on gold collar and fixed price contracts		**2,265**		(2,265)
Change in estimate of mine closure and restorations		**(4,172)**		(1,290)
Net gain on foreign currency contract		**(182)**		182
Other non-cash items		**3,141**		3,091
	$	**153,652**	$	104,868

b) Changes in non-cash working capital

		2013		2012
Changes in non-cash working capital				*Restated (note 5c)*
Trade and other receivables	**$**	**(6,768)**	$	(2,893)
Inventory		**(19,798)**		(37,715)
Trade and other payables		**(14,701)**		12,474
	$	**(41,267)**	$	(28,134)

c) Supplementary cash flow information

		2013		2012
				Restated (note 5c)
Non-cash investing and financing activities consist of:				
Change in accounts payable relating to investing activities	**$**	**1,347**	$	1,955
Assets acquired under finance lease	**$**	**2,930**	$	2,145
Fair value of exercise of stock options	**$**	**154**	$	57
Fair value of exercise of restricted share units	**$**	**–**	$	349
Taxes paid	**$**	**–**	$	6,677

27 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 included in the consolidated statements of loss within revenue.

During the year ended December 31, 2013 and 2012, the Company recognized $1,126 and $705, respectively, as changes in fair values of embedded derivatives.

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 consolidated statement of loss under other gains (losses) (note 25).

During 2012, the Company entered into the following contracts:

a) Forward contract to hedge against the risk of an increase in the value of the Brazilian real versus United States dollar. Currency contracts totalling Brazillian reais $11,900 at an average rate of 1.9848 Brazillian reais to United States dollar were entered into for October 2012 through March 2013. At December 31, 2012, forward contracts totalling $3,000 were outstanding.

b) Foreign currency contracts in the form of zero-cost collars totalling $40,000 with a put/floor of 1.9000 Brazilian reaisl to the United States dollar and a call/ceiling of 2.1750 Brazilian reais to the United States dollar from June 2012 to May 2013. At December 31, 2012, zero-cost collars totalling $15,000 were outstanding.

The Company’s derivative liabilities related to the foreign currency contracts as at December 31, 2013 and 2012 were $nil and $182, respectively. For the year ended December 31, 2013, the Company recognized an unrealized loss of $182 and a realized gain of $4 (2012: unrealized loss of $182 and a realized gain of $671, respectively).

At December 31, 2013, the Company did not have any foreign currency contracts outstanding.

c) Copper collar contracts

In 2011, the Company entered into derivative contracts to manage price risk for a total of 6,000 tonnes (spread equally over 26 months at 230.8 tonnes per month) of copper production from the Aranzazu Mine between May 1, 2012 and June 30, 2013. The derivative instruments entered into were in the form of zero-cost put/call collars with a floor price of $3.25 per pound and a ceiling price of $5.08 per pound.

As at December 31, 2012, put/call collars representing 1,384.8 tonnes of copper were yet to expire. These put/call collars expired during 2013.

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 consolidated statement of loss under other gains (losses) (note 25).

The Company’s derivative assets related to the copper collar contracts as at December 31, 2013 and 2012 were $nil and $125, respectively. For the year ended December 31, 2013, the Company recognized an unrealized loss of $125 and a realized gain of $37 (2012: unrealized loss of $1,947).

At December 31, 2013, the Company did not have any copper collar contracts outstanding.

d) Gold collar and fixed price contracts

During the year ended December 31, 2013 and 2012, the Company entered into the following gold collars and fixed price contracts:

a) The Company hedged 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. As of December 31, 2013, these contracts were exercised and the Company had no outstanding fixed price contracts.

b) 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 June 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. The Company's derivative assets related to the gold collar contracts as at December 31, 2013 and 2012 were $nil and $2,265, respectively, of which $1,774 was considered a current asset.

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 consolidated statements of loss under other gains (losses) (note 25). See also Note 33, Subsequent Events.

For the year ended December 31, 2013, the Company recognized an unrealized loss of $2,265 and a realized gain of $16,844 (2012: an unrealized gain of $2,265 and a realized gain of $1,857).

At December 31, 2013, the Company did not have any gold collar and fixed price contracts outstanding.

28 CAPITAL MANAGEMENT

The Company's objectives in managing capital are to ensure sufficient liquidity is maintained in order to properly develop and operate its current projects and to pursue strategic growth initiatives, to ensure that externally imposed capital requirements related to any debt obligations are complied with, and to provide returns for shareholders and benefits to other stakeholders. In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity and long-term debt. The Company manages its capital structure in light of changes in economic conditions, the risk characteristics of the underlying assets, and the Company's liquidity requirements. To maintain or adjust the capital structure, the Company may be required to issue new shares or debt, re-pay existing debt, acquire or dispose of assets, or adjust amounts of certain investments.

In order to facilitate management of capital, the Company prepares annual budgets which are updated periodically if changes in the Company's business are considered to be significant. The Company's board of directors reviews and approves all operating and capital budgets as well as the entering into of any debt obligations, and any material transactions out of the ordinary course of business, including dispositions, acquisitions and other investments or divestitures. In order to maximize ongoing development efforts, the Company does not pay out dividends.

Pursuant to the terms of the Amended Credit Facility (note 14), the Company has been 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 December 31, 2012, the Company was in compliance with this financial covenant. However, as at December 31, 2013, certain events of default occurred and were continuing under the Amended Credit Facility. The lenders granted a series of forbearance agreements during 2013. Although the most recently granted forbearance agreement matured on

January 17, 2014, the outstanding Amended Credit Facility balance of $22,424, including payment-in-kind interest from January 1, 2014 to March 17, 2014, was fully repaid on March 17, 2014 from the proceeds of a financing process (See Note 33, Subsequent Events).

29 FINANCIAL INSTRUMENTS

a) Credit risk

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial contract. 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. As of December 31, 2013, the Company's financial assets include deposits in highly rated financial institutions, and the Company considers the risk of loss associated with these deposits to be low.

At the Aranzazu Mine, as of December 31, 2013, the Company's trade accounts receivable balance is due from two customers.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through a rigorous planning and budgeting process, which is reviewed and updated on a regular basis, to help determine the funding requirements to support the Company's current operations and expansion and development plans and by managing its capital structure as described in note 28.

The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. In the normal course of business, the Company enters into contracts that give rise to commitments for future payments as disclosed in notes 13, 14 and 18.

c) Currency risk

The Company's operations are located in Honduras, Mexico, Brazil and Canada; therefore foreign exchange risk exposures arise from transactions denominated in foreign currencies. Although the Company's sales are denominated in United States dollars, certain of the Company's operating expenses are denominated in foreign currencies, primarily the Canadian dollar, Mexican peso, Brazilian real and Honduran Iempira.

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: cash and cash equivalents, accounts receivable, other long-term assets, accounts payable and accrued liabilities denominated in foreign currencies. At December 31, 2013, the Company had cash and cash equivalents of $15,359, of which $627 was held in Canadian dollars, $6,430 in United States dollars, $5,833 in Brazilian reais, $1,923 in Honduran lempiras, and $546 in Mexican pesos.

An increase of 10% in the United States dollar exchange rate to the currencies listed above would have decreased and increased the Company's loss for the year by $2,235 and $1,829, respectively.

d) Interest rate risk

The Company is exposed to interest rate risk on its cash and cash equivalents and the credit facility. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk. For the year ended December 31, 2013, an increase in interest rates of 100 basis points (1 percent) would have increased consolidated loss and comprehensive loss for the year by $398 and a decrease in interest rates of 100 basis points (1 percent) would have decreased the loss and comprehensive loss for the year by $398.

Expressed in thousands of United States dollars, except where otherwise noted.

e) Commodity price risk

The Company is subject to price risk from fluctuations in market prices of gold, copper and other metals. Gold, copper and other metal prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control.

The profitability of the Company's operations is highly correlated to the market prices of these metals, as is the ability of the Company to develop its other properties.

A 10% change in the average commodity price for gold for the year, with all other variables held constant, would result in an impact on the Company's 2013 consolidated net loss and comprehensive loss of $29,307. A 10% change in the average commodity price for copper for the year, with all other variables held constant, would result in an impact on the Company's 2013 consolidated net loss and comprehensive loss of $4,105.

f) Fair value of financial instruments

The Company's financial assets and liabilities have been classified into categories that determines their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at December 31, 2013 and 2012:

As at December 31,	**Level**	**2013**		2012	
Financial Assets		**Carrying value**	**Fair value**	Carrying value	Fair value
Loans and receivable, measured at amortized cost					
Accounts receivables	N/A	**$6,862**	**$6,862**	$2,733	$2,733
Other assets	N/A	**2,006**	**2,006**	2,160	2,160
At fair value through profit and loss					
Derivative assets	2	**$0**	**$0**	$2,390	$2,390
		$8,868	**$8,868**	$7,283	$7,283
Financial Liabilities					
At fair value through profit and loss					
Derivative liabilities	2	**$0**	**$0**	$182	$182
Other financial liabilities, measured at amortized cost					
Accounts payable and accrued liabilities	N/A	**$35,724**	**$35,724**	$47,665	$47,665
Short-term loan	N/A	**$23,254**	**$23,254**	$0	$0
Credit facility	N/A	**$21,213**	**$21,213**	$29,160	$29,160
Other provision	3	**$7,543**	**$7,543**	$5,419	$5,419
Other liability	3	**$7,661**	**$7,661**	$9,992	$9,992
		$95,395	**$95,395**	$92,418	$92,418

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 such as expected gold price. The Company classified its other liability 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 for level 3 are the expected gold price, expected production and discount rate.

Expressed in thousands of United States dollars, except where otherwise noted.

30 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2013, the Company entered into no transactions with related party except for compensation paid to key management personnel.

The renumeration of directors and other members of key executive management personnel during the year ended December 31, 2013 and 2012 are as follows:

		2013		2012
Salaries and short-term employee benefits	**$**	**1,322**	$	1,838
Share-based payment		**368**		1,357
Post-employment benefits		**9**		20
	$	**1,699**	$	3,215

31 SEGMENTED INFORMATION

The reportable operating segments have been identified as the San Andres Mine, the Brazilian Mines, the Aranzazu Mine, the Serrote Project and Corporate. 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.

Below is the segmented information as at and for the year ended December 31, 2013:

		San Andres Mine		Brazilian Mines		Aranzazu Mine		Serrote Project		Corporate		Total
Sales to external customers	$	88,570	$	201,260	$	41,047	$	–	$	–	$	330,877
Cost of production		73,507		156,448		52,041		–		–		281,996
Depletion and amortization		8,577		36,144		9,853		–		–		54,574
Gross margin		6,486		8,668		(20,847)		–		–		(5,693)
Impairment charges		(40,172)		(16,019)		–		–		(8,760)		(64,951)
Other (expenses) income		(3,741)		(5,135)		(6,560)		(52)		4,262		(11,226)
(Loss) profit before income taxes	$	(37,427)	$	(12,486)	$	(27,407)	$	(52)	$	(4,498)	$	(81,870)
Property, plant and equipment	$	52,042	$	9,561	$	134,664	$	31,135	$	1,360	$	228,762
Total assets	$	84,415	$	66,019	$	157,729	$	32,101	$	11,349	$	351,613
Capital expenditures	$	13,231	$	1,219	$	15,274	$	25,539	$	471	$	55,734

Expressed in thousands of United States dollars, except where otherwise noted.

Below is the segmented information as at and for the year ended December 31, 2012:

	San Andres Mine	Brazilian Mines	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	$ 84,160	$ 186,285	$ 36,967	$ –	$ –	$ 307,412
Cost of production	53,677	169,692	42,046	–	–	265,415
Depletion and amortization	10,511	39,733	7,067	–	–	57,311
Gross margin	19,972	(23,140)	(12,146)	–	–	(15,314)
Other expenses	(2,199)	(12,124)	(7,749)	(4,407)	(9,764)	(36,243)
Profit (loss) before income taxes	$ 17,773	$ (35,264)	$ (19,895)	$ (4,407)	$ (9,764)	$ (51,557)
Property, plant and equipment	$ 82,039	$ 58,115	$ 138,695	$ 9,361	$ 1,250	$ 289,460
Total assets	$ 115,310	$ 130,628	$ 155,034	$ –	$ 24,711	$ 425,683
Capital expenditures	$ 6,666	$ 3,776	$ 19,646	$ 4,168	$ 17	$ 34,273

Revenues for each of the San Andres Mine and the Brazilian Gold Mines relate to the sale of refined gold to several brokers and there is no economic dependence. Revenues for the Aranzazu Mine relate to the sale of copper-gold-silver concentrate to three external customers.

32 COMMITMENTS AND CONTINGENCIES

a) Operating commitments

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

One Year or Less	215
From One to Four Years	153
	$ 368

b) Royalties

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.

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.

Included in other provision as of December 31, 2013 is a provision of $616 (2012: $558) for loss contingencies related to ongoing legal claims associated with the Brazilian Gold Mines, which were assumed as part of the acquisition of these mines.

33 SUBSEQUENT EVENTS

a) Auramet Gold Loan

On March 17, 2014, the Company obtained a $22,500 gold loan (the “Gold Loan”) from Auramet International LLC, a subsidiary of Auramet Trading LLC. The proceeds of the Gold Loan were used to settle the Company’s entire outstanding obligations pursuant to the Company's Amended Credit Facility dated March 18, 2011, as amended (See Note 14(b), Credit Facility) .

The Gold Loan will be repaid in 40 weekly installments of 458 ounces of gold commencing on April 7, 2014. The Gold Loan may be repaid at any time with no prepayment penalties. In addition to fixing the price of the 18,320 ounces of gold deliverable under the Gold Loan the Company has hedged a further 10,000 ounces of gold with the Lender at an average fixed gold price of $1,373 per ounce as well as 15,000 ounces of gold with a $1,300 per ounce floor price and a $1,423 per ounce ceiling price.

In partial consideration of the Gold Loan, the Company has issued 4,500,000 non-transferable common share purchase warrants (the "Warrants") to the Lender, with each Warrant entitling the holder thereof to acquire one common share in the capital of the Company. Each Warrant has an exercise price of $0.36 and an expiry date of twelve months from issuance. The Warrants and the common shares underlying the Warrants are subject to a four-month hold period pursuant to Canadian securities laws. The issuance of the Warrants is subject to the customary final approval conditions of the TSX.