Aura Minerals Inc.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2014 and 2013

(Unaudited)

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Loss

For the three months ended March 31, 2014 and 2013

Expressed in thousands of United States dollars

(Unaudited)

	Note	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Revenue	14	**$ 65,027**	$ 88,585
Cost of goods sold	15	**66,683**	95,780
Gross margin		**(1,656)**	(7,195)
General and administrative expenses	16	**3,535**	3,466
Exploration expenses	17	**218**	676
Operating loss		**(5,409)**	(11,337)
Finance costs	18	**(3,118)**	(1,460)
Other income		**5**	20
Other (losses) gains	19	**(1,090)**	1,817
Loss before income taxes		**(9,612)**	(10,960)
Income tax recovery		**539**	226
Loss for the period		**$ (9,073)**	$ (10,734)
Loss per share:			
Basic and diluted		**$ (0.04)**	$ (0.05)
Weighted average number of common shares outstanding:			
Basic and diluted		**228,458,106**	228,358,334

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

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three months ended March 31, 2014 and 2013

Expressed in thousands of United States dollars

(Unaudited)

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Loss for the period	**$ (9,073)**	$ (10,734)
Other comprehensive gain		
Gain on foreign exchange translation of subsidiaries	**870**	308
Actuarial gain (loss) on post employment benefit, net of tax	**242**	(205)
Other comprehensive loss, net of tax	**1,112**	103
Total comprehensive loss	**$ (7,961)**	$ (10,631)

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

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended March 31, 2014 and 2013

Expressed in thousands of United States dollars

(Unaudited)

	Note	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Cash flows from operating activities			
Loss for the year		**$ (9,073)**	$ (10,734)
Items not affecting cash	20 (a)	**16,524**	22,623
Changes in non-cash working capital	20 (b)	**(3,176)**	(11,623)
Other assets		**1,292**	1,578
Net cash generated by operating activities		**5,567**	1,844
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,381)**	(21,636)
Proceeds from sale of fixed assets		**85**	–
Net cash used in investing activities		**(3,296)**	(21,636)
Cash flows from financing activities			
Proceeds received from gold loan		**22,500**	–
Repayment of credit facility		**(22,425)**	–
Repayment of short-term loans		**(2,900)**	–
Draw down of short-term loans		**–**	13,223
Draw down of credit facility, net of transaction costs		**–**	12,000
Repayment of other provisions		**(1,830)**	–
Increase in restricted cash		**(1,500)**	–
Repayment of other liabilities		**(1,005)**	–
Interest paid on debt		**(926)**	(491)
Finance lease payments		**(823)**	(781)
Net cash (used) generated by financing activities		**(8,909)**	23,951
(Decrease) increase in cash and cash equivalents		**(6,638)**	4,159
Effect of exchange rate changes on cash and cash equivalents		**–**	232
Cash and cash equivalents, beginning of the period		**15,359**	9,317
Cash and cash equivalents, end of the period		**$ 8,721**	$ 13,708

Supplementary cash flow information (note 20)

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

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2014 and December 31, 2013

Expressed in thousands of United States dollars

(Unaudited)

	Note	March 31, 2014	December 31, 2013
ASSETS			
Current			
Cash and cash equivalents		**$ 8,721**	$ 15,359
Restricted cash	21 (d)	**1,500**	–
Trade and other receivables	4	**17,815**	18,537
Inventory	5	**62,534**	66,526
Other current assets	6	**7,802**	7,662
		98,372	108,084
Other long-term assets	7	**9,661**	10,265
Property, plant and equipment	8	**227,780**	228,762
Deferred income tax asset		**3,837**	4,502
		$ 339,650	$ 351,613
LIABILITIES			
Current			
Trade and other payables	9	**$ 38,357**	$ 38,790
Current portion of debt	10	**45,927**	47,027
Current portion of provision for mine closure and restoration		**2,849**	2,849
Current portion of other liabilities	11	**3,542**	4,269
		90,675	92,935
Debt	10	**–**	202
Deferred income tax liabilities		**11,414**	12,341
Provision for mine closure and restoration		**19,569**	18,986
Other provisions	12	**6,218**	7,543
Other liabilities	11	**7,490**	7,661
		135,366	139,668
SHAREHOLDERS' EQUITY			
Share capital	13	**537,603**	537,603
Contributed surplus		**53,905**	53,605
Accumulated other comprehensive income		**2,012**	1,142
Deficit		**(389,236)**	(380,405)
		204,284	211,945
		$ 339,650	$ 351,613

Nature of operations and going concern (note 1)

Approved on behalf of the Board of Directors:

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

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

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

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended March 31, 2014 and 2013

Expressed in thousands of United States dollars

(Unaudited)

	Note	Number of common shares		Share capital		Contributed surplus		Accumulated other comprehensive income		Deficit		Total equity
At December 31, 2013		**228,458,106**	**$**	**537,603**	**$**	**53,605**	**$**	**1,142**	**$**	**(380,405)**	**$**	**211,945**
Loss for the period		–		–		–		–		(9,073)		(9,073)
Gain on translation of subsidiaries		–		–		–		870		–		870
Actuarial gain on severance liability, net of tax		–		–		–		–		242		242
Warrants issued to accompany gold loan	10 (b)	–		–		90		–		–		90
Share-based payments		–		–		210		–		–		210
At March 31, 2014		**228,458,106**	**$**	**537,603**	**$**	**53,905**	**$**	**2,012**	**$**	**(389,236)**	**$**	**204,284**

	Note	Number of common shares		Share capital		Contributed surplus		Accumulated other comprehensive income		Deficit		Total equity
At December 31, 2012		**228,358,334**	**$**	**537,449**	**$**	**52,367**	**$**	**2,278**	**$**	**(308,861)**	**$**	**283,233**
Loss for the period		–		–		–		–		(10,734)		(10,734)
Gain on translation of subsidiaries		–		–		–		308		–		308
Actuarial loss on severance liability, net of tax		–		–		–		–		(205)		(205)
Share-based payments		–		–		529		–		–		529
At March 31, 2013		**228,358,334**	**$**	**537,449**	**$**	**52,896**	**$**	**2,586**	**$**	**(319,800)**	**$**	**273,131**

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

1 NATURE OF OPERATIONS AND GOING CONCERN

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

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

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

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

The Company has experienced recurring operating losses and has an accumulated deficit of $389,236 at March 31, 2014. For the three months ended March 31, 2014, the Company incurred a loss of $9,073. Based on the Company's current cash flow forecasts, which reflect the current gold prices, the Company presently does not have sufficient funds or working capital to make the required debt repayments over the next twelve months and to fund all of its planned expansion activities without obtaining refinancing or additional financing.

These factors raise significant doubt about the Company's ability to continue as a going concern. The Company's continued operations are dependent upon its ability to refinance its current funding or raise additional funding to meet its obligations and attain profitable operations. Although management is confident that the Company will be able to refinance its current funding or secure additional financing, there are no assurances that the Company will be successful. These condensed consolidated interim 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. The adjustments may be material.

2 BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements of Aura Minerals for the three months ended March 31, 2014 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *"Interim Financial Reporting."*

These unaudited condensed interim consolidated financial statements follow the same accounting policies and methods of application and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2013. These unaudited interim consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013.

IAS 19, *Employee Benefits*, was amended effective January 1, 2013 to eliminate the entity's option to defer the recognition of certain gains or losses related to post employment benefits and requires re-measurement of associated assets and liabilities in other comprehensive income. The Company adopted these amendments retrospectively and the effects of this change had an immaterial effect on the comparative period.

These financial statements were approved for issue by the board of directors effective May 13, 2014.

3 CHANGES IN ACCOUNTING POLICIES

As of January 1, 2014, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

a) New accounting standards adopted during the quarter

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 We performed an assessment of the impact of IFRIC 21 and concluded it did not have a significant impact on the Company's consolidated financial statements.

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 amendment requires 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 fair value less costs of disposal ("FVLCD") has been determined. The amendment is effective for accounting periods beginning on or after January 1, 2014 with earlier adoption permitted. This amendment has no significant impact on the Company's 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, 2015, 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 for managing its financial instruments and the contractual cash flow characteristics of the impairment. For financial liabilities, the standards retain most of the IAS 39 requirements. The main change is that in the case where 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 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.

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

4 TRADE AND OTHER RECEIVABLES

		March 31, 2014		December 31, 2013
Trade accounts receivable	**$**	**4,773**	$	6,375
Value added taxes receivable		**20,550**		19,829
Income taxes receivable		**105**		105
Other receivables		**90**		487
Total trade and other receivables	**$**	**25,518**	$	26,796
Less: non-current portion of value added taxes receivable (note 7)		**(7,703)**		(8,259)
Trade and other receivables recorded as current asset	**$**	**17,815**	$	18,537

As of March 31, 2014 and December 31, 2013, none of the Company's trade and other receivables were impaired. Subsequent to quarter end, the Company received $1,470 related to value added taxes receivable.

5 INVENTORY

		March 31, 2014		December 31, 2013
Finished product inventory	**$**	**21,226**	$	17,232
Work in process		**12,938**		19,223
Parts and supplies		**28,370**		30,071
Total inventory		**62,534**		66,526

During the three months ended March 31, 2014 and 2013, the cost of inventories recognized as an expense was $66,683 and $95,780, including $5,551 and $4,218 of inventory write-downs to bring finished product and work in process inventories to their net realizable value, respectively.

6 OTHER CURRENT ASSETS

		March 31, 2014		December 31, 2013
Prepaid expenses, advances and deposits	**$**	**6,974**	$	7,662
Derivative assets (note 21)		**828**		–
	$	**7,802**	$	7,662

7 OTHER LONG-TERM ASSETS

		March 31, 2014		December 31, 2013
Long-term receivables and deposits	**$**	**1,958**	$	2,006
Value added taxes receivable (note 4)		**7,703**		8,259
	$	**9,661**	$	10,265

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

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment for the period ended March 31, 2014 and the year ended December 31, 2013 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, 2014	**$ 141,738**	**$ 42,626**	**$ 3,776**	**$ 36,207**	**$ 4,415**	**$ 228,762**
Additions	3,890	39	34	(63)	1,589	**5,489**
Reclassifications and adjustments	308	35	–	26	(369)	**–**
Disposals	–	–	–	(187)	–	**(187)**
Depletion and amortization	(3,889)	(1,997)	(192)	(1,702)	–	**(7,780)**
Adjustment on currency translation	497	906	57	–	36	**1,496**
Net book value at March 31, 2014	**$ 142,544**	**$ 41,609**	**$ 3,675**	**$ 34,281**	**$ 5,671**	**$ 227,780**
Consisting of:						
Cost	241,224	72,354	13,192	113,576	5,671	**446,017**
Accumulated depletion and amortization	(98,680)	(30,745)	(9,517)	(79,295)	–	**(218,237)**
	$ 142,544	**$ 41,609**	**$ 3,675**	**$ 34,281**	**$ 5,671**	**$ 227,780**

	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	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	(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**

For the three months ended March 31, 2014, depletion and amortization expense of $8,441 (2013: $19,400), respectively, was charged to cost of good sold, and $212 (2013: $143) was charged to general and administrative expenses.

Expressed in United States dollars, except where otherwise noted.
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Impairments

For the year ended December 31, 2013, the Company recorded impairment charges relating to its Sao Francisco Mine and San Andres Mine of $16,019 and $40,172, respectively as a result of a significant decline in gold price below the overall gold price assumptions used in the Company's life of mine forecasts.

During the three months ended March 31, 2014, the consensus gold price and other impairment indicators did not change significantly, and therefore no further impairments or reversals of previously recorded impairments have been recorded on the Company's projects.

9 TRADE AND OTHER PAYABLES

		March 31, 2014		December 31, 2013
Trade accounts payable	**$**	**22,933**	$	20,290
Accrued liabilities		**6,230**		6,315
Other payables		**6,729**		9,153
Deferred revenue		**2,465**		3,032
	$	**38,357**	$	38,790

10 DEBT

		March 31, 2014		December 31, 2013
Current				
Short-term loans (note 10 (a))	**$**	**21,323**	$	23,254
Gold loan (note 10 (b))		**22,666**		–
Credit facility (note 10 (c))		**–**		21,213
Finance leases (note 10 (d))		**1,938**		2,560
		45,927		47,027
Long-term				
Finance leases (note 10 (d))		**–**		202
		–		202
	$	**45,927**	$	47,229

a) 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. Banco Atlantida granted an extension on the maturity date to November 15, 2014 and Minosa agreed to make quarterly repayments of $1,000 commencing on February 15, 2014. All other terms and conditions remained the same.

As at March 31, 2014, the outstanding balance of the promissory note was $3,000 (December 31, 2013: $4,000). During the three months ended March 31, 2014 , the Company incurred $84 of interest expense (2013: $Nil).

Expressed in United States dollars, except where otherwise noted.
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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 the Serrote Project. The Itau bridge loan bears interest at the Interbank Deposit Rate plus 4% and originally matured on July 31, 2013. The Company has obtained a series of extensions for the repayment of the debt.

During three months ended March 31, 2014, the Company repaid $1,900 (Brazilian Reais 4,500) of the oustanding principal and incurred $610 of interest expense, which was capitalized to the Serrote qualifying asset (2013: $153).

As at March 31, 2014, the outstanding balance on the Itau bridge loan was $18,323 (Brazilian Reais 41,464) (December 31, 2013: $19,254 (Brazilian Reais 45,000))

b) Gold Loan

		March 31, 2014		December 31, 2013
Balance, beginning of period	**$**	**–**	$	–
Proceeds from gold loan, net of warrants issued		**22,410**		–
Change in fair value		**256**		–
Balance, end of period	**$**	**22,666**	$	–

On March 17, 2014, the Company obtained a $22,500 loan (the "Gold Loan") from Auramet International LLC, a subsidiary of Auramet Trading LLC ("Auramet"). The proceeds of the Gold Loan were used to settle the Company's entire outstanding obligations pursuant to the Company's Amended Credit Facility (See Note 10 (c)) . The Gold Loan is to 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 partial consideration for the Gold Loan, the Company 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 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 warrants were issued on March 17, 2014 and valued at $90.

The Gold Loan was recorded at $22,410 at initial recognition, which was equal to the fair value of 18,320 ounces of gold deliverable. The Company has designated the Gold Loan as a financial liability to be measured at fair value through profit or loss ("FVTPL") and to be marked-to-market at each period end with changes in fair value recorded as other gains and losses. $566 of transaction costs have been included within finance costs on the consolidated statement of loss.

During the three months ended March 31, 2014, the Company recorded a mark-to market loss of $256.

Subsequent to March 31, 2014, the Company have delivered 2,748 ounces of gold valued at $3,589.

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

c) Credit Facility

		March 31, 2014		December 31, 2013
Balance, beginning of period	**$**	**21,213**	$	29,160
Credit facility drawn down in the period, net of transaction costs		**–**		11,221
Credit facility repayments in the period, net of transaction costs		**(21,887)**		(20,593)
Amortization of deferred transaction costs		**268**		814
Capitalized amendment fee and payment in kind interest		**406**		611
Balance, end of period		**–**		21,213
Less: current portion		**–**		(21,213)
	$	**–**	$	–

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 a default interest charge of 2% per annum, an amendment fee of 1% to be added to the outstanding principal at the time and a payment-in-kind interest charge of 1.75% to September 30, 2013, increasing to 3.75% from October 1, 2013 to December 31, 2013 and to 8.75% from December 31, 2013 until the original maturity date of June 30, 2014. Payment-in-kind interest of $710 and an amendment fee of $297 were capitalized to the outstanding principal. As the Amended Credit Facility was to be fully repaid 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 the Gold Loan (note 10 (b)).

During the three months ended March 31, 2014, the Company incurred interest expenses of $698 (2013: $404) and wrote-off $806 of unamortized transaction costs outstanding at March 17, 2014.

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

d) Finance leases

		March 31, 2014		December 31, 2013
Balance, beginning of period	**$**	**2,762**	$	3,074
Finance leases entered into during the period		**–**		2,930
Finance lease payments made during the period		**(824)**		(3,242)
Balance, end of period		**1,938**		2,762
Less: current portion		**(1,938)**		(2,560)
	$	**–**	$	202

The Company recorded $50 and $87 of interest expense related to finance leases for the three months ended March 31, 2014 and 2013, respectively, as part of the consolidated statement of loss.

11 OTHER LIABILITIES

		March 31, 2014		December 31, 2013
Balance, beginning of period	**$**	**11,930**	$	13,398
Accretion expense		**124**		636
Royalty payments		**(1,005)**		(2,401)
Change in estimate		**(17)**		297
Balance, end of period	**$**	**11,032**	$	11,930
Less: current portion		**(3,542)**		(4,269)
	$	**7,490**	$	7,661

During the three months ended March 31, 2014, the Company recorded accretion expense of $124 as part of finance costs and the change in estimate of $17 as part of other gains and losses (2013: $162 and $nil, respectively) on the consolidated statement of loss.

12 OTHER PROVISIONS

		Long-term employee benefits		**Provision for judicial contingencies**		**Total**
As of December 31, 2013	$	5,080	$	2,463	$	7,543
Periodic service cost		332		–		332
Additional provision for the period		–		–		–
Provisions settled during the period		(1,201)		(629)		(1,830)
Curtailment		314		–		314
Actuarial loss		(193)		–		(193)
Effect of foreign exchange		(33)		85		52
As of March 31, 2014	**$**	**4,299**	**$**	**1,919**	**$**	**6,218**

13 SHARE CAPITAL

a) Authorized – Unlimited number of common shares

b) Stock options

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

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

	Number of options		Weighted average price C$
Balance, December 31, 2013	15,742,334	$	1.49
Granted	4,961,000		0.12
Forfeited	(136,181)		1.11
Balance, March 31, 2014	**20,567,153**	**$**	**1.16**

c) Share-based payment expense

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. Share-based payment expense recognized in general and administrative expense in the statement of loss for the three months ended March 31, 2014 totalled $210 (2013: $529).

The Company granted 4,961,000 stock options to its employees during the three months ended March 31, 2014, which vest over a period of 3 years, are exercisable at $0.12, expire in 2019 and have a total fair value of $378. The fair value of stock options granted during the three months ended March 31, 2014 and 2013 was estimated using the Black-Scholes option pricing model with the following assumptions:

For the three months ended March 31,		**2014**		**2013**
Expected volatility		**99%**		78%
Risk-free interest rate		**1.10%**		1.20%
Weighted average share price for options granted	**$**	**0.12**	$	0.30
Expected life in years		**2.8**		3.2
Expected forfeiture rate		**11.83%**		7%
Expected dividend yield		**0%**		0%

14 REVENUES BY NATURE

For the three months ended March 31,		**2014**		2013
Gold sales	**$**	**52,990**	$	78,540
Copper concentrate sales		**12,037**		10,045
	$	**65,027**	$	88,585

15 COST OF GOODS SOLD BY NATURE

For the three months ended March 31,		**2014**		2013
Direct mine and mill costs	**$**	**58,242**	$	76,380
Depletion and amortization (note 8)		**8,441**		19,400
	$	**66,683**	$	95,780

Expressed in United States dollars, except where otherwise noted.
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16 GENERAL AND ADMINISTRATIVE EXPENSES

For the three months ended March 31,		2014		2013
Salaries, wages and benefits	**$**	**1,419**	$	1,701
Share-based payment expense (note 13 (c))		**210**		529
Professional and consulting fees		**540**		614
Travel expenses		**67**		122
Directors' fees		**76**		98
Amortization (note 8)		**212**		143
Other		**1,011**		259
	$	**3,535**	$	3,466

17 EXPLORATION EXPENSES

For the three months ended March 31,		2014		2013
San Andres Mine	**$**	**167**	$	528
Sao Vicente Mine		**32**		40
Aranzazu Mine		**4**		–
Non-core projects		**15**		108
	$	**218**	$	676

18 FINANCE COSTS

For the three months ended March 31,		2014		2013
Accretion expense	**$**	**708**	$	541
Service cost on post employment benefit		**164**		144
Interest expense on debt (note 10)		**832**		491
Other interest and finance costs		**1,414**		284
	$	**3,118**	$	1,460

19 OTHER LOSSES AND GAINS

For the three months ended March 31,		2014		2013
Foreign exchange gain	**$**	**(475)**	$	(216)
Change in fair value of debt (note 10(b))		**(256)**		–
Net (loss) gain on gold collar and fixed price contracts (note 21 (d))		**(226)**		2,047
Change in estimates of net smelter royalty payable (note 12)		**17**		–
Net gain on foreign currency contracts (note 21 (b))		**–**		178
Net loss on copper collar contracts (note 21 (c))		**–**		(83)
Other items		**(150)**		(109)
	$	**(1,090)**	$	1,817

Expressed in United States dollars, except where otherwise noted.
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20 CASH FLOW INFORMATION

a) Items not affecting cash

For the three months ended March 31,		2014		2013
Depletion and amortization	**$**	**8,653**	$	19,542
Write-down of inventory to net realizable value		**5,551**		4,218
Interest expense		**886**		491
Unrealized gain on gold collar and fixed price contracts (note 21(d))		**(828)**		(1,571)
Write-off of unamortized transaction costs on credit facility (note 10(c))		**806**		–
Accretion expense		**708**		541
Service cost on post-employment benefit		**647**		144
Change in fair value of gold loan (note 10(b))		**256**		–
Share-based payment expense		**210**		529
Foreign exchange loss (gain)		**91**		(60)
Unrealized loss on copper collar contracts		**–**		83
Deferred tax recovery		**(539)**		(1,259)
Unrealized gain on foreign currency contract		**–**		(174)
Other non-cash items		**83**		139
	$	**16,524**	$	22,623

b) Changes in non-cash working capital

For the three months ended March 31,		2014		2013
Changes in non-cash working capital				
Trade and other receivables	**$**	**722**	$	(2,065)
Inventory		**(2,432)**		(430)
Trade and other payables		**(1,466)**		(9,128)
	$	**(3,176)**	$	(11,623)

c) Supplementary cash flow information

For the three months ended March 31,		2014		2013
Non-cash investing and financing activities consist of:				
Change in accounts payable relating to investing activities	**$**	**(1,315)**	$	(1,249)
Assets acquired under finance lease	**$**	**–**	$	2,930

21 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 three months ended March 31, 2014 and 2013, the Company recognized a loss of $611 and a gain of $60, 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 reais 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.

During 2012, the Company entered into the following contracts:

i. Forward contract to hedge against the risk of an increase in the value of the Brazilian reais 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.

ii. Foreign currency contracts in the form of zero-cost collars totalling $40,000 with a put/floor of 1.9000 Brazilian reais to the United States dollar and a call/ceiling of 2.1750 Brazilian real to the United States dollar from June 2012 to May 2013.

The Company's derivative liabilities related to the foreign currency contracts as at March 31, 2013 were $nil. For the three months ended March 31, 2013, the Company recognized an unrealized gain of $174.

At March 31, 2014, 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. These derivative instruments were not designated as hedges by the Company and were marked to their market values at each reporting date.

During the three months ended March 31, 2013, put-call collars expired unexercised leaving 692.4 tonnes of copper hedged to June 30, 2013. For the three months ended March 31, 2013, the Company recognized an unrealized loss of $83.

At March 31, 2014, the Company did not have any copper collar contracts outstanding.

d) Gold collar and fixed price contracts

During the three months ended March 31, 2014, the Company hedged a total of 15,000 ounces of gold between July 1, 2014 and September 30, 2014. The derivative instruments entered into were in the form of zero-cost put/call collars with a floor price of $1,300 per ounce of gold and a ceiling price of $1,423 per ounce of gold. The Company advanced $1,500 to Auramet as a margin deposit for this hedging program. For the three months ended March 31, 2014, the Company recorded an unrealized gain on these collars of $124. As of March 31, 2014, the Company recorded a derivative asset on these collars of $124.

In addition, during the three months ended March 31, 2014, the Company also entered into contracts to hedge a total of 47,500 ounces of gold between January 1, 2014 and July 31, 2014. The derivative instruments entered into were in the form of fixed price contracts at an average price of $1,283 per ounce of gold. At March 31, 2014, the Company had 17,500 ounces of fixed price contracts outstanding at an average price of $1,332 per ounce of gold. For the three months ended March 31, 2014, the Company recorded an unrealized gain on these fixed price contracts of $704 and a realized loss of $1,054. As at March 31, 2014, the Company recorded a derivative asset on these fixed price contracts of $704.

As at March 31, 2013, the Company had hedged a total of 30,222 ounces of gold expiring between April 1, 2013 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 $1,813 per ounce of gold. These put/call collar contracts were closed out in June 2013. For the three months ended March 31, 2013, the Company recorded an unrealized gain on these collars of $1,571 and realized gain of $476.

Expressed in United States dollars, except where otherwise noted.
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Both the gold collar and fixed price contracts were not designated as hedges by the Company and therefore marked to their market values at each reporting date. Adjustments to the market value are included in the consolidated statement of loss in other gains and losses.

22 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.

For the three months ended March 31, 2014 and 2013, segmented information is as follows:

	San Andres Mine	Brazilian Mines	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	$ 18,158	$ 34,832	$ 12,037	$ –	$ –	$ 65,027
Cost of production	12,522	33,609	12,111	–	–	58,242
Depletion and amortization	2,501	2,062	3,878	–	–	8,441
Gross margin	3,135	(839)	(3,952)	–	–	(1,656)
Other expenses	(329)	(2,333)	(2,073)	(501)	(2,720)	(7,956)
Profit/(Loss) before income taxes	$ 2,806	$ (3,172)	$ (6,025)	$ (501)	$ (2,720)	$ (9,612)
Property, plant and equipment	$ 51,139	$ 8,348	$ 132,601	$ 34,577	$ 1,115	$ 227,780
Total assets	$ 85,770	$ 53,079	$ 155,133	$ 34,726	$ 10,942	$ 339,650
Capital expenditures	$ 1,596	$ 313	$ 1,798	$ 1,781	$ –	$ 5,488

	San Andres Mine	Brazilian Mines	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	$ 22,528	$ 56,013	$ 10,044	$ –	$ –	$ 88,585
Cost of production	16,931	48,525	10,924	–	–	76,380
Depletion and amortization	3,790	13,503	2,107	–	–	19,400
Gross margin	1,807	(6,015)	(2,987)	–	–	(7,195)
Other expenses	(1,081)	(415)	(1,264)	–	(1,005)	(3,765)
Profit (loss) before income taxes	$ 726	$ (6,430)	$ (4,251)	$ –	$ (1,005)	$ (10,960)
Property, plant and equipment	$ 82,023	$ 45,173	$ 140,278	$ –	$ 24,322	$ 291,796
Total assets	$ 116,853	$ 108,713	$ 160,306	$ –	$ 46,095	$ 431,967
Capital expenditures	$ 3,167	$ 206	$ 6,222	$ –	$ 13,921	$ 23,516

Revenues for the San Andres Mine and the Brazilian Gold Mines relate to the sale of refined gold. Revenues for the Aranzazu Mine relate to the sale of copper-gold-silver concentrate to two external customers.

23 FAIR VALUE MEASUREMENTS

The fair value of the Company's financial assets and liabilities measured at fair value on a recurring basis at March 31, 2014 and December 31, 2013 are summarized in the following table:

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

	Level	**March 31, 2014**		December 31, 2013	
Financial Assets		**Carrying value**	**Fair value**	Carrying value	Fair value
Loans and receivable, measured at amortized cost					
Accounts receivable	N/A	**$4,968**	**$4,968**	$6,862	$6,862
Other assets	N/A	**1,958**	**1,958**	2,006	2,006
At fair value through profit and loss					
Derivative assets	2	**$828**	**$828**	–	–
		$7,754	**$7,754**	$8,868	$8,868
Financial Liabilities					
At fair value through profit and loss					
Gold loan	2	**$22,666**	**$22,666**	–	–
Other financial liabilities, measured at amortized cost					
Accounts payable and accrued liabilities	N/A	**$37,305**	**$37,305**	$35,724	$35,724
Short-term loan	N/A	**21,323**	**21,323**	23,254	23,254
Credit facility	N/A	**–**	**–**	21,213	21,213
Other provisions	3	**6,218**	**6,218**	7,543	7,543
Other liability	3	**11,032**	**11,032**	11,930	11,930
		$75,878	**$75,878**	$99,664	$99,664