



Aura Minerals Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2014

Dated as of May 13, 2014

This management's discussion and analysis ("MD&A") should be read in conjunction with Aura Minerals Inc.'s (the "Company" or "Aura Minerals") unaudited condensed interim consolidated financial statements for the three months ended March 31, 2014 and related notes thereto (the "Financial Statements") which have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"). In addition, this MD&A should be read in conjunction with the 2013 Annual Information Form ("AIF") dated March 26, 2014, as well as other information relating to Aura Minerals as filed on the Company's profile on SEDAR at www.sedar.com. Unless otherwise noted, references herein to "\$" are to thousands of United States dollar. References to "C\$" are to the Canadian dollar. Tables are expressed in thousands of United States dollar, except where otherwise noted.

This MD&A has been prepared as at May 13, 2014 and provides information that management believes is relevant to assessing and understanding the financial condition of the Company and the results of operations and cash flows for the three months ended March 31, 2014.

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

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

1. BACKGROUND AND CORE BUSINESS

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

- *The San Andres Gold Mine ("San Andres")* – An open-pit heap leach gold mine located in the highlands of western Honduras, in the municipality of La Union, Department of Copan approximately 150 kilometres southwest of the city of San Pedro Sula. The mine has been in production since 1983;
- *The Aranzazu Copper Mine ("Aranzazu")* – An open-pit and underground mine operation with a 2,600 tonnes per day ("tpd") mill, producing a copper-gold-silver concentrate using flotation, located near the town of Concepcion del Oro in the state of Zacatecas, Mexico. The Company also controls approximately 11,380 hectares of exploration concessions centred on the Arroyos Azules underground mine and the past-producing El Cobre area. The mine has been in commercial production since February 1, 2011. In July 2012, the Company announced that it had received the results from the Aranzazu preliminary economic assessment study which evaluates a process plant feed rate expansion to a larger facility;
- *The Sao Francisco Gold Mine ("Sao Francisco")* – An open-pit heap leach gold mine located in the State of Mato Grosso, Brazil, approximately 560 kilometres west of Cuiaba, the state capital. The mine has been in production since 2006;
- *The Sao Vicente Gold Mine ("Sao Vicente")* – An open-pit heap leach gold mine located approximately 50 kilometres to the north of Sao Francisco in the State of Mato Grosso, Brazil. The mine has been in production since 2009, however mining and plant operations were suspended in Q4 2013;
- *The Serrote da Laje Project ("Serrote")* – A wholly-owned, development-stage copper-gold-iron project which is the Company's core development asset. The Serrote Project is located in the central-southern part of the State of Alagoas, Brazil, approximately 15 kilometres northwest of the city of Arapiraca and currently consists of 24 exploration licences totalling 40,899 hectares, 11 exploration applications totalling 19,622 hectares and one mining concession totalling 400 hectares. In September 2012, the Company announced the results from the feasibility study describing the scope, design and viability of developing

Serrote based on an open pit mining operation with a copper concentrator operating at 19,000 tonnes per day and producing approximately 66 million pounds of copper and 13,000 gold ounces as a by-product per year.

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

2. FIRST QUARTER 2014 FINANCIAL AND OPERATING HIGHLIGHTS

- Operating cash flow¹ of \$9,005 for the three months ended March 31, 2014 compared to \$11,467 for the three months ended March 31, 2013;
- Net sales revenue in the first quarter of 2014 decreased by 27% over the first quarter of 2013. The detail is as follows:

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
San Andres, ounces ("oz")	14,721	14,234
Sao Francisco, oz	20,612	25,701
Sao Vicente, oz	6,946	8,867
Total ounces sold	42,279	48,802
Realized average gold price per ounce ("oz")	\$ 1,283	\$ 1,635
Gold sales revenues (in '000's) net of local sales taxes	\$ 52,990	\$ 78,541
Copper concentrate sales (in '000's)	\$ 12,037	\$ 10,044
Total net sales (in '000's)	\$ 65,027	\$ 88,585

The average realized prices per oz for the three months ended March 31, 2014 and 2013 in the above table compare to the average market prices (London PM Fix) of \$1,293 and \$1,632 per oz, respectively;

Copper concentrate sales are from the shipment of 7,422 dry metric tonnes ("DMT") and 5,370 DMT of copper concentrate for the three months ended March 31, 2014 and 2013, respectively;

- Gold oz production for the three months ended March 31, 2014 was 14% lower as compared to the three months ended March 31, 2013. Gold production and cash costs¹ for the three months ended March 31, 2014 and 2013 were as follows;

¹ A cautionary note regarding non-GAAP measures is included in Section 16 of this MD&A.

	For the three months ended March 31, 2014		For the three months ended March 31, 2013	
	Oz Produced	Cash Costs ¹	Oz Produced	Cash Costs ¹
San Andres	17,665	\$ 764	15,714	\$ 1,116
Sao Francisco	20,357	1,328	25,652	1,332
Sao Vicente	5,220	1,098	9,048	1,410
Total / Average	43,242	\$ 1,070	50,414	\$ 1,279

- Cash costs for San Andres and the Brazilian Mines for the three months ended March 31, 2014 included net realizable value inventory write-downs of \$nil and \$188 per oz respectively to bring production inventory to net realizable value (2013: San Andres \$nil per oz, Brazilian Mines \$92 per oz, respectively);
- Copper production at Aranzazu for the three months ended March 31, 2014 and 2013 was 3,715,688 pounds and 2,855,500 pounds, respectively, an increase of 30%. On-site average cash cost¹ per pound of copper produced, net of gold and silver credits was \$2.78 for the three months ended March 31, 2014 compared to \$3.69 for the three months ended March 31, 2013, inclusive of net realizable value inventory write-downs of \$0.29 and \$0.34 respectively;
- Gross margin of \$(1,656) for the three months ended March 31, 2014, compared to a gross margin of \$(7,195) for the three months ended March 31, 2013;
- Loss of \$9,073 or \$0.04 per share for the three months ended March 31, 2014 compared to a loss of \$10,734 or \$0.05 per share for the three months ended March 31, 2013;
- On March 17, 2014, the Company obtained a \$22,500 gold loan from Auramet International LLC (the "Gold Loan"), the proceeds of which were utilized to settle the Company's entire outstanding obligations pursuant to the Company's Credit Facility (see Section 7 of this MD&A).

¹ A cautionary note regarding non-GAAP measures is included in Section 16 of this MD&A.

3. REVIEW OF MINING OPERATIONS AND DEVELOPMENT PROJECTS

San Andres, Honduras

The table below sets out selected operating information for San Andres for the three months ended March 31, 2014 and 2013:

	Q1 2014	Q1 2013
Ore mined (tonnes)	1,307,497	1,376,602
Waste mined (tonnes)	779,557	976,008
Total mined (tonnes)	2,087,054	2,352,610
Waste to ore ratio	0.60	0.71
Ore plant feed (tonnes)	1,307,497	1,407,672
Grade (g/tonne)	0.52	0.57
Production (ounces)	17,665	15,714
Sales (ounces)	14,721	14,234
Average cash cost per ounce of gold produced ¹	\$ 764	\$ 1,116

Total ore and waste mined during the first quarter of 2014 was 11% lower than in the comparable quarter. During the first quarter of 2014, ore mined was 5% lower than the comparable quarter and waste mined was 20% lower. The waste-to-ore ratio was 15% lower when comparing the first quarters of 2014 and 2013. The decrease in the waste and ore tonnes moved was primarily due to more waste in the mine plan for 2013. An industrial action in the first three weeks of January 2014 also resulted in lower production than expected. San Andres utilized the opportunity to implement a cost reduction program which is already yielding additional cash flows.

Total plant feed during the first quarter of 2014 was 7% lower than the tonnes processed in the same quarter in 2013. The average ore plant feed grade for the first quarter of 2014 decreased by 9% as compared to the first quarter of 2013, due to lower grade areas mined in 2014. Mining in the Cerro Cortez area continues to yield higher grades and recoveries than originally expected and continues to be closely monitored.

Gold production at San Andres in the first quarter of 2014 increased by 12% over the comparable period primarily due to the improved recoveries in both the leaching and carbon stripping processes.

Average cash cost per oz of gold produced^[1] in the first quarter of 2014 decreased by 32% over the first quarter of 2013. Refer to Section 5, Results of Operations for information relating to total net realizable value write downs at San Andres. Higher mining costs were experienced in 2013 due to the additional waste material moved.

The 15,000 metre drilling program from 2013 continued with priority on near term production targets with higher grades and a similar program is expected to continue during Q3 2014.

^[1] A cautionary note regarding non-GAAP measures is included in Section 16 of this MD&A.

Sao Francisco, Brazil

The table below sets out selected operating information for Sao Francisco for the three months ended March 31, 2014 and 2013:

	Q1 2014	Q1 2013
Ore mined (tonnes)	873,077	1,390,091
Waste mined (tonnes)	1,557,019	1,758,822
Total mined (tonnes)	2,430,096	3,148,913
Waste to ore ratio	1.78	1.27
Ore plant feed (tonnes)	970,677	1,510,024
Grade (g/tonne)	0.70	0.57
Production (ounces)	20,357	25,652
Sales (ounces)	20,612	25,701
Average cash cost per ounce of gold produced ¹	\$ 1,328	\$ 1,332

Total material moved during the first quarter of 2014 was 23% lower than the first quarter of 2013. The waste-to-ore ratio was 40% higher than the comparable period in 2013 because exceptionally heavy rainfall prevented mining of ore from the base of the pit. In anticipation of this, nearly 500,000 tonnes of ore were stockpiled on the surface close to the crusher. Material moved was lower due to restrictions resulting from the tightening of the pit and longer haul distances of both waste and ore.

Total plant feed during the first quarter of 2014 was 36% lower than the first quarter of 2013 mainly due to shutdowns for revamping in the tertiary crusher circuit. The average ore plant feed grade for the first quarter of 2014 was 23% higher than in the first quarter of 2013.

Gold production in the first quarter of 2014 was 21% lower than the first quarter of 2013 due primarily to the lower plant feed.

Average cash cost per oz of gold produced¹ in the first quarter of 2014 was relatively flat as compared to the first quarter of 2013. Refer to Section 5, Results of Operations for information relating to total net realizable value write downs at the Brazilian Mines.

Mining at Sao Francisco is expected to continue to mid-2015 as exploration drilling in 2013 and a revised geological block model has identified additional mineralized material in several areas of the pit as well as an extra push-back in the south which is reflected in the higher strip ratio for the first quarter of 2014 as compared to the first quarter of 2013. Ongoing monthly reconciliation in 2014 indicates that there will be a positive conversion of waste and low grade zones to additional plant feed. Processing is expected to be extended past mid-2015.

¹ A cautionary note regarding non-GAAP measures is included in Section 16 of this MD&A.

Sao Vicente, Brazil

The table below sets out selected operating information for Sao Vicente for the three months ended March 31, 2014 and 2013:

	Q1 2014	Q1 2013
Ore mined (tonnes)	-	594,260
Waste mined (tonnes)	-	804,662
Total mined (tonnes)	-	1,398,922
Waste to ore ratio	N/A	1.35
Ore plant feed (tonnes)	9,505	587,745
Grade (g/tonne)	1.49	0.56
Production (ounces)	5,220	9,048
Sales (ounces)	6,946	8,867
Average cash cost per ounce of gold produced ¹	\$ 1,098	\$ 1,410

As a result of the suspension of mining and plant operations at Sao Vicente in Q4 2013, there was no material moved in the first quarter of 2014. A low volume of processing was achieved through the plant as there was sufficient feed material from clean-up of fill material around the plant area to keep the plant operating during Q1 2014.

The average head grade of the ore processed for the first quarter of 2014 was significantly higher than the average feed grades in 2013 due to higher gold concentrations in the plant feed.

The average cash cost per oz of gold produced¹ in the first quarter of 2014 was 42% lower than the first quarter of 2013 due to low cost ore sourced from the clean-up, as well as the absence of mining costs, combined with good gold recoveries during the exhaustion of the heap. Refer to Section 5, Results of Operations for information relating to total net realizable value write downs at the Brazilian Mines.

Cyanide at normal dosage was added to the heap leach pads in Q1, but this was stopped in April. We will continue to irrigate the heap throughout 2014, initially to recover any residual gold ounces, but thereafter to neutralize the cyanide and pH of the heap.

¹ A cautionary note regarding non-GAAP measures is included in Section 16 of this MD&A.

Aranzazu, Mexico

The table below sets out selected operating information for Aranzazu for the three months ended March 31, 2014 and 2013:

	Q1 2014	Q1 2013
Ore mined (tonnes)	247,516	218,200
Ore milled (tonnes)	229,778	173,700
Copper grade (%)	1.06%	0.97%
Gold grade (g/tonne)	0.49	0.49
Silver grade (g/tonne)	16.87	15.56
Copper recovery ¹	79.5%	81.7%
Gold recovery	62.8%	67.5%
Silver recovery	52.1%	47.4%
Concentrate production:		
Copper concentrate produced (DMT)	8,180	5,436
Copper contained in concentrate (%)	23.6%	25.1%
Gold contained in concentrate (g/DMT)	8.7	9.8
Silver contained in concentrate (g/DMT)	256.3	238.1
Copper contained in concentrate (pounds)	4,254,778	3,005,000
Estimated payable copper produced (pounds)	3,715,688	2,855,500
Estimated payable gold produced (ounces)	2,104	1,530
Estimated payable silver produced (ounces)	54,941	36,290
Average cash cost per pound of copper produced, net of gold and silver credits ²	\$ 2.78	\$ 3.69

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

For the first quarter of 2014, ore mined and ore milled were 13% higher and 32% higher than the comparative period in 2013. Copper concentrate production increased by 50% in the first quarter of 2014 as compared to the first quarter of 2014, due to the effect the increased ore mined and milled, a 9% increase in copper grade, offset by a 3% decrease in the copper recoveries. Aranzazu's mine development continued to be focused on near-term development in the first quarter of 2014. This is expected to continue throughout the year.

Average cash cost per pound of copper produced² for the first quarter of 2014 decreased by 25% as compared to the first quarter of 2013. These average cash costs are inclusive of net realizable value write-downs of \$0.29 and \$0.34 for the first quarters of 2014 and 2013, respectively. The average arsenic level in the copper concentrate was 0.86% during the first quarter of 2013. Aranzazu continues to implement a successful program of blending to ensure that value is maximized from the sales of concentrate. This has resulted in significant improvements in the levels of arsenic encountered in the concentrate production and accompanying decreases in treatment charges, refining charges and penalties on the concentrate shipments.

The basic engineering design for the planned processing plant expansion was completed in 2013. A new fresh water system, coarse ore feeder redesign and a high solids tailings thickener are part of the engineering design package. The plant expansion and partial roasting facility remain on hold pending the outcome of the financing discussions.

² A cautionary note regarding non-GAAP measures is included in Section 16 of this MD&A.

Serrote

The Serrote project development phase is continuing. During the year ended December 31, 2013, the Company's wholly-owned subsidiary Mineração Vale Verde Ltda. ("MVV") received R\$45,000 (approximately \$20,000) (the "Bridge Loan") from Banco Itaú BBA S.A. ("Itaú"). The Bridge Loan has been utilized by the Company for community resettlement, engineering, long-lead equipment procurement and early site improvements. Community resettlement is proceeding, with resettlement in areas of early construction substantially complete. Basic engineering has been completed, and the engineering of long lead equipment has been awarded. During the three months ended March 31, 2014, MVV repaid R\$4,500 (approximately \$1,900) of the Bridge Loan to Itaú.

The Company has also retained Itaú as a financial advisor to assist in structuring long-term project financing for the Serrote project on a best efforts basis. The Company is continuing to pursue options to maximize the value of Serrote including, but not limited to, a disposal of a majority interest in the project equity and is also considering a revised development and operating plan that would require lower capital expenditures and features an earlier phased execution schedule.

Brazilian Mines – Value Maximization

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

National Instrument 43-101 Compliance

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

4. OUTLOOK AND STRATEGY

Aura Minerals' future profitability, operating cash flows and financial position will be closely related to the prevailing prices of gold and copper. Key factors influencing the price of gold and copper include, but are not limited to, the supply of and demand for these commodities, the relative strength of currencies (particularly the U.S. dollar) and macroeconomic factors such as current and future expectations for inflation and interest rates. Management believes that the short-to-medium term economic environment is likely to remain relatively supportive for commodity prices but with continued volatility. In order to decrease risks associated with commodity price and currency volatility, the Company will continue to evaluate available protection programs.

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

Aura Minerals' production and cash cost per oz¹ guidance for the 2014 year is as follows:

Gold Mines	Cash Cost per oz¹	2014 Production
San Andres	\$ 800 - \$ 950	75,000 – 85,000 oz
Sao Francisco	\$ 900 - \$ 1,050	75,000 – 85,000 oz
Sao Vicente	\$ 525 - \$ 675	5,500 - 7,500 oz
Total	\$ 850 - \$ 1,000	155,500 - 177,500 oz

Aranzazu's production for 2014 is expected to be between 18,000,000 and 19,500,000 pounds of copper at a range of \$2.60 to \$3.15 average cash cost per pound¹ of copper.

To the date of this MD&A, the indicators have been that the pro-rata guidance will be achieved at each operating mine.

For 2014, total capital spending is expected to be \$36,000. Of this amount, \$20,000 relates to the development and expansion of Aranzazu, while \$12,000 relates to San Andres plant upgrades, Phase V of the heap leach expansion and community expenditures. The remaining portion is being spent on various miscellaneous projects in the group, including the Serrote development project. The capital expenditure programs for the expansion of Aranzazu and the development of Serrote remain dependent upon successful completion of financing.

¹ A cautionary note regarding non-GAAP measures is included in Section 16 of this MD&A.

5. RESULTS OF OPERATIONS

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

<i>(In thousands of dollars)</i>	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Revenues:		
San Andres	\$ 18,158	\$ 22,528
Brazilian Mines	34,832	56,013
Aranzazu	12,037	10,044
	\$ 65,027	\$ 88,585
Cost of Production:		
San Andres	\$ 12,522	\$ 16,931
Brazilian Mines	33,609	48,525
Aranzazu	12,111	10,924
	\$ 58,242	\$ 76,380
Depletion and Amortization:		
San Andres	\$ 2,501	\$ 3,790
Brazilian Mines	2,062	13,503
Aranzazu	3,878	2,107
	\$ 8,441	\$ 19,400
Gross Margin:		
San Andres	\$ 3,135	\$ 1,807
Brazilian Mines	(839)	(6,015)
Aranzazu	(3,952)	(2,987)
	\$ (1,656)	\$ (7,195)

Revenues

Revenues for the three months ended March 31, 2014 decreased by 27% compared to three months ended March 31, 2013. The decrease in revenues resulted from a 33% decrease in gold sales and a 20% increase in copper concentrate sales.

The decrease in gold sales is attributable to a 13% decrease in gold sales volumes and a 22% decrease in the realized average gold price per ounce.

Revenue related to concentrate shipments for the three months ended March 31, 2014 and 2013 is comprised as follows:

<i>(In thousands of dollars)</i>	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Copper revenue, net of treatment and refining charges	\$ 9,288	\$ 6,953
Gold by-product revenue	2,751	2,737
Silver by-product revenue	1,137	1,099
Price adjustments recorded	(1,139)	(745)
Total revenue	\$ 12,037	\$ 10,044

The increase in copper concentrate net sales is primarily attributable to a 38% increase in DMT sold offset by a 13% decrease in average price realized. Total revenues for the three months ended March 31, 2014 at Aranzazu related to the shipment of 7,422 DMT of copper concentrate compared to 5,370 DMT of copper concentrate for the three

months ended March 31, 2013. Total concentrate shipment revenues for the three months ended March 31, 2014 and 2013 were \$1,622 per DMT and \$1,870 per DMT, respectively. The lower concentrate shipment revenue per DMT is due to lower commodity prices.

Cost of Goods Sold

For the three months ended March 31, 2014 and 2013, total cost of goods sold from San Andres was \$15,023 or \$1,021 per oz compared to \$20,721 or \$1,456 per oz, respectively. For the three months ended March 31, 2014 and 2013, cash operating costs were \$851 per oz and \$1,189 per oz, respectively, while non-cash depletion and amortization charges were \$170 per oz and \$267 per oz, respectively. There were no write-downs of production inventory to net realizable value for the three months ended March 31, 2014 or 2013, respectively.

At the Brazilian Mines, for the three months ended March 31, 2014 and 2013, total cost of goods sold was \$35,671 or \$1,294 per oz compared to \$62,028 or \$1,794 per oz, respectively. For the three months ended March 31, 2014 and 2013, cash operating costs were \$1,219 per oz and \$1,404 per oz, respectively, while non-cash depletion and amortization charges were \$75 per oz and \$390 per oz, respectively. The cash operating costs for the three months ended March 31, 2014 included a write-down of \$5,193 or \$188 per oz to bring production inventory to its net realizable value (2013: \$3,194 or \$92 per oz).

Total cost of goods sold from Aranzazu for the three months ended March 31, 2014 and 2013 was \$15,989 or \$2,154 per DMT and \$13,031 or \$2,427 per DMT, respectively. For the three months ended March 31, 2014 and 2013, cash operating costs were \$1,632 per DMT and \$2,034 per DMT, respectively, while non-cash depletion and amortization charges were \$522 per DMT and \$393 per DMT, respectively. The cash operating costs for the three months ended March 31, 2014 included a write-down of \$1,238 or \$166 per DMT to bring production inventory to its net realizable value (2013: \$1,024 or \$191 per DMT).

Other Expenses, Impairment Charges and Operating Loss

For the three months ended March 31, 2014 and 2013, general and administrative costs include:

<i>(In thousands of dollars)</i>	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Salaries, wages and benefits	\$ 1,419	\$ 1,701
Share-based payment expense	210	529
Professional and consulting fees	540	614
Travel expenses	67	122
Directors' fees	76	98
Amortization	212	143
Other	1,011	259
	\$ 3,535	\$ 3,466

Salaries, wages and benefits and travel expenses decreased due to reorganizations at the Company's corporate offices. Share-based payment expense decreased 60% as a result of a lower value assigned to stock options granted during the period and prior period forfeitures. Professional and consulting fees decreased due to the Company limiting spending on special projects during the period. Other expenses for the three months ended March 31, 2014 include \$440 relating to import tax for purchases of cyanide.

Exploration costs for the three months ended March 31, 2014 and 2013 included the following:

<i>(In thousands of dollars)</i>	For the three months ended March 31, 2014	For the three months ended March 31, 2013
San Andres Mine	\$ 167	\$ 528
Sao Vicente Mine	32	40
Aranzazu Mine	4	–
Non-core projects	15	108
	\$ 218	\$ 676

The decrease in exploration costs reflects the Company's overall reduction in exploration expenditures while it continues to focus on refinancing.

Finance and Other Income and Expenses, Taxes, and Loss

Finance costs for the three months ended March 31, 2014 and 2013 included the following:

<i>(In thousands of dollars)</i>	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Accretion expenses	\$ 708	\$ 541
Service cost on post employment benefit	164	144
Interest expense on debt	832	491
Other interest and finance costs	1,414	284
	\$ 3,118	\$ 1,460

The increase in accretion relates to changes to the estimate of the net smelter return royalty payable and changes in provisions for the mine closure cost and restoration. The increase in interest expense on debt and other interest and finance costs reflects the interest rates, payment-in-kind interest charges and write-off of transaction costs on both the Credit Facility and the Gold Loan.

Other losses for the three months ended March 31, 2014, as compared to other gains for the three months ended March 31, 2013 consisted of:

<i>(In thousands of dollars)</i>	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Foreign exchange gain	\$ (475)	\$ (216)
Change in fair value of debt	(256)	–
Net (loss) gain on gold collar and fixed price contracts	(226)	2,047
Change in estimates of net smelter royalty payable	17	–
Net gain on foreign currency contracts	–	178
Net loss on copper collar contracts	–	(83)
Other items	(150)	(109)
	\$ (1,090)	\$ 1,817

The income tax recovery for the three months ended March 31, 2014 was \$539 and consisted of \$288 in current income tax recovery related to San Andres, and \$251 in deferred tax recovery. The income tax recovery for the three months ended March 31, 2013 was \$226 and consisted of \$1,034 in current income tax expense related to San Andres, and \$1,260 in deferred tax recovery, which primarily relates to deferred tax assets recognized for Aranzazu during the period.

For the three months ended March 31, 2014, the Company recorded a loss of \$9,073 which compares to a loss of \$10,734 for the three months ended March 31, 2013.

Other comprehensive loss

Other comprehensive loss for the three months ended March 31, 2014 and 2013 totalled \$1,112 and \$103, respectively, related to the translation of foreign subsidiaries from their functional currencies into the Company's presentation currency and unrealized actuarial gain (loss) on post-employment benefits.

6. SUMMARY OF QUARTERLY RESULTS

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

<i>Fiscal quarter ended</i>	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Revenue	\$65,027	\$74,972	\$86,064	\$81,256	\$88,585	\$86,404	\$72,818	\$72,594
Working capital	\$7,697	\$15,149	\$21,286	\$12,326	\$12,887	\$56,169	\$49,375	\$51,896
Property, plant and equipment	\$227,780	\$228,762	\$226,382	\$228,929	\$291,796	\$289,460	\$290,552	\$302,302
Impairment charges ^{1,2}	\$0	\$0	\$0	\$56,193	\$0	\$0	\$0	\$0
Loss for the period	(\$9,073)	(\$11,382)	(\$1,795)	(\$50,078)	(\$10,734)	(\$7,895)	(\$16,938)	(\$11,507)
Net loss per share - basic and diluted	(\$0.04)	(\$0.05)	(\$0.01)	(\$0.22)	(\$0.05)	(\$0.04)	(\$0.07)	(\$0.05)
Operating cash flow ³	\$9,005	\$22,113	\$22,139	\$11,128	\$11,467	\$17,908	\$18,047	\$3,239

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

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

(3) A cautionary note regarding non-GAAP measures is included in Section 16 of this MD&A.

Refer to *Section 7, Liquidity and Capital Resources*, for additional information on the working capital movements. For further additional information on period to period variations, see *Section 3, Review of Mining Operations and Development Projects and Section 5, Results of Operations*.

7. LIQUIDITY AND CAPITAL RESOURCES

The changes in cash and cash equivalents for the three months ended March 31, 2014 and 2013 are presented in the table below:

<i>(In thousands of dollars)</i>	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Cash flow generated by operating activities	\$ 5,567	\$ 1,844
Cash flow used for the purchase of property, plant and equipment, net	(3,296)	(21,636)
Cash flow (used) generated by financing activities	(8,909)	23,951
Effect of exchange rate changes on cash and cash equivalents	—	232
(Decrease) increase in cash and cash equivalents	\$ (6,638)	\$ 4,391

Significant capital expenditures during the three months ended March 31, 2014 include \$1,798 on infrastructure and development at Aranzazu and \$1,781 for Serrote development.

During the three months ended March 31, 2014, working capital decreased by \$7,452 to \$7,697. The working capital includes cash and cash equivalents of \$8,721 at March 31, 2014 and \$4,518 of PIS/COFINS receivable tax credits in Brazil.

Cash flow used by financing activities for the three months ended March 31, 2014 reflects a \$1,000 repayment on the short-term promissory note at the San Andres project and a repayment of R\$4,500 (approximately \$1,900) on the outstanding principal of the Bridge Loan. During the three months ended March 31, 2014, the Company also obtained an additional extension on the maturity date of the Bridge Loan to May 5, 2014. On May 5, 2014 the company repaid a further R\$1,000 (approximately \$450) and obtained a further extension on the maturity date of the remaining Bridge Loan to August 5, 2014.

The outstanding Amended Credit Facility balance of \$22,424 (including payment-in-kind interest of \$406 from January 1, 2014 to March 17, 2014) was fully repaid on March 17, 2014 from the proceeds of the Gold Loan. 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 based on the ounces outstanding at that point in time and with no early prepayment penalties.

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 and copper prices, the Company presently does not have sufficient funds or working capital to make either the required debt repayments over the next twelve months or to fund all of its planned expansion activities without a further refinancing or obtaining additional financing.

These factors raise significant doubt about the Company's ability to continue as a going concern. The Company's continuing operations are dependent upon its ability to refinance its current funding or raise additional funding to meet its obligations and attain profitable operations. Accordingly, the Company is currently evaluating a number of financing alternatives, including, but not limited to, loans and the issuance of notes in the capital markets, to meet its liquidity, debt service and capital expenditure requirements. Although management is confident that the Company will be able to refinance its current funding or secure additional financing, there are no assurances that the Company will be successful.

8. CONTRACTUAL OBLIGATIONS

For the three months ended March 31, 2014 and as at the date of this MD&A, the Company has not entered into any contractual obligations that are outside of the ordinary course of business.

9. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of March 31, 2014, other than certain royalty obligations in respect of Aranzazu, the Serrote Project and certain other non-core projects.

10. TRANSACTIONS WITH RELATED PARTIES

During the three months ended March 31, 2014, the Company did not enter into any transactions with related parties.

11. PROPOSED TRANSACTIONS

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

12. 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 retains 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.

13. CRITICAL ACCOUNTING ESTIMATES

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

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

The Company's significant accounting policies are described in note 4 to the Financial Statements for the year ended December 31, 2013. Management's critical accounting estimates are applied as follows:

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. Mineral reserves and mineral 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 mineral reserves and mineral resources, 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 mineral reserves and mineral resources and may, ultimately, result in minerals reserves and mineral resources being restated.

b) 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.

c) 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 may 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.

d) 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 judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices.

e) Impairment of long-lived assets

In accordance with the Company's accounting policy, each asset or CGU 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 CGU 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.

14. CORPORATE GOVERNANCE

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

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

15. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for designing and maintaining adequate internal controls over financial reporting ("ICFR"), under the supervision of the CEO and CFO, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS. Management is also responsible for the design and effectiveness of disclosure controls and procedures ("DC&P"), under the supervision of the CEO and CFO, to provide reasonable assurance that material information related to the Company is made known to the Company's certifying officers. Based on a review of the ICFR and DC&P as of March 31, 2014 and ongoing review and monitoring of these procedures, and as there were no changes in ICFR or DC&P in the three months ended March 31, 2014 which have materially affected or are reasonably likely to materially affect ICFR or DC&P, management of the Company believes its internal controls and procedures are appropriately designed and effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner, and that material information relating to the Company is made known to them.

16. NON-GAAP PERFORMANCE MEASURES

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

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

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

<i>(In thousands of dollars except for ounces of gold produced and average cash cost per ounce)</i>	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Cost of goods sold	\$ 50,694	\$ 82,749
Less: Depletion and amortization	(4,563)	(17,293)
Inventory movements and adjustments	131	(958)
Total cash cost	\$ 46,262	\$ 64,498
Gold ounces produced	43,242	50,414
Average cash cost per ounce of gold produced	\$ 1,070	\$ 1,279

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

<i>(In thousands of dollars except for pounds of contained copper produced and average cash cost per pound of copper produced)</i>	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Cost of goods sold	\$ 15,989	\$ 13,031
Less: Depletion and amortization	(3,878)	(2,107)
Inventory movements and adjustments	6,108	1,082
Cash production costs	\$ 18,219	\$ 12,006
Less: Estimated by-product credits	(3,888)	(3,826)
Plus: Estimated selling costs	(2,503)	2,928
Total cash costs net of by-product credits	\$ 11,828	\$ 11,108
Contained copper pounds produced	4,254,778	3,005,000
Average cash cost per pound of copper produced	\$ 2.78	\$ 3.69

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

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

	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012	Sept 30, 2012	Jun 30, 2012
Operating (loss) gain	\$ (5,409)	\$ 2,503	\$ (4,181)	\$ (75,694)	\$ (11,337)	\$ (6,357)	\$ (1,112)	\$ (13,469)
Add back:								
Depletion and amortization	8,653	2,974	13,667	18,673	19,543	19,686	10,858	14,677
Write-down of inventory to net realizable value	5,551	16,458	3,581	11,583	2,732	5,821	7,829	1,328
Share based payments	210	178	312	373	529	378	472	703
Loss on disposal - Intangible assets	-	-	8,760	-	-	-	-	-
Impairment charge - Brazilian Mines	-	-	-	16,021	-	-	-	-
Impairment charge - San Andres Mine	-	-	-	40,172	-	-	-	-
Operating cash flow	\$ 9,005	\$ 22,113	\$ 22,139	\$ 11,128	\$ 11,467	\$ 19,528	\$ 18,047	\$ 3,239

17. RISK FACTORS

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

18. DISCLOSURE OF SHARE DATA

As at May 13, 2014, the Company had the following outstanding: 228,458,106 common shares, 20,494,295 stock options, 4,500,000 share purchase warrants and 192,188 restricted share units.

19. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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