Aura Minerals Inc.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2014 and 2013

(Unaudited)

NOTICE TO READER – FROM AURA MINERALS INC.

The condensed unaudited interim consolidated financial statements of Aura Minerals Inc. including the accompanying condensed interim consolidated statements of financial position as at September 30, 2014 and December 31, 2013, the condensed interim consolidated statements of income (loss), comprehensive loss and cash flows for the three and nine months ended September 30, 2014 and 2013, and the condensed interim consolidated statement of changes in equity for the nine months ended September 30, 2014 and 2013 are the responsibility of the Company's management. The condensed unaudited interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards for interim consolidated financial statements. The independent auditor of the Company has not performed a review of these condensed unaudited interim consolidated financial statements for the three and nine months ended September 30, 2014.

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Income (Loss)

For the three and nine months ended September 30, 2014 and 2013

Expressed in thousands of United States dollars

(Unaudited)

	Note		**For the three months ended September 30, 2014**		For the three months ended September 30, 2013		**For the nine months ended September 30, 2014**		For the nine months ended September 30, 2013
Revenue	14	**$**	**76,592**	$	86,064	**$**	**206,868**	$	255,905
Cost of goods sold	15		**68,575**		77,757		**189,356**		269,283
Gross margin			**8,017**		8,307		**17,512**		(13,378)
General and administrative expenses	16		**3,391**		3,247		**9,474**		11,038
Exploration expenses			**101**		481		**431**		1,844
Loss on disposal - Brazilian exploration properties			**–**		8,760		**–**		8,760
Impairment charge - Brazilian Mines	8		**–**		–		**–**		16,021
Impairment charge - San Andres Mine	8		**–**		–		**–**		40,172
Operating income (loss)			**4,525**		(4,181)		**7,607**		(91,213)
Finance costs	17		**(1,218)**		(1,602)		**(5,459)**		(4,804)
Other income (loss)			**174**		(890)		**174**		(816)
Other gains (losses)	18		**1,323**		4,632		**(401)**		17,103
Income (Loss) before income taxes			**4,804**		(2,041)		**1,921**		(79,730)
Income tax (expense) recovery			**(4,028)**		451		**(6,198)**		17,533
Income (Loss) for the period		**$**	**776**	$	(1,590)	**$**	**(4,277)**	$	(62,197)
Income (Loss) per share:									
Basic and diluted		**$**	**0.01**	$	(0.01)	**$**	**(0.02)**	$	(0.27)
Weighted average number of common shares outstanding:									
Basic and diluted			**228,458,106**		228,358,334		**228,458,106**		228,358,334

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

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three and nine months ended September 30, 2014 and 2013

Expressed in thousands of United States dollars

(Unaudited)

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013
Income (Loss) for the period	**$ 776**	$ (1,590)	**$ (4,277)**	$ (62,197)
Other comprehensive loss				
Loss on foreign exchange translation of subsidiaries	**(1,864)**	(213)	**(954)**	(741)
Actuarial (loss) gain on post employment benefit, net of tax	**–**	(205)	**167**	(615)
Other comprehensive loss, net of tax	**(1,864)**	(418)	**(787)**	(1,356)
Total comprehensive loss	**$ (1,088)**	$ (2,008)	**$ (5,064)**	$ (63,553)

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

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the three and nine months ended September 30, 2014 and 2013

Expressed in thousands of United States dollars

(Unaudited)

	Note	**For the three months ended September 30, 2014**	For the three months ended September 30, 2013	**For the nine months ended September 30, 2014**	For the nine months ended September 30, 2013
Cash flows from operating activities					
Income (loss) for the period		**$ 776**	$ (1,590)	**$ (4,277)**	$ (62,197)
Items not affecting cash	19 (a)	**13,244**	31,122	**37,597**	133,276
Changes in non-cash working capital	19 (b)	**4,980**	(15,780)	**1,806**	(43,714)
Other assets		**1,318**	253	**1,826**	8,707
Net cash generated by operating activities		**20,318**	14,005	**36,952**	36,072
Cash flows from investing activities					
Purchase of property, plant and equipment		**(6,471)**	(6,676)	**(14,528)**	(43,219)
Proceeds from sale of fixed assets		**219**	–	**1,585**	–
Net cash used in investing activities		**(6,252)**	(6,676)	**(12,943)**	(43,219)
Cash flows from financing activities					
Proceeds received from gold loan		**–**	–	**22,500**	–
Repayment of credit facility		**–**	–	**(22,425)**	(12,307)
Repayment of gold loan		**(7,598)**	–	**(15,875)**	–
Repayment of short-term loans		**(1,000)**	–	**(5,336)**	(1,000)
Draw down of short-term loans		**–**	–	**–**	27,543
Draw down of credit facility, net of transaction costs		**–**	–	**–**	12,000
Repayment of other provisions		**(116)**	(356)	**(2,709)**	(716)
Decrease (Increase) in restricted cash		**1,000**	3,105	**–**	(1,215)
Repayment of other liabilities		**–**	(1,083)	**(1,781)**	(1,331)
Interest paid on debt		**(1,115)**	(254)	**(2,901)**	(1,276)
Finance lease payments		**(600)**	(658)	**(2,157)**	(2,319)
Net cash (used) generated by financing activities		**(9,429)**	754	**(30,684)**	19,379
Increase (Decrease) in cash and cash equivalents		**4,637**	8,083	**(6,675)**	12,232
Effect of exchange rate changes on cash and cash equivalents		**–**	(682)	**–**	(598)
Cash and cash equivalents, beginning of the period		**4,047**	13,550	**15,359**	9,317
Cash and cash equivalents, end of the period		**$ 8,684**	$ 20,951	**$ 8,684**	$ 20,951

Supplementary cash flow information (note 19(c))

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

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Financial Position

As at September 30, 2014 and December 31, 2013

Expressed in thousands of United States dollars

(Unaudited)

	Note	September 30, 2014	December 31, 2013
ASSETS			
Current			
Cash and cash equivalents		**$ 8,684**	$ 15,359
Trade and other receivables	4	**20,956**	18,432
Inventory	5	**55,552**	66,526
Other current assets	6	**5,290**	7,662
		90,482	107,979
Other long-term assets	7	**10,914**	10,265
Property, plant and equipment	8	**226,918**	228,762
Deferred income tax asset		**4,115**	4,502
		$ 332,429	$ 351,508
LIABILITIES			
Current			
Trade and other payables	9	**$ 47,231**	$ 38,685
Current portion of debt	10	**25,602**	47,027
Current portion of provision for mine closure and restoration		**2,850**	2,849
Current portion of other liabilities	11	**3,770**	4,269
		79,452	92,830
Debt	10	**–**	202
Deferred income tax liabilities		**11,936**	12,341
Provision for mine closure and restoration		**20,525**	18,986
Other provisions	12	**6,310**	7,543
Other liabilities	11	**6,752**	7,661
		124,976	139,563
SHAREHOLDERS' EQUITY			
Share capital	13	**537,603**	537,603
Contributed surplus		**54,177**	53,605
Accumulated other comprehensive income		**188**	1,142
Deficit		**(384,515)**	(380,405)
		207,453	211,945
		$ 332,429	$ 351,508

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 condensed unaudited interim consolidated financial statements.

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the nine months ended September 30, 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)**	**$**	**211,945**
Loss for the period		–		–		–		–		(4,277)		(4,277)
Gain on translation of subsidiaries		–		–		–		(954)		–		(954)
Actuarial gain on severance liability, net of tax		–		–		–		–		167		167
Warrants issued to accompany gold loan	10 (b)	–		–		90		–		–		90
Share-based payments		–		–		482		–		–		482
At September 30, 2014		**228,458,106**	**$**	**537,603**	**$**	**54,177**	**$**	**188**	**$**	**(384,515)**	**$**	**207,453**

	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)**	**$**	**283,233**
Loss for the period		–		–		–		–		(62,197)		(62,197)
Loss on translation of subsidiaries		–		–		–		(741)		–		(741)
Actuarial loss on severance liability, net of tax		–		–		–		–		(615)		(615)
Share-based payments		–		–		1,213		–		–		1,213
At September 30, 2013		**228,358,334**	**$**	**537,449**	**$**	**53,580**	**$**	**1,537**	**$**	**(371,673)**	**$**	**220,893**

The accompanying notes form an integral part of these condensed unaudited 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 operation and development 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;
- 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 condensed unaudited 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 $384,515 at September 30, 2014. For the three and nine months ended September 30, 2014, the Company earned a net income of $776 and incurred a net loss of $4,277 respectively. Based on the Company's current cash flow forecasts, which reflect the current commodity 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 its planned expansion activities without refinancing or obtaining additional financing.

These factors raise significant doubt about the Company's ability to continue as a going concern. The Company's continued operation is 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 raise additional financing, there are no assurances that the Company will be successful. These condensed interim consolidated financial statements do not include the adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

2 BASIS OF PREPARATION

The condensed unaudited interim consolidated financial statements of Aura Minerals for the three and nine months ended September 30, 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 condensed unaudited interim consolidated financial statements follow the same accounting policies and methods of application and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2013. These condensed 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 the re-measurement of associated assets and liabilities in other comprehensive income (loss). The Company adopted these amendments retrospectively and they had an immaterial effect on the comparative period.

These financial statements were approved for issue by the board of directors effective November 12, 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 2014

IFRIC 21, Levies

IFRIC 21, Accounting for Levies Imposed by Government, clarifies that the 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 condensed interim consolidated financial statements.

IAS 36, Impairment of assets

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 had no impact on the Company's condensed interim 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 15, Revenue from Contracts and Customers

IFRS 15, Revenue from Contracts and Customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of IFRS 15 on its condensed interim consolidated financial statements.

Expressed in United States dollars, except where otherwise noted.
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IFRS 9, Financial Instruments, addresses classification, measurement and recognition of financial assets and financial liabilities

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit and loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit risk changes can be early adopted in isolation without otherwise changing the accounting for the financial instruments. The Company is currently evaluating the impact of IFRS 9 on its condensed interim consolidated financial statements.

4 TRADE AND OTHER RECEIVABLES

		September 30, 2014		December 31, 2013
Trade accounts receivable	**$**	**6,052**	$	6,375
Value added taxes receivable		**23,789**		19,829
Other receivables		**143**		487
Total trade and other receivables	**$**	**29,984**	$	26,691
Less: non-current portion of value added taxes receivable (note 7)		**(9,028)**		(8,259)
Trade and other receivables recorded as current assets	**$**	**20,956**	$	18,432

As of September 30, 2014 and December 31, 2013, none of the Company's trade and other receivables were impaired.

5 INVENTORY

		September 30, 2014		December 31, 2013
Finished product	**$**	**19,328**	$	17,232
Work-in-process		**10,190**		19,223
Parts and supplies		**26,034**		30,071
Total inventory		**55,552**		66,526

During the three and nine months ended September 30, 2014, the cost of inventory recognized as an expense (note 15) was $68,575 and $189,356 (2013: $77,757 and $269,282), respectively. The cost of inventory during the three and nine months ended September 30, 2014 included write-downs of $1,957 and $6,689 (2013: $6,392 and $27,658), respectively, to bring finished product and work-in-process inventories to net realizable value.

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

6 OTHER CURRENT ASSETS

		September 30, 2014		December 31, 2013
Prepaid expenses, advances and deposits	**$**	**5,194**	$	7,662
Derivative assets (note 20 (d))		**96**		–
	$	**5,290**	$	7,662

7 OTHER LONG-TERM ASSETS

		September 30, 2014		December 31, 2013
Long-term receivables and deposits	**$**	**1,886**	$	2,006
Value added taxes receivable (note 4)		**9,028**		8,259
	$	**10,914**	$	10,265

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment movements for the nine months ended September 30, 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		12,207		49		96		602		3,851		**16,805**
Reclassifications and adjustments		154		252		66		26		(634)		**(136)**
Disposals		–		–		(261)		(364)		–		**(625)**
Depletion and amortization		(7,330)		(3,982)		(727)		(4,479)		–		**(16,518)**
Adjustment on currency translation		(647)		(752)		36		–		(7)		**(1,370)**
Net book value at September 30, 2014	**$**	**146,122**	**$**	**38,193**	**$**	**2,986**	**$**	**31,992**	**$**	**7,625**	**$**	**226,918**
Consisting of:												
Cost		248,243		70,923		13,038		114,064		7,625		**453,893**
Accumulated depletion and amortization		(102,121)		(32,730)		(10,052)		(82,072)		–		**(226,975)**
	$	**146,122**	**$**	**38,193**	**$**	**2,986**	**$**	**31,992**	**$**	**7,625**	**$**	**226,918**

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

	Mineral properties	Land and buildings	Furniture, fixtures and equipment	Plant and machinery	Assets under construction	Total
Net book value at January 1, 2013	**$ 179,047**	**$ 37,099**	**$ 4,353**	**$ 63,259**	**$ 5,702**	**$ 289,460**
Additions	25,070	15,628	1,532	5,214	8,290	**55,734**
Change in provision for mine closure and	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	(35,072)	(6,613)	–	(14,508)	–	**(56,193)**
Adjustment on currency translation	(1,002)	(2,370)	(62)	–	(225)	**(3,659)**
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 and nine months ended September 30, 2014, depletion and amortization expenses of $5,529 and $17,323 (2013: $13,526 and $51,475), respectively, have been charged to cost of goods sold, and $29 and $301 (2013: $141 and $408), respectively, have been charged to general and administrative expenses.

Impairments

For the year ended December 31, 2013, the Company recorded impairment charges relating to its Sao Francisco Mine and San Andres Mine of $16,021 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 and nine months ended September 30, 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

	September 30, 2014	December 31, 2013
Trade accounts payable	**$ 22,536**	$ 20,290
Accrued liabilities	**7,486**	6,315
Other payables	**12,087**	9,048
Deferred revenue	**5,122**	3,032
	$ 47,231	$ 38,685

Expressed in United States dollars, except where otherwise noted.
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10 DEBT

		September 30, 2014		December 31, 2013
Current				
Short-term loans (note 10 (a))	**$**	**17,322**	$	23,254
Gold loan (note 10 (b))		**7,675**		–
Credit facility (note 10 (c))		**–**		21,213
Finance leases (note 10 (d))		**605**		2,560
		25,602		47,027
Long-term				
Finance leases (note 10 (d))		**–**		202
		–		202
	$	**25,602**	$	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 September 30, 2014, the outstanding balance on the promissory note was $1,000 (December 31, 2013: $4,000). During the three and nine months ended September 30, 2014, the Company incurred $39 and $185, respectively, of interest expense (2013: $93 and $186, respectively).

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 the three and nine months ended September 30, 2014, the Company has repaid $0 and $2,336 (Brazilian Reais 0 and 5,400) of the outstanding principal and incurred interest expenses of $650 and $1,874, respectively, which have been capitalized to the Serrote qualifying asset (2013: $651 and $1,272, respectively).

As at September 30, 2014, the outstanding balance on the Itau bridge loan was $16,322 (Brazilian Reais 40,005). (December 31, 2013: $19,254 (Brazilian Reais 45,000)).

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

b) Gold Loan

	September 30, 2014	December 31, 2013
Balance, beginning of period	**$ –**	$ –
Proceeds from gold loan, net of warrants issued	**22,410**	–
Repayment during the period	**(15,875)**	–
Change in fair value	**1,140**	–
Balance, end of period	**$ 7,675**	$ –

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 being repaid in 40 weekly installments of 458 ounces of gold which payments commenced on April 7, 2014. The Gold Loan may be repaid at any time with no repayment 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 fair 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, net of warrants issued. 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 income (loss).

During the three and nine months ended September 30, 2014, the Company recorded a mark-to-market gain of $119 and a mark-to-market loss of $1,140, respectively.

Subsequent to September 30, 2014, the Company has delivered a further 3,206 ounces of gold valued at $3,828.

c) Credit Facility

	September 30, 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	**(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.

Expressed in United States dollars, except where otherwise noted.
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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 date 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 remained 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 its current liabilities. The outstanding Amended Credit Facility balance of $22,425, 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 and nine months ended September 30, 2014, the Company incurred interest expenses of $Nil and $698 (2013: $490 and $1,495), respectively, and wrote-off $806 of unamortized transaction costs outstanding at March 17, 2014.

d) Finance leases

		September 30, 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		**(2,157)**		(3,242)
Balance, end of period		**605**		2,762
Less: current portion		**(605)**		(2,560)
	$	**–**	$	202

For the three and nine months ended September 30, 2014, the Company recorded $21 and $105 of interest expense related to finance leases (2013: $83 and $270), respectively, as part of the consolidated statement of income (loss).

Expressed in United States dollars, except where otherwise noted.
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11 OTHER LIABILITIES

	September 30, 2014	December 31, 2013
Balance, beginning of period	**$ 11,930**	$ 13,398
Accretion expense	**408**	636
Royalty payments	**(1,781)**	(2,401)
Change in estimate	**(35)**	297
Balance, end of period	**$ 10,522**	$ 11,930
Less: current portion	**(3,770)**	(4,269)
	$ 6,752	$ 7,661

During the three and nine months ended September 30, 2014, the Company recorded accretion expenses of $143 and $408, (2013: $147 and $475), respectively, as part of finance costs and the change in estimate of $86 and $35 (2013: $nil and $879), respectively, as part of other gains (losses) on the consolidated statement of income (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 and finance cost	988	–	988
Additional provision for the period	–	212	212
Provisions settled during the period	(1,892)	(631)	(2,523)
Curtailment	511	–	511
Actuarial loss	(222)	–	(222)
Impact of currency translation	(131)	(68)	(199)
As of September 30, 2014	**$ 4,334**	**$ 1,976**	**$ 6,310**

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:

	Number of options	Weighted average price C$
Balance, December 31, 2013	**15,742,334**	**$ 1.49**
Granted	5,061,000	0.12
Forfeited	(1,153,090)	1.61
Balance, September 30, 2014	**19,650,244**	**$ 1.13**

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 consolidated statement of income (loss) for the three and nine months ended September 30, 2014 totalled $107 and $482 (2013: $312 and $1,214), respectively.

The Company granted 5,061,000 stock options to its employees during the nine months ended September 30, 2014, which vest over a period of 3 years, at exercise prices from $0.12 to $0.15, expire in 2019 and have a total fair value of $385. The fair value of stock options granted during the nine months ended September 30, 2014 and 2013 was estimated using the Black-Scholes option pricing model with the following assumptions:

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For the nine months ended September 30,	2014	2013
Expected volatility	**99% - 102%**	98%
Risk-free interest rate	**1.05% - 1.10%**	1.57%
Weighted average share price for options granted	**$0.13**	$0.30
Expected life in years	**2.8**	4.8
Expected forfeiture rate	**12%**	10%
Expected dividend yield	**0%**	0%

14 REVENUES BY NATURE

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	**For the nine months ended September 30, 2014**	For the nine months ended September 30, 2013
Gold sales	**$ 65,453**	74,216	**$ 172,017**	$ 225,777
Copper concentrate sales	**11,139**	11,848	**34,851**	30,128
	$ 76,592	**86,064**	**$ 206,868**	$ 255,905

15 COST OF GOODS SOLD BY NATURE

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	**For the nine months ended September 30, 2014**	For the nine months ended September 30, 2013
Direct mine and mill costs	**$ 63,046**	$ 64,231	**$ 172,033**	$ 217,807
Depletion and amortization	**5,529**	13,526	**17,323**	51,476
	$ 68,575	$ 77,757	**$ 189,356**	$ 269,283

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16 GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	**For the nine months ended September 30, 2014**	For the nine months ended September 30, 2013
Salaries, wages and benefits	**$ 1,754**	$ 1,275	**$ 4,715**	$ 5,432
Professional and consulting fees	**743**	288	**1,682**	1,458
Share-based payment expense (note 13 (c))	**107**	312	**482**	1,214
Travel expenses	**56**	63	**188**	267
Directors' fees	**84**	59	**243**	246
Amortization (note 8)	**29**	141	**301**	408
Other	**618**	1,109	**1,863**	2,013
	$ 3,391	$ 3,247	**$ 9,474**	$ 11,038

17 FINANCE COSTS

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	**For the nine months ended September 30, 2014**	For the nine months ended September 30, 2013
Accretion expense	**$ 779**	$ 509	**$ 2,210**	$ 1,589
Finance cost on post-employment benefit	**162**	252	**487**	880
Interest expense on debt (note 10)	**60**	619	**988**	1,641
Other interest and finance costs	**217**	222	**1,774**	694
	$ 1,218	$ 1,602	**$ 5,459**	$ 4,804

18 OTHER GAINS (LOSSES)

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	**For the nine months ended September 30, 2014**	For the nine months ended September 30, 2013
Net gain on gold collar and fixed price contracts (note 20 (d))	**$ 1,496**	$ 915	**$ 1,654**	$ 14,097
Gain on disposal of assets	**395**	–	**960**	–
Change in estimates of net smelter royalty payable (note 11)	**(86)**	–	**35**	879
Foreign exchange loss	**(296)**	3,131	**(1,794)**	2,005
Change in fair value of gold loan (note 10 (b))	**119**	–	**(1,140)**	–
Net gain on foreign currency contracts (note 20 (b))	**–**	–	**–**	186
Net loss on copper collar contracts (note 20 (c))	**–**	37	**–**	(89)
Other items	**(305)**	549	**(116)**	25
	$ 1,323	$ 4,632	**$ (401)**	$ 17,103

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19 CASH FLOW INFORMATION

a) Items not affecting cash

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	**For the nine months ended September 30, 2014**	For the nine months ended September 30, 2013
Depletion and amortization	**$ 5,558**	$ 13,667	**$ 17,624**	$ 51,883
Deferred and current income tax expense (recovery)	**4,028**	(451)	**6,198**	(17,533)
Write-down of inventory to net realizable value	**1,957**	6,392	**6,689**	27,658
Accretion expense	**779**	509	**2,210**	1,589
Change in fair value of gold loan (note 10 (b))	**(119)**	–	**1,140**	–
Service and finance costs on post-employment benefit	**327**	162	**1,499**	880
Interest expense	**862**	619	**1,955**	1,641
Write-off of unamortized transaction costs on credit facility (note 10 (c))	**–**	–	**806**	–
Share-based payment expense	**107**	312	**482**	1,214
Foreign exchange (gain) loss	**(205)**	33	**(120)**	(214)
Gain (loss) on disposal of assets	**(141)**	8,760	**(960)**	8,760
Change in other long term liabilities	**86**	–	**(35)**	(879)
Unrealized gain on gold collar and fixed price contracts (note 20 (d))	**(58)**	843	**(96)**	1,624
Impairment Charge - Brazilian Mines	**–**	–	**–**	16,021
Impairment Charge - San Andres Mines	**–**	–	**–**	40,172
Unrealized loss on copper collar contracts	**–**	–	**–**	126
Unrealized gain on foreign currency contract	**–**	–	**–**	(182)
Other non-cash items	**62**	276	**205**	516
	$ 13,244	$ 31,122	**$ 37,597**	$ 133,276

b) Changes in non-cash working capital

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	**For the nine months ended September 30, 2014**	For the nine months ended September 30, 2013
Changes in non-cash working capital				
Trade and other receivables	**$ (691)**	$ (1,361)	**$ (2,524)**	$ (5,471)
Inventory	**6,622**	(9,343)	**3,056**	(17,575)
Trade and other payables	**(951)**	(5,076)	**1,274**	(20,668)
	$ 4,980	$ (15,780)	**$ 1,806**	$ (43,714)

c) Supplementary cash flow information

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	**For the nine months ended September 30, 2014**	For the nine months ended September 30, 2013
Non-cash investing and financing activities consist of:				
Change in accounts payable relating to investing activities	**$ 2,044**	$ (1,314)	**$ (282)**	$ –
Assets acquired under finance leases	**$ –**	$ –	**$ –**	$ 2,930
Interest Paid	**$ 862**	$ 254	**$ 1,955**	$ 1,276

20 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 and nine months ended September 30, 2014 the Company recognized losses of $1,054 and $822 (2013: losses of $1,997 and $1,052), respectively, as changes in the fair values of embedded derivatives.

b) Foreign currency contracts

The Company enters into foreign currency contracts from time to time to mitigate its exposure to fluctuations in the Brazilian real against the United States dollar. These derivative instruments are not designated as hedges by the Company and are marked to their market values at the end of each reporting date.

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 real versus the United States dollar. Currency contracts totalling Brazillian reais $11,900 at an average rate of 1.9848 Brazillian reais to the United States dollar were entered into for the period 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 real to the United States dollar and a call/ceiling of 2.1750 Brazilian real to the United States dollar for the period June 2012 to May 2013.

The Company’s derivative liabilities related to the foreign currency contracts as at September 30, 2013 were $nil. For the three and nine months ended September 30, 2013, the Company recognized unrealized gains of $nil and $182, respectively.

At September 30, 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 nine months ended September 30, 2013, put-call collars for January to May 2013 expired unexercised, while the June collars were exercised. For the three and nine months ended September 30, 2013, the Company recognized unrealized losses of $nil and $126, respectively.

At September 30, 2014, the Company did not have any copper collar contracts outstanding.

d) Gold collar and fixed price contracts

During the nine months ended September 30, 2014, the Company hedged a total of 15,000 ounces of gold expiring 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.

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The Company advanced $1,500 to Auramet as a margin deposit for this hedging program. During the nine months ended September 30, 2014, the Company closed out the floor on these zero-cost put/call collars for a realized gain of $563 and received a repayment of $1,500 of the margin deposit.

During the nine months ended September 30, 2013, the Company closed out its zero-cost put/call collar contracts with a floor price of $1,700 per ounce of gold and an average ceiling price of $1,813 per ounce of gold. For the three and nine months ended September 30, 2013, the Company recorded realized gains on the close-out of these collars of $nil and $13,182, respectively.

As at September 30, 2014, the Company did not have any zero-cost put/call collars outstanding.

In addition, during the nine months ended September 30, 2014, the Company also entered into contracts to hedge a total of 80,000 ounces of gold between January 1, 2014 and November 30, 2014. The derivative instruments entered into were in the form of fixed price contracts at an average price of $1,294 per ounce of gold. At September 30, 2014, the Company had 813 ounces of fixed price contracts outstanding at an average price of $1,334 per ounce of gold. For the three and nine months ended September 30, 2014, the Company recorded a realized gains on these fixed price contracts of $1,439 and $996, respectively,

As at September 30, 2014, the Company recorded a derivative asset on these fixed price contracts of $96.

Both the gold collar and fixed price contracts have not been designated as hedges by the Company and are 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.

21 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 and nine months ended September 30, 2014 and 2013, segmented information is as follows:

For the three months ended September 30, 2014	San Andres Mine	Brazilian Mines	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	$ 31,057	$ 34,396	$ 11,139	$ –	$ –	$ 76,592
Cost of production	17,711	31,649	13,686	–	–	63,046
Depletion and amortization	2,101	337	3,091	–	–	5,529
Gross margin	11,245	2,410	(5,638)	–	–	8,017
Other expenses	(917)	(1,855)	(237)	–	(204)	(3,213)
Income (Loss) before income taxes	$ 10,328	$ 555	$ (5,875)	$ –	$ (204)	$ 4,804
Property, plant and equipment	$ 51,267	$ 7,265	$ 132,620	$ 34,645	$ 1,121	$ 226,918
Total assets	$ 88,048	$ 43,634	$ 154,729	$ 34,963	$ 11,055	$ 332,429
Capital expenditures	$ 1,172	$ –	$ 2,475	$ 1,388	$ 33	$ 5,067

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For the three months ended September 30, 2013	San Andres Mine	Brazilian Mines	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	$ 21,157	$ 53,059	$ 11,848	$ –	$ –	$ 86,064
Cost of production	16,793	35,950	11,488	–	–	64,231
Depletion and amortization	1,997	9,189	2,340	–	–	13,526
Gross margin	$ 2,367	$ 7,920	$ (1,980)	$ –	$ –	$ 8,307
Loss on disposal - Brazillian exploration properties	$ –	$ –	$ –	$ –	$ (8,760)	(8,760)
Other (expenses) gain	(1,065)	(804)	197	4,591	(4,507)	(1,588)
Income (Loss) before income taxes	$ 1,302	$ 7,116	$ (1,783)	$ 4,591	$ (13,267)	$ (2,041)
Property, plant and equipment	$ 41,570	$ 11,129	$ 141,768	$ 30,716	$ 1,108	$ 226,291
Total assets	$ 81,842	$ 66,349	$ 166,292	$ 32,269	$ 9,456	$ 356,208
Capital expenditures	$ 1,633	$ (182)	$ 1,472	$ 2,072	$ 44	$ 5,039

For the nine months ended September 30, 2014	San Andres Mine	Brazilian Mines	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	$ 75,611	$ 96,406	$ 34,851	$ –	$ –	$ 206,868
Cost of production	47,971	86,745	37,317	–	–	172,033
Depletion and amortization	6,001	3,043	8,279	–	–	17,323
Gross margin	$ 21,639	$ 6,618	$ (10,745)	$ –	$ –	$ 17,512
Other expenses	(1,814)	(5,854)	(2,730)	(16)	(5,177)	(15,591)
Income (Loss) before income taxes	$ 19,825	$ 764	$ (13,475)	$ (16)	$ (5,177)	$ 1,921
Property, plant and equipment	$ 51,267	$ 7,265	$ 132,620	$ 34,645	$ 1,121	$ 226,918
Total assets	$ 88,048	$ 43,634	$ 154,729	$ 34,963	$ 11,055	$ 332,429
Capital expenditures	$ 5,442	$ 314	$ 6,221	$ 4,745	$ 81	$ 16,803

For the nine months ended September 30, 2013	San Andres Mine	Brazilian Mines	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	$ 68,244	$ 157,533	$ 30,128	$ –	$ –	$ 255,905
Cost of production	53,828	125,659	38,320	–	–	217,807
Depletion and amortization	8,484	35,340	7,652	–	–	51,476
Gross margin	$ 5,932	$ (3,466)	$ (15,844)	$ –	$ –	$ (13,378)
Impairment charges	(40,172)	(16,021)	–	–	–	(56,193)
Loss on disposal - Brazillian exploration properties	–	–	–	–	(8,760)	(8,760)
Other (expenses) income	(3,644)	(2,501)	(2,355)	(121)	7,222	(1,399)
Loss before income taxes	$ (37,884)	$ (21,988)	$ (18,199)	$ (121)	$ (1,538)	$ (79,730)
Property, plant and equipment	$ 41,570	$ 11,129	$ 141,768	$ 30,716	$ 1,108	$ 226,291
Total assets	$ 81,842	$ 66,349	$ 166,292	$ 32,269	$ 9,456	$ 356,208
Capital expenditures	$ 8,413	$ 24	$ 14,131	$ 23,250	$ 243	$ 46,061

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

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22 FAIR VALUE MEASUREMENTS

The fair value of the Company's financial assets and liabilities measured at fair value on a recurring basis at September 30, 2014 and December 31, 2013 are summarized in the following table:

	Level	**September 30, 2014**		December 31, 2013	
Financial Assets		**Carrying value**	**Fair value**	Carrying value	Fair value
Loans and receivables, measured at amortized cost					
Accounts receivable	N/A	**$6,195**	**$6,195**	$6,862	$6,862
Other assets	N/A	**1,886**	**1,886**	2,006	2,006
At fair value through profit and loss					
Derivative assets	2	**$96**	**$96**	–	–
		$8,177	**$8,177**	$8,868	$8,868
Financial Liabilities					
At fair value through profit and loss					
Gold loan	2	**$7,675**	**$7,675**	–	–
Other financial liabilities, measured at amortized cost					
Accounts payable and accrued liabilities	N/A	**$39,618**	**$39,618**	$35,724	$35,724
Short-term loan	N/A	**17,322**	**17,322**	23,254	23,254
Credit facility	N/A	–	–	21,213	21,213
Other provisions	3	**6,310**	**6,310**	7,543	7,543
Other liability	3	**10,522**	**10,522**	11,930	11,930
		$73,772	**$73,772**	$99,664	$99,664