Aura Minerals Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

Dated as of November 12, 2014

This management's discussion and analysis ("MD&A") should be read in conjunction with Aura Minerals Inc.'s (the "Company" or "Aura Minerals") condensed unaudited interim consolidated financial statements for the three and nine months ended September 30, 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 November 12, 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 and nine months ended September 30, 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.

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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, 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 evaluated 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 closure activities commenced in Q4 2013 at the scheduled end of the mine life;
- *The Serrote da Laje Project ("Serrote")* – A wholly-owned, development-stage copper-gold-iron project which is the Company's core development asset. The Serrote Project is located in the central-southern part of the State of Alagoas, Brazil, approximately 15 kilometres northwest of the city of Arapiraca and currently consists of 24 exploration licences totalling 40,899 hectares, 11 exploration applications totalling 19,622 hectares and one mining concession totalling 400 hectares. In September 2012, the Company

announced the results from the feasibility study describing the scope, design and viability of developing Serrote based on an open pit mining operation with a copper concentrator operating at 19,000 tonnes per day and producing approximately 66 million pounds of copper and 13,000 gold ounces as a by-product per year.

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

2. THIRD QUARTER 2014 FINANCIAL AND OPERATING HIGHLIGHTS

- Income of $776 or $0.01 per share for the third quarter of 2014 compared to a loss of $1,590 or $0.01 per share for the third quarter of 2013;
- Operating cash flow[1] of $12,147 for the third quarter of 2014 compared to $22,139 for the third quarter of 2013;
- Net sales revenue in the third quarter of 2014 decreased by 11% over the third quarter of 2013. Details are as follows:

	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
San Andres, *ounces ("oz")*	**25,360**	16,551	**61,799**	48,066
Sao Francisco, *oz*	**26,005**	29,237	**66,173**	80,493
Sao Vicente, *oz*	**1,043**	11,060	**9,928**	28,587
Total ounces sold	**52,408**	56,848	**137,900**	157,146
Realized average gold price oz	**$ 1,287**	$ 1,323	**$ 1,286**	$ 1,459
Gold sales revenues, *net of local sales taxes*	**$ 65,453**	$ 74,216	**$ 172,017**	$ 225,777
Copper concentrate sales	**$ 11,139**	$ 11,848	**$ 34,851**	$ 30,128
Total net sales	**$ 76,592**	$ 86,064	**$ 206,868**	$ 255,905

The average realized prices per oz for the three months ended ("three months ended" or "the third quarter of") September 30, 2014 and 2013 in the above table compare to the average market prices (London PM Fix) of $1,282 per oz, and $1,326 per oz, respectively.

Copper concentrate sales are from the shipment of 7,223 dry metric tonnes ("DMT") and 6,812 DMT of copper concentrate for the quarters ended September 30, 2014 and 2013, respectively;

- Gold oz production for the third quarter of 2014 was 11% lower than the third quarter of 2013. Gold production and cash costs[1] for the three and nine months ended September 30, 2014 and 2013 were as follows:

	For the three months ended September 30, 2014		**For the three months ended September 30, 2013**	
	Oz Produced	**Cash Costs[1]**	**Oz Produced**	**Cash Costs[1]**
San Andres	**25,456**	**$ 720**	**17,706**	**$ 998**
Sao Francisco	**23,366**	**1,080**	**27,859**	**903**
Sao Vicente	**908**	**3,773**	**10,046**	**809**
Total / Average	**49,730**	**$ 945**	**55,611**	**$ 916**

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

	For the nine months ended September 30, 2014		For the nine months ended September 30, 2013	
	Oz Produced	Cash Costs[1]	Oz Produced	Cash Costs[1]
San Andres	**65,345**	**$ 741**	**48,794**	**$ 1,083**
Sao Francisco	**64,999**	**1,119**	**80,282**	**1,190**
Sao Vicente	**7,393**	**1,403**	**29,374**	**1,115**
Total / Average	**137,737**	**$ 955**	**158,450**	**$ 1,143**

- Cash costs for the Brazilian Mines for the third quarter of 2013 included net realizable value inventory write-downs of $119 per oz. There was no inventory write-down in the third quarter of 2014. Sao Vicente's lower ounce production and higher average cash cost per ounce of gold produced[1] in 2014 as compared to 2013 is as a result of lower ounces yielded and ongoing costs incurred during its wind-down;

- Copper production at Aranzazu for the third quarters of 2014 and 2013 was 3,860,154 pounds and 3,774,500 pounds, respectively, an increase of 2%. On-site average cash cost[1] per pound of copper produced, net of gold and silver credits was $3.06 for the third quarter of 2014 compared to $3.52 for the third quarter of 2013, inclusive of net realizable value inventory write-downs of $0.51 and $0.42, respectively;

- Gross margin of $8,017 for the third quarter of 2014, compared to a gross margin of $8,307 for the third quarter of 2013, a decrease of 3% between the respective quarters.

[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 and nine months ended September 30, 2014 and 2013:

	Q3 2014	Q3 2013	**YTD 2014**	YTD 2013
Ore mined (tonnes)	**1,698,547**	1,424,898	**4,435,181**	4,319,990
Waste mined (tonnes)	**1,104,042**	675,642	**2,324,052**	2,623,629
Total mined (tonnes)	**2,802,589**	2,100,540	**6,759,233**	6,943,619
Waste to ore ratio	**0.65**	0.47	**0.52**	0.61
Ore plant feed (tonnes)	**1,726,818**	1,433,930	**4,468,118**	4,308,218
Grade (g/tonne)	**0.45**	0.60	**0.47**	0.60
Production (ounces)	**25,456**	17,706	**65,345**	48,794
Sales (ounces)	**25,360**	16,551	**61,799**	48,066
Average cash cost per ounce of gold produced[1]	**$ 720**	$ 998	**$ 741**	$ 1,083

Total ore and waste mined during the third quarter of 2014 was 33% higher than in the comparable quarter. During the third quarter of 2014, ore mined was 19% higher than the comparable quarter and waste mined was 63% higher. The waste-to-ore ratio was 38% higher when comparing the third quarters of 2014 and 2013. The increase in the waste and ore tonnes moved was primarily due to additional waste tonnes in the mine plan for 2014. San Andres implemented a production efficiency and cost reduction program in early 2014 which has yielded additional cash flows and higher production.

Total plant feed during the third quarter of 2014 was 20% higher than the tonnes processed in the same quarter in 2013. The average ore plant feed grade for the third quarter of 2014 decreased by 25% as compared to the third quarter of 2013, due to lower grade areas mined in 2014.

Gold production at San Andres in the third quarter of 2014 increased by 44% over the comparable period primarily due to increased throughput and improved recoveries in both the leaching and carbon stripping processes.

Average cash cost per oz of gold produced[1] in the third quarter of 2014 decreased by 28% over the third quarter of 2013 as a result of the increased production.

[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 and nine months ended September 30, 2014 and 2013:

	Q3 2014	Q3 2013	**YTD 2014**	YTD 2013
Ore mined (tonnes)	**966,617**	1,140,958	**2,932,881**	3,915,688
Waste mined (tonnes)	**1,281,537**	1,806,912	**4,167,717**	5,336,903
Total mined (tonnes)	**2,248,154**	2,947,870	**7,100,598**	9,252,591
Waste to ore ratio	**1.33**	1.58	**1.42**	1.36
Ore plant feed (tonnes)	**1,070,367**	1,083,491	**3,181,892**	3,982,569
Grade (g/tonne)	**0.74**	0.85	**0.71**	0.70
Production (ounces)	**23,366**	27,859	**64,999**	80,282
Sales (ounces)	**26,005**	29,237	**66,173**	80,493
Average cash cost per ounce of gold produced[1]	**$ 1,080**	$ 903	**$ 1,119**	$ 1,190

Total material moved during the third quarter of 2014 was 24% lower than the third quarter of 2013. The waste-to-ore ratio was 16% lower than the comparable period in 2013 due to a focus on the lower strip ratio ore in the base of the pit. Material moved was lower due to restrictions resulting from the tightening of the pit and the longer haul distances for both waste and ore.

Total plant feed during the third quarter of 2014 was 1% lower than the third quarter of 2013. The average ore plant feed grade for the third quarter of 2014 was 13% lower than in the third quarter of 2013 due to a lower conversion from waste to the low grade crushed gravity ore in the North and West area of the pit.

Gold production in the third quarter of 2014 was 16% lower than the third quarter of 2013 due to the decrease in grade and lower plant feed.

Average cash cost per oz of gold produced[1] in the third quarter of 2014 was 20% higher than in the third 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 the third quarter of 2015 as exploration drilling in 2013 and a revised geological block model 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 lower strip ratio for the third quarter of 2014 as compared to the third quarter of 2013. Ongoing monthly reconciliation in 2014 indicates that there will be a positive conversion of waste to ore and low grade zones, resulting in an increase to the processing plant life. Processing is expected to be extended into 2016.

[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 and nine months ended September 30, 2014 and 2013:

	Q3 2014	Q3 2013	**YTD 2014**	YTD 2013
Ore mined (tonnes)	**-**	148,241	**-**	1,681,547
Waste mined (tonnes)	**-**	6,931	**-**	1,123,658
Total mined (tonnes)	**-**	155,172	**-**	2,805,205
Waste to ore ratio	**N/A**	0.05	**N/A**	0.67
Ore plant feed (tonnes)	**-**	331,986	**9,505**	1,622,669
Grade (g/tonne)	**-**	0.67	**4.05**	0.58
Production (ounces)	**908**	10,046	**7,393**	29,374
Sales (ounces)	**1,043**	11,060	**9,928**	28,587
Average cash cost per ounce of gold produced[1]	**$ 3,773**	$ 809	**$ 1,403**	$ 1,115

As a result of the suspension of mining and plant operations at Sao Vicente in the fourth quarter of 2013, there was no material moved or plant processing in the third quarter of 2014. The production of 908 ounces during the third quarter was achieved through clean-up around the plant.

The average cash cost per oz of gold produced[1] in the third quarter of 2014 was significantly higher than the third quarter of 2013 due to the substantially lower ounces yielded and ongoing costs incurred during its wind-down.

Cyanide at normal dosage was added to the heap leach pads in the first quarter of 2014, but this ceased in April. The neutralization of the heap leach pad cyanide and pH were concluded during the third quarter of 2014.

[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 and nine months ended September 30, 2014 and 2013:

	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Ore mined (tonnes)	**249,220**	220,000	**743,557**	692,900
Ore milled (tonnes)	**244,091**	200,100	**708,463**	589,600
Copper grade (%)	**0.83%**	0.99%	**0.93%**	0.95%
Gold grade (g/tonne)	**0.45**	0.48	**0.46**	0.47
Silver grade (g/tonne)	**13.56**	17.26	**15.29**	16.28
Copper recovery[2]	**89.3%**	80.3%	**84.8%**	78.9%
Gold recovery	**68.4%**	63.5%	**66.0%**	63.9%
Silver recovery	**58.0%**	57.8%	**53.9%**	51.3%
Concentrate production:				
Copper concentrate produced (DMT)	**7,445**	7,194	**23,092**	18,814
Copper contained in concentrate (%)	**23.5%**	23.8%	**23.4%**	24.1%
Gold contained in concentrate (g/DMT)	**9.3**	8.7	**9.2**	9.2
Silver contained in concentrate (g/DMT)	**278.4**	288.8	**265.8**	267.2
Copper contained in concentrate (pounds)	**3,860,154**	3,774,500	**11,908,553**	9,984,500
Estimated payable copper produced (pounds)	**3,725,049**	3,577,100	**11,491,754**	9,467,900
Estimated payable gold produced (ounces)	**2,332**	1,780	**7,099**	4,960
Estimated payable silver produced (ounces)	**65,865**	59,739	**194,100**	143,185
Average cash cost per pound of copper produced, net of gold and silver credits [1]	**$ 3.06**	$ 3.52	**$ 2.91**	$ 3.61

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

For the third quarter of 2014, ore mined and ore milled were 13% higher and 22% higher, respectively, than the comparative period in 2013. Copper concentrate production increased by 3% in the third quarter of 2014 as compared to the third quarter of 2013. While there was an 11% increase in the copper recovery, there was also a 16% decrease in copper grade. Aranzazu's mine development continued to be focused on near-term development in the third quarter of 2014 and will continue to do so through the last quarter of 2014.

Average cash cost per pound of copper produced[1] for the third quarter of 2014 improved by 13% as compared to the third quarter of 2013. These average cash costs are inclusive of net realizable value write-downs of $0.51 and $0.42 per pound of copper produced for the third quarters of 2014 and 2013, respectively.

The average arsenic level in the copper concentrate was 1.06% and 0.98% during the third quarters of 2014 and 2013, respectively. Aranzazu continues to implement a program of blending to ensure that value is maximized from the sales of concentrate to its two customers.

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 expenditures remain on hold pending the outcome of the financing process. The Company plans to publish an updated feasibility study in the first quarter of 2015 based on the inherent growth rate of the current operation since the declaration of commercial production.

[1] 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 Brazillian Reais 45,000 (approximately $20,000) (the "Bridge Loan") from Banco Itaú BBA S.A. ("Itaú"). During the nine months ended September 30, 2014, MVV has repaid Brazilian Reais $5,400 (approximately $2,300) of the Bridge Loan to Itau.

The Bridge Loan has been utilized by the Company for community resettlement, engineering, long-lead equipment procurement and early site improvements. Community resettlement has been substantially completed in areas of the future mining and processing operations. Basic engineering was completed for the processing plant based on the National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") compliant technical report published in September 2012. The Company has since prepared an internal redesign of the plant and processing sequence that would lower capital expenditures and features an earlier phased execution schedule.

The Company is continuing to pursue options to maximize the value of Serrote including a disposal of a significant interest in the project equity.

Brazilian Mines – Value Maximization

The Company continues to investigate multiple options to maximize the remaining value of the assets of the Brazilian Mines, including the disposal of the plant and equipment.

NI 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 NI 43-101. 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 United States 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 oz[1] guidance for the 2014 year is updated as follows:

Gold Mines	**Cash Cost per oz[1]**	**2014 Production**
San Andres	$ 750 - $ 850	75,000 – 85,000 oz
Sao Francisco	$ 950 - $ 1,100	75,000 – 85,000 oz
Sao Vicente	$ 900 - $ 1,100	5,500 - 7,500 oz
Total	$ 900 - $ 1,000	155,500 - 177,500 oz

Aranzazu's production for 2014 is expected to be between 15,500,000 and 17,000,000 pounds of copper at a range of $2.60 to $3.15 average cash cost per pound[1] of copper produced.

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, updated capital spending is expected to be $18,000. Of this amount, $7,000 relates to the development and expansion of Aranzazu and $7,000 relates to San Andres plant upgrades, Phase V of the heap leach expansion and community expenditures. The remaining portion is being spent on various projects in the group, including the Serrote development project. Additional capital expenditure programs for the expansion of Aranzazu and the full development of Serrote remain dependent upon the 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

Comparing the three months ended September 30, 2014 to the three months ended September 30, 2013

For the three months ended September 30, 2014, the Company recorded income of $776, compared to a loss of $1,590 for the three months ended September 30, 2013.

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

(In thousands of dollars)		**For the three months ended September 30, 2014**		For the three months ended September 30, 2013
Revenues:				
San Andres	**$**	**31,057**	$	21,157
Brazilian Mines		**34,396**		53,059
Aranzazu		**11,139**		11,848
	$	**76,592**	$	86,064
Cost of Production:				
San Andres	**$**	**17,711**	$	16,793
Brazilian Mines		**31,649**		35,950
Aranzazu		**13,686**		11,488
	$	**63,046**	$	64,231
Depletion and Amortization:				
San Andres	**$**	**2,101**	$	1,997
Brazilian Mines		**337**		9,189
Aranzazu		**3,091**		2,340
	$	**5,529**	$	13,526
Gross Margin:				
San Andres	**$**	**11,245**	$	2,367
Brazilian Mines		**2,410**		7,920
Aranzazu		**(5,638)**		(1,980)
	$	**8,017**	$	8,307

Revenues

Revenues for the three months ended September 30, 2014 decreased by 11% compared to the three months ended September 30, 2013. The decrease in revenue resulted from a 12% decrease in gold sales and a 6% decrease in copper concentrate sales.

The decrease in gold sales is attributable to an 8% decrease in gold sales volumes and a 3% decrease in the realized average gold price per ounce.

Revenue related to concentrate shipments for the three months ended September 30, 2014 and 2013 comprise the following:

(In thousands of dollars)		**For the three months ended September 30, 2014**		For the three months ended September 30, 2013
Copper revenue, net of treatment and refining charges	**$**	**8,825**	$	7,986
Gold by-product revenue		**2,635**		2,599
Silver by-product revenue		**1,035**		1,252
Price adjustments recorded		**(1,356)**		11
Total revenue	**$**	**11,139**	$	11,848

The decrease in copper concentrate net sales is primarily attributable to an 11% decrease in average price realized. Total revenues for the three months ended September 30, 2014 at Aranzazu related to the shipment of 7,223 DMT of copper concentrate compared to 6,812 DMT of copper concentrate for the three months ended September 30, 2013. Total concentrate shipment revenues for the three months ended September 30, 2014 and 2013 were $1,542 per DMT and $1,739 per DMT, respectively. The lower concentrate shipment revenue per DMT is due to lower commodity prices and higher price adjustments.

Cost of Goods Sold

For the three months ended September 30, 2014 and 2013, total cost of goods sold from San Andres was $19,812 or $781 per oz compared to $18,790 or $1,135 per oz, respectively. For the three months ended September 30, 2014 and 2013, cash operating costs were $698 per oz and $1,014 per oz, respectively, while non-cash depletion and amortization charges were $83 per oz and $120 per oz, respectively. There were no write-downs of production inventory to net realizable value for the three months ended September 30, 2014 and 2013.

At the Brazilian Mines, for the three months ended September 30, 2014 and 2013, total cost of goods sold was $31,986 or $1,183 per oz compared to $45,139 or $1,120 per oz, respectively. For the three months ended September 30, 2014 and 2013, cash operating costs were $1,170 per oz and $892 per oz, respectively, while non-cash depletion and amortization charges were $12 per oz and $228 per oz, respectively. The cash operating costs for the three months ended September 30, 2014 included no inventory write-down (2013: inventory write-downs of $4,810 or $119 per oz).

Total cost of goods sold from Aranzazu for the three months ended September 30, 2014 and 2013 were $16,777 or $2,323 per DMT and $13,828 or $2,029 per DMT, respectively. For the three months ended September 30, 2014 and 2013, cash operating costs were $1,895 per DMT and $1,686 per DMT, respectively, while non-cash depletion and amortization charges were $428 per DMT and $344 per DMT, respectively. The cash operating costs for the three months ended September 30, 2014 included a write-down of $1,957 or $271 per DMT to adjust production inventory to its net realizable value (2013: $1,583 or $232 per DMT).

Other Expenses

For the three months ended September 30, 2014 and 2013, general and administrative costs include:

(In thousands of dollars)	**For the three months ended September 30, 2014**	For the three months ended September 30, 2013
Salaries, wages and benefits	**$ 1,754**	$ 1,275
Professional and consulting fees	**743**	288
Share-based payment expense	**107**	312
Travel expenses	**56**	63
Directors' fees	**84**	59
Amortization	**29**	141
Other	**618**	1,109
	$ 3,391	$ 3,247

Salaries, wages and benefits and professional and consulting fees increased due to certain Sao Vicente related costs being re-allocated to these categories during the third quarter of 2014. Share-based payment expense decreased significantly as a result of prior period forfeitures. Other expenses for the three months ended September 30, 2013 includes severance costs at the Company's operations.

Finance and Other Income and Expenses, Taxes, and Loss

Finance costs for the three months ended September 30, 2014 and 2013 included the following:

(In thousands of dollars)	**For the three months ended September 30, 2014**	For the three months ended September 30, 2013
Accretion expenses	**$ 779**	$ 509
Finance cost on post-employment benefit	**162**	252
Interest expense on debt	**60**	619
Other interest and finance costs	**217**	222
	$ 1,218	$ 1,602

The increase in accretion relates to increases in the provisions for the mine closure cost and restoration and net smelter return royalty payable. The decrease in the finance cost on post-employment benefit reflects the decrease in that provision. The decrease in interest expense on debt and in other interest and finance costs reflects the repayment of the Credit Facility in March 2014.

Other gains for the three months ended September 30, 2014 and 2013 consisted of:

(In thousands of dollars)	**For the three months ended September 30, 2014**	For the three months ended September 30, 2013
Net gain on gold collar and fixed price contracts	**$ 1,496**	$ 915
Gain on disposal of assets	**395**	–
Change in estimates of net smelter royalty payable	**(86)**	–
Foreign exchange (loss) gain	**(296)**	3,131
Change in fair value of gold loan	**119**	–
Net loss on copper collar contracts	**–**	37
Other items	**(305)**	549
	$ 1,323	$ 4,632

The increase in the net gain on gold collar and fixed price contracts is due to the gain made on the fixed price contract at an average price of $1,294. The gain on the disposal of assets is related to the sale of certain equipment from the Company's operations. The change in the fair value of the Gold Loan reflects the mark-to-market fair value adjustment on the Gold Loan for the three months ended September 30, 2014. The decrease in other items is principally the result of a $142 gain on the disposal of assets.

The income tax expense for the three months ended September 30, 2014 was $4,028 and consisted of $3,165 and $1,296 in current income tax expense related to San Andres and the Brazilian mines, respectively, and $433 of deferred tax recovery. The income tax recovery for the three months ended September 30, 2013 was $451.

Other comprehensive loss

Other comprehensive loss for the three months ended September 30, 2014 and 2013 totalled $1,864 and $418 respectively, related to the translation of foreign subsidiaries from their functional currencies into the Company's presentation currency and the recognition of unrealized actuarial losses and gains on post-employment benefits.

Comparing the nine months ended September 30, 2014 to the nine months ended September 30, 2013

For the nine months ended September 30, 2014, the Company recorded a loss of $4,277 which compares to a loss of $62,197 for the nine months ended September 30, 2013.

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

(In thousands of dollars)		**For the nine months ended September 30, 2014**		For the nine months ended September 30, 2013
Revenues:				
San Andres	**$**	**75,611**	$	68,244
Brazilian Mines		**96,406**		157,533
Aranzazu		**34,851**		30,128
	$	**206,868**	$	255,905
Cost of Production:				
San Andres	**$**	**47,971**	$	53,828
Brazilian Mines		**86,745**		125,659
Aranzazu		**37,317**		38,320
	$	**172,033**	$	217,807
Depletion and Amortization:				
San Andres	**$**	**6,001**	$	8,484
Brazilian Mines		**3,043**		35,340
Aranzazu		**8,279**		7,652
	$	**17,323**	$	51,476
Gross Margin:				
San Andres	**$**	**21,639**	$	5,932
Brazilian Mines		**6,618**		(3,466)
Aranzazu		**(10,745)**		(15,844)
	$	**17,512**	$	(13,378)

Revenues

Revenues for the nine months ended September 30, 2014 decreased by 19% compared to the nine months ended September 30, 2013. The decrease in revenues resulted from a 24% decrease in gold sales offset by a 16% increase in copper concentrate sales.

The decrease in gold sales is attributable to both a 12% decrease in gold sales volumes and a decrease in the realized average gold price per ounce.

Revenue related to concentrate shipments for the nine months ended September 30, 2014 and 2013 is comprised as follows:

(In thousands of dollars)		**For the nine months ended September 30, 2014**		For the nine months ended September 30, 2013
Copper revenue, net of treatment and refining charges	**$**	**26,087**	$	22,043
Gold by-product revenue		**8,012**		7,669
Silver by-product revenue		**3,179**		3,336
Price adjustments recorded		**(2,427)**		(2,920)
Total revenue	**$**	**34,851**	$	30,128

The increase in copper concentrate net sales is primarily attributable to a 16% increase in DMT sold and a decrease of 1% in the average price realized. Total revenues for the nine months ended September 30, 2014 at Aranzazu related to the shipment of 21,526 DMT of copper concentrate compared to 18,486 DMT of copper concentrate for the nine months ended September 30, 2013. Total concentrate shipment revenues for the nine months ended September 30, 2014 and 2013 were $1,619 per DMT and $1,630 per DMT, respectively. The lower concentrate shipment revenue per DMT is due to lower commodity prices.

Cost of Goods Sold

For the nine months ended September 30, 2014 and 2013, total cost of goods sold from San Andres was $53,792 or $873 per oz compared to $62,312 or $1,296 per oz, respectively. For the nine months ended September 30, 2014 and 2013, cash operating costs were $776 per oz and $1,120 per oz, respectively, while non-cash depletion and amortization charges were $97 per oz and $177 per oz, respectively. There were no write-downs of production inventory to net realizable value for the nine months ended September 30, 2014 and 2013.

At the Brazilian Mines, for the nine months ended September 30, 2014 and 2013, total cost of goods sold was $89,788 or $1,180 per oz compared to $161,000 or $1,476 per oz, respectively. For the nine months ended September 30, 2014 and 2013, cash operating costs were $1,140 per oz and $1,152 per oz, respectively, while non-cash depletion and amortization charges were $40 per oz and $324 per oz, respectively. The cash operating costs for the nine months ended September 30, 2014 included a write-down of $2,418 or $32 per oz to bring production inventory to its net realizable value (2013: $20,353 or $187 per oz).

Total cost of goods sold from Aranzazu for the nine months ended September 30, 2014 and 2013 was $45,956 or $2,118 per DMT and $45,971 or $2,487 per DMT, respectively. For the nine months ended September 30, 2014 and 2013, cash operating costs were $1,734 per DMT and $2,073 per DMT, respectively, while non-cash depletion and amortization charges were $385 per DMT and $414 per DMT, respectively. The cash operating costs for the nine months ended September 30, 2014 included a write-down of $4,274 or $198 per DMT to bring production inventory to its net realizable value (2013: $7,306 or $395 per DMT).

Other Expenses and Impairment Charges

For the nine months ended September 30, 2014 and 2013, general and administrative costs include:

(In thousands of dollars)	**For the nine months ended September 30, 2014**	For the nine months ended September 30, 2013
Salaries, wages and benefits	**$ 4,715**	$ 5,432
Professional and consulting fees	**1,682**	1,458
Share-based payment expense	**482**	1,214
Travel expenses	**188**	267
Directors' fees	**243**	246
Amortization	**301**	408
Other	**1,863**	2,013
	$ 9,474	$ 11,038

Salaries, wages and benefits and travel expenses decreased due to successful reorganizations at the Company’s corporate offices. Professional and consulting fees increased due to the inclusion of Sao Vicente’s consultant’s costs. Share-based payment expense decreased significantly as a result of a lower value assigned to stock options granted during the period and prior period forfeitures. The decrease in other expenses is due to severance costs at the Company’s operations in 2013.

For the nine months ended September 30, 2013, the Company recorded impairment charges of $16,021 and $40,172 related to the long-lived assets of the Sao Francisco Mine and the San Andres Mine, respectively.

Finance and Other Income and Expenses, Taxes, and Loss

Finance costs for the nine months ended September 30, 2014 and 2013 included the following:

(In thousands of dollars)	**For the nine months ended September 30, 2014**	For the nine months ended September 30, 2013
Accretion expenses	**$ 2,210**	$ 1,589
Finance cost on post-employment benefit	**487**	880
Interest expense on debt	**988**	1,641
Other interest and finance costs	**1,774**	694
	$ 5,459	$ 4,804

The increase in accretion relates to increases in the provisions for the mine closure cost and restoration and net smelter return royalty payable. The decrease in the finance cost on post-employment benefit reflects the decrease in that provision. The decrease in interest expense on debt reflects the repayment of the Credit Facility in March 2014. The increase in 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) gains for the nine months ended September 30, 2014 and 2013 consisted of:

(In thousands of dollars)	**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	**$ 1,654**	$ 14,097
Gain on disposal of assets	**960**	–
Change in estimates of net smelter royalty payable	**35**	879
Foreign exchange loss	**(1,794)**	2,005
Change in fair value of gold loan	**(1,140)**	–
Net gain on foreign currency contracts	**–**	186
Net loss on copper collar contracts	**–**	(89)
Other items	**(116)**	25
	$ (401)	$ 17,103

The decrease in net gain on gold collar and fixed price contracts is principally due to the close out of the zero-cost puts/calls hedge program in 2013. The gain on disposal of assets is related to the sale of certain equipment from the Company's operations. The decrease in the change in estimate of the net smelter royalty payable is due to a lower payable balance in 2014. The change in the fair value of the gold loan reflects the mark-to-market fair value adjustment on the gold loan for the nine months ended September 30, 2014.

The income tax expense for the nine months ended September 30, 2014 was $6,198 and consisted of $5,128 and $1,296 in current income tax expense related to San Andres and the Brazilian mines, respectively and $226 of deferred tax recovery. The income tax recovery for the nine months ended September 30, 2013 was $17,533 and consisted of $2,244 in current income tax expense related to San Andres, and $19,777 in deferred tax recovery, which primarily related to deferred tax assets recognized on Aranzazu and San Andres during the period.

Other comprehensive losses

Other comprehensive losses for the nine months ended September 30, 2014 and 2013 were $787 and $1,356, respectively, related to the translation of foreign subsidiaries from their functional currencies into the Company's presentation currency and the recognition of unrealized actuarial gains and losses 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.

Fiscal quarter ended	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
Revenue	**$76,592**	$65,249	$65,027	$74,972	$86,064	$81,256	$88,585	$86,404
Working capital	**$11,030**	$8,080	$7,697	$15,149	$21,286	$12,326	$12,887	$56,169
Property, plant and equipment	**$226,918**	$231,415	$227,780	$228,762	$226,382	$228,929	$291,796	$289,460
Impairment charges[1]	**$0**	$0	$0	$0	$0	$56,193	$0	$0
Income (loss) for the period	**$776**	$4,020	($9,073)	($11,382)	($1,795)	($50,078)	($10,734)	($7,895)
Net income (loss) per share - basic and diluted	**$0.01**	$0.02	($0.04)	($0.05)	($0.01)	($0.22)	($0.05)	($0.04)
Operating cash flow[2]	**$12,147**	$13,149	$7,106	$22,113	$22,139	$11,128	$11,467	$17,908

(1) For the quarter ended June 30, 2013, there were impairment charges recorded in relation to the Company's Sao Francisco mine and San Andres mine.

(2) 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 changes in cash and cash equivalents. 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 and nine months ended September 30, 2014 and 2013 are presented in the table below:

(In thousands of dollars)	**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 flow generated by operating activities	**$ 20,318**	$ 14,005	**$ 36,952**	$ 36,072
Cash flow used for the purchase of property, plant and equipment, net	**(6,252)**	(6,676)	**(12,943)**	(43,219)
Cash flow (used) generated by financing activities	**(10,429)**	(2,351)	**(30,684)**	20,594
Decrease (increase) in restricted cash	**1,000**	3,105	**–**	(1,215)
Effect of exchange rate changes on cash and cash equivalents	**–**	(682)	**–**	(598)
Increase (Decrease) in cash and cash equivalents	**$ 4,637**	$ 7,401	**$ (6,675)**	$ 11,634

Significant capital expenditures during the third quarter of 2014 include $2,475, $1,388 and $1,172 on the infrastructure and development at Aranzazu, the Serrote project and San Andres, respectively. For the nine months ended September 30, 2014, the Company spent $6,221, $4,745 and $5,442 on the infrastructure and development at Aranzazu, the Serrote project and San Andres, respectively.

Cash flow used by financing activities for the three months ended September 30, 2014 reflects a $7,598 repayment on the Gold Loan, a $1,000 repayment on the short-term promissory note at the San Andres project and an interest payment of $1,115. For the nine months ended September 30, 2014, the Company repaid $15,875 on the Gold Loan, $3,000 on the short-term promissory note at the San Andres project, $2,336 on the Bridge Loan, $2,901 on interest payments and $2,157 on finance lease payments. The Company has obtained a series of extensions for the repayment of the Bridge Loan.

During the three months ended September 30, 2014, working capital increased by $2,950 to $11,030. The working capital includes cash and cash equivalents of $8,684 at September 30, 2014. As at September 30 2014, there is no restricted cash.

The outstanding 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 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 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 $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 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 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.

8. CONTRACTUAL OBLIGATIONS

For the three and nine months ended September 30, 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 September 30, 2014, other than certain royalty obligations in respect of Aranzazu and the Serrote Project.

10. TRANSACTIONS WITH RELATED PARTIES

During the three and nine months ended September 30, 2014, the Company did not enter into any transactions with related parties.

11. PROPOSED TRANSACTIONS

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

12. CHANGES IN ACCOUNTING POLICIES

As of January 1, 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, 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 condensed interim 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 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.

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 assessing the impact of this standard on its condensed interim 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 Mineral Resources and Mineral Reserves

The Company determines Mineral Resources and Mineral Reservesunder 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 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 September 30, 2014 and ongoing review and monitoring of these procedures, and as there were no changes in ICFR or DC&P in the nine months ended September 30, 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:

(In thousands of dollars except for ounces of gold produced and average cash cost per ounce)	**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
Cost of goods sold	**$ 51,798**	$ 63,929	**$ 143,760**	$ 223,312
Less: Depletion and amortization	**(2,438)**	(11,186)	**(9,044)**	(43,825)
Inventory movements and adjustments	**(2,370)**	(1,803)	**(3,194)**	1,621
Total cash cost	**$ 46,990**	$ 50,940	**$ 131,522**	$ 181,108
Gold ounces produced	**49,730**	55,611	**137,736**	158,450
Average cash cost per ounce of gold produced	**$ 945**	$ 916	**$ 955**	$ 1,143

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

(In thousands of dollars except for pounds of contained copper produced and average cash cost per pound of copper produced)	**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
Cost of goods sold	**$ 16,777**	$ 13,828	**$ 45,596**	$ 45,972
Less: Depletion and amortization	**(3,091)**	(2,340)	**(8,279)**	(7,652)
Inventory movements and adjustments	**1,811**	2,474	**3,523**	(196)
Cash production costs	**$ 15,497**	$ 13,962	**$ 40,840**	$ 38,124
Less: Estimated by-product credits	**(3,671)**	(3,851)	**(11,191)**	(11,005)
Plus: Estimated selling costs	**-**	3,182	**4,955**	8,925
Total cash costs net of by-product credits	**$ 11,826**	$ 13,293	**$ 34,604**	$ 36,044
Contained copper pounds produced	**3,860,154**	3,774,500	**11,908,553**	9,984,500
Average cash cost per pound of copper produced	**$ 3.06**	$ 3.52	**$ 2.91**	$ 3.61

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

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

	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
Operating gain (loss)	$ 4,525	$ 8,491	$ (5,409)	$ 2,503	$ (4,181)	$ (75,694)	$ (11,337)	$ (7,977)
Add back:								
Depletion and amortization	5,558	3,413	8,653	2,974	13,667	18,673	19,543	19,686
Write-down of inventory to net realizable value	1,957	1,080	3,652	16,458	3,581	11,583	2,732	5,821
Share based payments	107	165	210	178	312	373	529	378
Loss on disposal - Intangible assets	-	-	-	-	8,760	-	-	-
Impairment charge - Brazilian Mines	-	-	-	-	-	16,021	-	-
Impairment charge - San Andres Mine	-	-	-	-	-	40,172	-	-
Operating cash flow	$ 12,147	$ 13,149	$ 7,106	$ 22,113	$ 22,139	$ 11,128	$ 11,467	$ 17,908

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 November 12, 2014, the Company had the following outstanding: 228,483,638 common shares, 19,133,815 stock options, 4,500,000 share purchase warrants and 166,656 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.