Aura Minerals Inc.

Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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

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

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

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

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

"James Bannantine"
President, Chief Executive Officer

"Rory Taylor"
Chief Financial Officer

Toronto, Canada

March 24, 2015

March 24, 2015

Independent Auditor's Report

To the Shareholders of
Aura Minerals Inc.

We have audited the accompanying consolidated financial statements of Aura Minerals Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of loss, comprehensive loss, changes in equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aura Minerals Inc. and its subsidiaries as at December 31, 2014 and 2013 its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Aura Minerals Inc.

Consolidated Statements of Loss

For the years ended December 31, 2014 and 2013

Expressed in thousands of United States dollars

	Note		2014		2013
Revenue	18	**$**	**265,389**	$	330,877
Cost of goods sold	19		**254,688**		336,570
Gross margin (loss)			**10,701**		(5,693)
General and administrative expenses	20		**13,075**		16,078
Exploration expenses	21		**540**		1,987
Loss on disposal - Brazilian exploration properties			**–**		8,760
Impairment charge - Aranzazu Mine	10		**137,502**		–
Impairment charge - Brazilian Mines	10		**–**		16,019
Impairment charge - San Andres Mine	10		**–**		40,172
Operating loss			**(140,416)**		(88,709)
Finance costs	22		**(6,597)**		(5,817)
Other income (loss)			**239**		(746)
Other gains	23		**1,954**		13,402
Loss before income taxes			**(144,820)**		(81,870)
Income tax recovery	13		**1,938**		7,677
Loss for the year		**$**	**(142,882)**	$	(74,193)
Loss per share:					
Basic and diluted		**$**	**(0.63)**	$	(0.32)
Weighted average number of common shares outstanding:					
Basic and diluted			**228,464,829**		228,361,341

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

Aura Minerals Inc.

Consolidated Statements of Comprehensive Loss

For the years ended December31, 2014 and 2013

Expressed in thousands of United States dollars

		2014		2013
Loss for the year	**$**	**(142,882)**	$	(74,193)
Other comprehensive loss				
Loss on foreign exchange translation of subsidiaries		**(2,030)**		(1,136)
Actuarial gain (loss) on post employment benefit, net of tax		**268**		(533)
Other comprehensive loss, net of tax		**(1,762)**		(1,669)
Total comprehensive loss	**$**	**(144,644)**	$	(75,862)

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

Aura Minerals Inc.

Consolidated Statements of Cash Flows

As at December31, 2014 and 2013

Expressed in thousands of United States dollars

	Note	2014	2013
Cash flows from operating activities			
Loss for the period		$ **(142,882)**	$ (74,193)
Items not affecting cash	24 (a)	**171,086**	153,652
Changes in non-cash working capital	24 (b)	**3,179**	(41,267)
Other assets and liabilities		**1,511**	8,009
Net cash generated by operating activities		**32,894**	46,201
Cash flows from investing activities			
Purchase of property, plant and equipment		**(19,151)**	(49,465)
Proceeds from sale of fixed assets		**3,223**	–
Net cash used in investing activities		**(15,928)**	(49,465)
Cash flows from financing activities			
Proceeds received from gold loan	12 (b)	**36,958**	–
Repayment of gold loans	12 (b)	**(22,997)**	–
Repayment of credit facility	12 (c)	**(22,425)**	(20,593)
Repayment of short-term loans		**(7,875)**	(1,000)
Draw down of short-term loans		**–**	27,543
Draw down of credit facility, net of transaction costs		**–**	11,221
Repayment of other liabilities	16	**(3,554)**	(2,401)
Interest paid on debt		**(3,417)**	(2,175)
Finance lease payments	12 (d)	**(1,142)**	(3,242)
Net cash (used) generated by financing activities		**(24,452)**	9,353
(Decrease) Increase in cash and cash equivalents		**(7,486)**	6,089
Effect of exchange rate changes on cash and cash equivalents		**(42)**	(47)
Cash and cash equivalents, beginning of the year		**15,359**	9,317
Cash and cash equivalents, end of the year		$ **7,831**	$ 15,359

Supplementary cash flow information (note 24(c))

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

Aura Minerals Inc.

Consolidated Statements of Financial Position

As at December 31, 2014 and 2013

Expressed in thousands of United States dollars

	Note		2014		2013
ASSETS					
Current					
Cash and cash equivalents		**$**	**7,831**	$	15,359
Trade and other receivables	6		**15,638**		18,432
Inventory	7		**46,126**		66,526
Other current assets	8		**4,769**		7,662
			74,364		107,979
Other long-term assets	9		**8,961**		10,265
Property, plant and equipment	10		**91,548**		228,762
Deferred income tax assets	13		**4,619**		4,502
		$	**179,492**	$	351,508
LIABILITIES					
Current					
Trade and other payables	11	**$**	**43,949**	$	38,685
Current portion of debt	12		**31,433**		47,027
Current portion of provision for mine closure and restoration	14		**309**		2,849
Current portion of other liabilities	16		**3,082**		4,269
			78,773		92,830
Debt	12		**–**		202
Deferred income tax liabilities	13		**2,696**		12,341
Provision for mine closure and restoration	14		**17,914**		18,986
Other provisions	15		**6,154**		7,543
Other liabilities	16		**6,016**		7,661
			111,553		139,563
SHAREHOLDERS' EQUITY					
Share capital	17		**537,684**		537,603
Contributed surplus			**54,162**		53,605
Accumulated other comprehensive income			**(888)**		1,142
Deficit			**(523,019)**		(380,405)
			67,939		211,945
		$	**179,492**	$	351,508

Nature of operations and going concern (note 1)
Commitments and contingencies (note 29)

Approved on behalf of the Board of Directors:

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

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

Aura Minerals Inc.

Consolidated Statements of Changes in Equity

As at December 31, 2014 and 2013

Expressed in thousands of United States dollars

	Note	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity
At December 31, 2013		**228,458,106**	**$ 537,603**	**$ 53,605**	**$ 1,142**	**$ (380,405)**	**$ 211,945**
Loss for the period		–	–	–	–	(142,882)	(142,882)
Loss on translation of subsidiaries		–	–	–	(2,030)	–	(2,030)
Actuarial gain on severance liability, net of tax		–	–	–	–	268	268
Warrants issued to accompany gold loan	12 (b)	–	–	90	–	–	90
Share-based payments	17 (d)	–	–	548	–	–	548
Shares issued on exercise of RSUs	17 (c)	67,199	81	(81)	–	–	–
At December 31, 2014		**228,525,305**	**$ 537,684**	**$ 54,162**	**$ (888)**	**$ (523,019)**	**$ 67,939**

	Note	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity
At December 31, 2012		**228,358,334**	**$ 537,449**	**$ 52,367**	**$ 2,278**	**$ (305,679)**	**$ 286,415**
Loss for the period		–	–	–	–	(74,193)	(74,193)
Loss on translation of subsidiaries		–	–	–	(1,136)	–	(1,136)
Actuarial loss on severance liability, net of tax		–	–	–	–	(533)	(533)
Share-based payments	17 (d)	–	–	1,392	–	–	1,392
Shares issued on exercise of RSUs	17 (c)	99,772	154	(154)	–	–	–
At December 31, 2013		**228,458,106**	**$ 537,603**	**$ 53,605**	**$ 1,142**	**$ (380,405)**	**$ 211,945**

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

1 NATURE OF OPERATIONS AND GOING CONCERN

Aura Minerals Inc. ("Aura Minerals" or the "Company") is a mining company focused on the operation and development of mining properties in the Americas. The Company's 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 Sao Francisco gold mine in Brazil. During the year ended December 31, 2014, the Company disposed of the assets and liabilities of the Sao Vicente gold mine in Brazil (note 10). Both Brazilian mines are referred to collectively as the "Brazilian Mines";
- a 100% interest in the Aranzazu mine in Mexico (the "Aranzazu Mine"), which produces a copper-gold-silver concentrate and is currently on care-and-maintenance (note 10); and
- a 100% interest in the development-stage copper, gold and iron ore Serrote de Laje project in Brazil (the "Serrote Project").

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

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

The Company has experienced recurring operating losses and has an accumulated deficit of $523,019 at December 31, 2014. For the year ended December 31, 2014, the Company incurred a net loss of $142,882. Based on the Company's current cash flow forecasts, which reflect current commodity prices, the Company does not have sufficient funds or working capital to achieve the required debt repayments over the next twelve months without refinancing or obtaining additional financing.

These factors may lend significant doubt to 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 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 consolidated financial statements of Aura Minerals for the years ended December 31, 2014 and 2013 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved for issue by the board of directors effective March 24, 2015.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

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

Subsidiaries

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

b) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Translation of subsidiary results into the presentation currency

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

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

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

c) Cash and cash equivalents

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

d) Trade and other receivables

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

e) Inventory

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

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

f) Mining interests

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

Mining properties

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

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

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

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

Plant and equipment

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

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

Leased assets

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

Amortization and depletion

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

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

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

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

g) Intangible assets

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

h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or whenever other indicators exist. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of assets is the greater of their fair value less costs of disposal ("FVLCD") and value in use. FVLCD is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's-length basis. FVLCD for mineral properties is generally determined as the present value of estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, and discounted by an appropriate post-tax discount rate to arrive at a net present value. In assessing value in use,

the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development discounted by an appropriate pre-tax discount rate. As such, these assumptions differ from those used in calculating FVLCD. The Company's cash generating units are the lowest level of identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

i) Deferred stripping costs

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

j) Financial instruments

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

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

A financial asset or liability at FVTPL is classified in this category if acquired principally for the purpose of selling or redeeming in the short-term. Derivatives are included in this category unless they are designated as hedges.

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Other financial liabilities

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

Fair value of financial instruments

The fair values of quoted investments are determined by reference to market prices at the close of business on the consolidated statements of financial position date. Where there is no active market, the Company determines fair value by using valuation techniques. These include using recent arm's length market transactions, referenced to the

current market value of other instruments that are substantially the same, discounted cash flow analysis, and pricing models.

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

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

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

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

Impairment of financial assets

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

Derecognition of financial assets and liabilities

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

k) Provisions

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

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

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

Mine closure and restoration

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

included in finance cost. At the time of establishing the provision, the net present value of the obligation is capitalized as part of the cost of mineral properties.

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

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

l) Long-term employee benefits

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

m) Leases

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

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

n) Share capital

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

o) Share-based payments

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

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

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

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

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

p) Taxation

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

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

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

q) Borrowing costs

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

r) Revenue recognition

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

Gold sales

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

Metals in concentrate

Sales of metals in concentrate are recognized when the title passes, which is generally the date the concentrate is delivered to the buyer at the shipping port. The majority of the Company’s sales of concentrates are sold under pricing arrangements where the final prices are determined by quoted market prices in a period subsequent to the date of sale. As a result, the estimated revenue is recorded based on forward metal prices for the expected date of final settlement, resulting in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value recorded as adjustments to revenue as they occur.

These adjustments also reflect changes in quantities arising from final weight and assay calculations. Revenues from the sale of metals in concentrate are shown in the consolidated statements of loss net of treatment and refining costs paid to counterparties under the terms of the off-take arrangements.

s) Exploration expenses

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

t) Loss per share

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

u) Comprehensive loss

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

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

v) Segment reporting

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

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

a) Determination of ore reserves

The Company determines mineral resources and 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 ("NI-43-101"). Reserves and resources determined in this way are used in the calculation of depletion expense, assessment of impairment charges and the carrying values of assets, and for forecasting the timing of the payment of mine closure and restoration costs.

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

b) Impairment of assets

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

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 consolidated statements of loss.

c) Valuation of work-in-process inventory

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

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

d) Deferral of stripping costs

In determining whether stripping costs incurred during the production phase of a mining property relate to mineral reserves and mineral resources that will be mined in a future period and therefore should be capitalized, the Company determines whether it is probable that the future economic benefit associated with the stripping activity will flow to the Company.

e) Provisions for mine closure and restoration

The amounts recorded for mine closure and restoration obligations are based on estimates prepared by third party environmental specialists, if available, in the jurisdictions in which the Company operates or by environmental specialists within the Company. These estimates are based on remediation activities that are required by environmental laws, the expected timing of cash flows, and the pre-tax risk free interest rates on which the estimated cash flows have been discounted. These estimates also include an assumption on the rate at which the costs may inflate in future periods. Actual results could differ from these estimates. The estimates on which these fair values are calculated require extensive 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.

5 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 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 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 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 it 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 consolidated financial statmen ts.

6 TRADE AND OTHER RECEIVABLES

		2014		2013
Trade accounts receivable	**$**	**2,305**	$	6,375
Value added taxes receivable		**20,317**		19,829
Other receivables		**153**		487
Total trade and other receivables	**$**	**22,775**	$	26,691
Less: non-current portion of value added taxes receivable (note 9)		**(7,137)**		(8,259)
Trade and other receivables recorded as current assets	**$**	**15,638**	$	18,432

Due to their short-term maturities, the fair value of trade and other receivables approximates their carrying value. As of December 31, 2014 and 2013, none of the Company's trade and other receivables were impaired.

7 INVENTORY

		2014		2013
Finished product	**$**	**19,781**	$	17,232
Work-in-process		**8,955**		19,223
Parts and supplies		**17,390**		30,071
Total inventory		**46,126**		66,526

For the year ended December 31, 2014, the cost of inventory recognized as an expense (note 19) was $254,688 (2013: $336,570). The cost of inventory for 2014 and 2013 includes write-downs of $9,133 and $34,354 respectively, to bring finished product and work-in-process inventories to net realizable value. The Company recorded an impairment charge of $8,181 for parts and supplies inventory at the Aranzazu mine (note 10).

8 OTHER CURRENT ASSETS

		2014		2013
Prepaid expenses, advances and deposits	**$**	**4,430**	$	7,662
Derivative assets (note 25 (d))		**339**		–
	$	**4,769**	$	7,662

9 OTHER LONG-TERM ASSETS

		2014		2013
Long-term receivables and deposits	**$**	**1,824**	$	2,006
Value added taxes receivable (note 6)		**7,137**		8,259
	$	**8,961**	$	10,265

10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment movements for the years ended December 31, 2014 and 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	16,210	49	102	1,022	4,828	**22,211**
Change in provision for mine closure and restoration	2,891	–	–	–	–	**2,891**
Reclassifications and adjustments	1,565	1,414	(532)	779	(3,465)	**(239)**
Disposals	–	(568)	(618)	(3,722)	–	**(4,908)**
Depletion and amortization	(11,723)	(4,377)	(900)	(6,643)	–	**(23,643)**
Impairment charges	(90,210)	(8,443)	(232)	(26,814)	(3,622)	**(129,321)**
Adjustment on currency translation	(1,848)	(2,294)	16	–	(79)	**(4,205)**
Net book value at December 31, 2014	**$ 58,623**	**$ 28,407**	**$ 1,612**	**$ 829**	**$ 2,077**	**$ 91,548**
Consisting of:						
Cost	165,137	61,532	11,837	85,065	2,077	**325,649**
Accumulated depletion and amortization	(106,514)	(33,125)	(10,225)	(84,236)	–	**(234,100)**
	$ 58,623	**$ 28,407**	**$ 1,612**	**$ 829**	**$ 2,077**	**$ 91,548**

	Mineral properties	Land and buildings	Furniture, fixtures and equipment	Plant and machinery	Assets under construction	Total
Net book value at January 1, 2013	$ 179,047	$ 37,099	$ 4,353	$ 63,259	$ 5,702	$ 289,460
Additions	25,070	15,628	1,532	5,214	8,290	**55,734**
Change in provision for mine closure and restoration	4,405	–	–	–	–	**4,405**
Reclassifications and adjustments	4,304	4,654	–	(1,076)	(9,352)	**(1,470)**
Disposals	–	(1)	(91)	–	–	**(92)**
Depletion and amortization	(35,014)	(5,771)	(1,956)	(16,682)	–	**(59,423)**
Impairment charges	(35,070)	(6,613)	–	(14,508)	–	**(56,191)**
Adjustment on currency translation	(1,004)	(2,370)	(62)	–	(225)	**(3,661)**
Net book value at December 31, 2013	**$ 141,738**	**$ 42,626**	**$ 3,776**	**$ 36,207**	**$ 4,415**	**$ 228,762**
Consisting of:						
Cost	236,529	71,374	13,101	113,800	4,415	**439,219**
Accumulated depletion and amortization	(94,791)	(28,748)	(9,325)	(77,593)	–	**(210,457)**
	$ 141,738	**$ 42,626**	**$ 3,776**	**$ 36,207**	**$ 4,415**	**$ 228,762**

For the years ended December 31, 2014 and 2013, depletion and amortization expenses of $24,118 and $54,574 respectively, have been charged to cost of goods sold, and $379 and $283 respectively, have been charged to general and administrative expenses.

Plant and machinery includes cost of $8,193 (2013: $8,193) and accumulated amortization of $2,083 (2013: $1,080) of items of mobile equipment under finance leases.

For the year ended December 31, 2014, borrowing costs incurred on the Serrote bridge loan (note 12(a)(ii)) and credit facilty (note 12(c)) totalling $2,468 and $nil (2013: $1,961 and $528), respectively have been capitalized to the qualifying assets

Sale of Sao Vicente Mine

On October 31, 2014, the Company, through its wholly owned Brazilian subsidiary Mineracao Apoena Ltda., disposed of the remaining assets and liabilities of its Sao Vicente gold mine to a third party in Brazil for Brazilian Reais 4,000 ($1,571), net of income taxes.

Details of the disposal of the assets and liabilities of the Sao Vicente gold mine are as follows:

Assets		
Inventory	$	750
Property, plant and equipment		4,244
Total assets	$	4,994
Liabilities		
Provision for mine closure and restoration	$	6,041
Total liabilities	$	6,041
Net Liabilities disposed	$	(1,047)
Gross cash consideration received		1,571
Gain on disposal	$	2,618

Impairments

In the year ended December 31, 2013, the Company recorded impairment charges relating to its Sao Francisco Mine and the San Andres Mine of $16,019 and $40,172, respectively as a result of a significant decline in the gold price below the overall gold price assumptions used in the Company's life of mine forecasts. For the year ended December 31, 2014, the consensus gold price and other impairment indicators did not change significantly, and therefore no further impairments or reversals of previously recorded impairments have been recorded on the Company's Sao Francisco and San Andres Mines.

In December 2014, the Company completed an optimization study for the Aranzazu mine with the goal of identifying an operating model that would improve the project economics and eliminate the risk by reducing both costs of production and capital expenditures and increasing production in order to generate a short-term return on our investment. The study was unable to identify an operating alternative that provided a short-term positive return on Aranzazu in the absence of available additional financing to maintain or expand the operation and therefore the Company made the decision to suspend the operation and place it on care-and-maintenance. As a result, the budget for the year ending December 31, 2015 has been significantly reduced, with a focus on preserving both the optionality and integrity of the Aranzazu asset. The Company will continue activities to protect the asset and assess alternative methods to develop the project in a more economic manner; however management's expectation of achieving a suitable return on investment in the current metal pricing environment has been diminished.

The foregoing developments were deemed to be indicators of impairment. The Company has conducted an impairment analysis whereby the carrying values of the property, plant and equipment, including mineral properties, of the Aranzazu Mine were compared to the mine's recoverable amount using the value-in-use methodology, which was determined to be greater than the fair value less cost of disposal. The estimated future cash flows utilized in the value-in-use cash flow models incorporated the Company's best estimates of future metals production based on new mine

plans developed, consensus metal pricing, estimates of operating costs, capital expenditures and residual values and fluctuations in the exchange rates between the United States dollar and the Mexican peso. The Company utilized a mill recovery for copper of 84%, a copper price of $2.82 per pound and a gold price of $1,186 per ounce over the remaining ten (10) economic years of the Aranzazu life-of-mine and discounted these cash flows using a 15% discount rate, which was based on the Company's tax effected weighted average cost of capital, in order to obtain the estimated fair value of the Aranzazu Mine. The Company's estimate of future cash flows is subject to risks and uncertainties and therefore could change in the future if the underlying assumptions change. Such changes could be material.

The Company's analysis concluded that certain assets of the Aranzazu Mine were impaired as at December 31, 2014 and, as a result, the Company recorded an impairment charge of $137,502 on the inventory, property, plant and equipment of Aranzazu. This impairment charge resulted in a reduction in the value of parts and supplies inventory ($8,181), mineral properties ($90,210) and plant and equipment ($39,111). The net impairment charge after a deferred income tax recovery of $22,919 was $114,583.

Sensitivity analyses to factors which have the most significant impact on the impairment test were also performed. Certain scenarios were reviewed where key inputs were changed: copper price (+/- 5%) and the discount rate (+/-1%). An increase in the copper price by 5% would result in a decrease in the impairment charge of $4,414 while a decrease in the copper price by 5% would result in an increase to the impairment charge by $4,414. An increase or decrease of 1% in the discount rate utilized would change the impairment charge by $906 and $982, respectively, due to the timing of the estimated cash flows.

11 TRADE AND OTHER PAYABLES

		2014		2013
Trade accounts payable	**$**	**21,543**	$	20,290
Other payables		**7,671**		5,982
Taxes payables		**7,302**		3,066
Accrued liabilities		**5,078**		6,315
Deferred revenue		**2,355**		3,032
	$	**43,949**	$	38,685

12 DEBT

		2014		2013
Current				
Short-term loans (note 12 (a))	**$**	**13,662**	$	23,254
Gold loan (note 12 (b))		**16,151**		–
Credit facility (note 12 (c))		**–**		21,213
Finance leases (note 12 (d))		**1,620**		2,560
		31,433		47,027
Long-term				
Finance leases (note 12 (d))		**–**		202
		–		202
	$	**31,433**	$	47,229

a) Short-term loans

i) Short-term promissory note

On December 4, 2014, the Company, through its wholly-owned subsidiary, Minerales de Occidente, S.A. de C.V. ("Minosa") received a $4,300 short-term promissory note (the "Promissory Note") from Banco de Occidente, S.A. ("Banco Occidente"). The Promissory Note bore an annual interest rate of 7.5% with a maturity date of December 4, 2016.

On March 15, 2013, Minosa received a $5,000 Promissory Note from Banco Atlantida S.A. ("Banco Atlantida"). The Promissory Note bears an annual interest rate of 9.25% and had an original maturity date of November 15, 2013. Banco Atlantida granted an extension to the original 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 December 31, 2014, the Company has fully repaid the Promissory Note from Banco Atlantida (December 31, 2013: $4,000).

During the year ended December 31, 2014, the Company incurred $201 of interest expense (2013: $306) on the short-term promissory note.

***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 2014, the Company has repaid $3,885 (Brazilian Reais 9,400) of the outstanding principal and incurred interest expenses of $2,468, which have been capitalized to the Serrote qualifying asset (2013: $1,961).

As at December 31, 2014, the outstanding balance on the Itau bridge loan was $13,652 (Brazilian Reais 35,600). (December 31, 2013: $19,254 (Brazilian Reais 45,000)).

b) Gold Loans

		2014		2013
Balance, beginning of period	**$**	**–**	$	–
Proceeds from gold loans, net of warrants issued		**37,910**		–
Repayments during the period		**(22,997)**		–
Changes in fair value		**1,238**		–
Balance, end of period	**$**	**16,151**	$	–

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 12 (c)). The Gold Loan was to be repaid in 40 weekly installments of 458 ounces of gold which payments commenced on April 7, 2014. The Gold Loan could 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 toAuramet, 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 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. During the the year ended December 31, 2014 $566 of transaction costs have been included within finance costs on the consolidated statements of loss (2013: $nil).

On December 2, 2014, the Company obtained an additional $15,500 gold loan (the "Second Gold Loan") from Auramet. The proceeds of the Second Gold Loan were used for the Company's working capital requirements. The Second Gold Loan is to be repaid in 50 weekly installments of 305 ounces of gold, which payments commenced on February 13, 2015. Similar to the Gold Loan, the Second Gold Loan may be repaid at any time with no repayment penalties.

In partial consideration for the Second Gold Loan, the Company issued 4,500,000 non-transferable common share purchase warrants toAuramet, with each warrant entitling the holder thereof to acquire one common share of the Company. Each Warrant has an exercise price of $0.11 and an expiry date of twelve months from issuance. The warrants were issued on December 2, 2014 and fair valued at $57. The warrants issued in connection with the Gold Loan were cancelled on that date.

The Second Gold Loan was recorded at $16,355 at initial recognition, which was equal to the fair value of 15,250 ounces of gold deliverable, net of warrants issued. The Company has designated the Second Gold Loan as a financial liability to be measured at FVTPL and to be marked-to-market at each period end with changes in fair value recorded as other gains and losses. During the year ended December 31, 2014 $388 of transaction costs have been included within finance costs on the consolidated statements of loss (2013: $nil).

During 2014 the Company recorded a total mark-to-market loss of $1,238.

Subsequent to December 31, 2014, the Company has delivered 2,440 ounces of gold in payment of the Second Gold Loan valued at $2,910.

c) Credit Facility

		2014		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.

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 12 (b)).

During the year ended December 31, 2014, the Company incurred interest expenses of $698 (2013: $2,149), and wrote-off $806 of unamortized transaction costs outstanding at March 17, 2014.

d) Finance leases

		2014		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		**(1,142)**		(3,242)
Balance, end of period		**1,620**		2,762
Less: current portion		**(1,620)**		(2,560)
	$	**–**	$	202

For the year ended December 31, 2014, the Company recorded a total of $114 of interest expense related to finance leases (2013: $337), respectively, as part of the consolidated statements of loss.

13 INCOME TAXES

a) Income tax recovery

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

		2014		2013
Current income tax expense in respect of the current year	**$**	**9,755**	$	3,880
Adjustment to current income tax expense in respect of prior periods		**(837)**		(103)
Current income tax expense		**8,918**		3,777
Deferred income tax recovery		**(10,856)**		(11,454)
Income tax recovery	**$**	**(1,938)**	$	(7,677)

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

	2014	2013
Loss before income taxes	**$ 144,820**	$ 81,870
Canadian statutory income tax rate	**26.5%**	26.5%
Income tax recovery at the statutory income tax rate	**(38,377)**	(21,695)
Difference in statutory tax rates in foreign jurisdictions	**(6,540)**	969
Effect of changes in future income tax rates	**996**	(6,463)
Non-deductible expenses	**6,165**	8,364
Non-taxable items	**51**	62
Deferred tax assets not recognized	**35,346**	6,563
Effect of foreign exchange on income taxes	**4,143**	(426)
Withholdings taxes on distribution	**4,282**	7,302
Mexican royalty regime	**(6,012)**	(2,353)
Other	**(1,992)**	–
Income tax recovery	**$ (1,938)**	$ (7,677)

b) Deferred income tax assets (liabilities)

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

	2014	2013
Deferred income tax assets	**$ 4,619**	$ 4,502
Deferred income tax liabilities	**(2,696)**	(12,341)
	$ 1,923	$ (7,839)

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

	2014	2013
Balance, January 1	**$ (7,839)**	$ (19,448)
Recovered from the statement of loss	**10,856**	11,454
Recorded through other comprehensive income	**(67)**	205
Foreign exchange difference	**(1,027)**	(50)
Balance, December 31	**$ 1,923**	$ (7,839)

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

	2014	2013
Tax losses carried forward	**$ –**	$ 13,592
Provision for mine closure and restoration	**1,703**	1,175
Property, plant and equipment	**1,874**	(21,775)
Withholdings taxes on distribution	**(2,389)**	–
Other deductible (taxable) temporary differences	**735**	(831)
Net deferred income tax liabilities	**$ 1,923**	$ (7,839)

Temporary differences and tax losses arising in Canada and Brazil have not been recognized as deferred tax assets due to the fact that management has determined it is not probable that sufficient future taxable profits will be

earned in these jurisdictions to recover such assets. The unrecognized deferred tax assets are summarized as follows:

		2014		2013
Tax losses carried forward	**$**	**59,239**	$	43,635
Provision for mine closure and restoration		**1,808**		2,227
Property, plant and equipment		**25,179**		4,384
Other deductible temporary differences		**9,019**		3,591
Unrecognized deferred income tax assets	**$**	**95,245**	$	53,837

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

In 2010, management determined it was probable that sufficient future taxable profits would be generated in the foreseeable future at the Aranzazu Mine to recover the temporary differences and tax losses in this jurisdiction. Although the Aranzazu Mine has recognized losses from 2010 to 2013, this was a result of being in the development phase and then the early stages of production. As a result of the impairment of the mine in the year ended December 31, 2014, the benefit of the temporary difference is no longer recognized. As at December 31, 2014, no deferred tax asset has been recognized (2013: $15,923).

As of December 31, 2014, the Company had estimated cumulative tax operating losses of approximately $59,909 in Canada expiring between 2025 and 2034, $42,630 in Mexico expiring between 2018 and 2022, and $120,464 in Brazil, which can be carried forward indefinitely.

The aggregate amount of taxable temporary differences associated with investments in subsidiaries for which deferred taxes have not been recognized as at December 31, 2014 is $11,699 (2013: $58,710).

Profit repatriations from Honduras are subject to a 10% withholdings tax and the unrecorded liability associated with this is $1,170 (2013: $5,542).

14 PROVISION FOR MINE CLOSURE AND RESTORATION

		2014		2013
Balance, beginning of period	**$**	**21,835**	$	20,216
Accretion expense		**2,329**		3,846
Change in estimate		**1,837**		189
Provision utilized		**(161)**		(118)
Reclamation liability disposed of (note 10)		**(6,041)**		–
Impact of currency translation		**(1,576)**		(2,298)
Balance, end of period		**18,223**		21,835
Less: current portion		**(309)**		(2,849)
	$	**17,914**	$	18,986

Provision for mine closure and restoration is related to the closure costs and environmental restoration associated with mining operations. The provisions have been recorded at their net present values, using discount rates of between 7.75% and 12.25% (2013: 7.75% to 13.50%). The provisions have been re-measured at each reporting date, with the accretion expense being recorded as a finance cost. The total undiscounted amounts of the estimated obligations at

December 31, 2014 are approximately $27,844 and are expected to be incurred through 2029 (2013: $29,483). All assumptions used in the calculation of the provisions are subject to change.

During the year ended December 31, 2014, the Company recorded an increase in its provision for mine closure and restoration related to the San Andres Mine and Aranzazu Mine, offset by a decrease in the provision related to the Brazilian Mines. This change in estimate for each mine was as a result of changes in management's estimates of the gross cash flows resulting from legal obligations as well as changes in discount rates and inflation rates. The change in estimate for the Brazilian Mines of $1,033 has been charged to the consolidated statements of loss as the mineral property in the Brazilian Mines had previously been fully depleted (2013: $4,172).

15 OTHER PROVISIONS

	Long-term employee benefits	Provision for judicial contingencies	Total
As of December 31, 2012	$ 3,810	$ 1,537	$ 5,347
Periodic service and finance cost	1,080	–	1,080
Additional provision for the period	–	2,060	2,060
Provision settled during the period	(581)	(884)	(1,465)
Actuarial loss	819	–	819
Effect of foreign exchange	(48)	(250)	(298)
As of December 31, 2013	**$ 5,080**	**$ 2,463**	**$ 7,543**
Periodic service and finance cost	1,312	–	1,312
Additional provision for the period	–	237	237
Provisions settled during the period	(1,974)	(884)	(2,858)
Curtailment	489	–	489
Actuarial gain	(268)	–	(268)
Impact of currency translation	(178)	(123)	(301)
As of December 31, 2014	**$ 4,461**	**$ 1,693**	**$ 6,154**

a) Long term employee benefits

Long term employee benefits liability exists as a result of a legal requirement in Honduras that the Company is obligated to pay a severance payment based on the years of service provided by an employee without regard to the cause of the termination.

The most recent actuarial valuation for the long term employee benefits provision was performed at December 31, 2014. The principal assumptions used for the purpose of the actuarial valuation were as follows:

	2014	2013
Discount rates	**10.5%**	13.5%
Salary increase rate (administrative)	**6.5%**	6.5%
Salary increase rate (operation)	**7.0%**	7.0%
Long term inflation	**5.5%**	5.5%

b) Provision for judicial contingencies

Provision for judicial contingencies represents compensation claims for unpaid travel time between the Brazilian mine sites and its employees' home town and other litigations brought against the Company. The increase in the carrying amount of the provision for judicial contingencies for the year ended December 31, 2013 resulted primarily

from Apoena's decision to recognize the claims of current and dismissed employees for past unpaid travel time between the employee's home and the mine site.

As at December 31, 2014, the Company recognized an additional provision of $237 (2013: $2,060 for compensation claims, of which $334 and $1,726 were charged to cost of production and general and administrative expense, respectively).

16 OTHER LIABILITIES

		2014		2013
Balance, beginning of period	**$**	**11,930**	$	13,398
Accretion expense		**480**		636
Royalty payments		**(3,554)**		(2,401)
Change in estimate		**242**		297
Balance, end of period	**$**	**9,098**	$	11,930
Less: current portion		**(3,082)**		(4,269)
	$	**6,016**	$	7,661

In 2011, the Company completed a restructuring of its contractual obligations, which resulted in the settlement of the deferred purchase consideration and the granting of a net smelter return royalty ("NSR Royalty") equal to 1.5% on the net sales from the San Andres Mine and the Brazilian Mines, up to a cumulative royalty amount of $16,000 commencing on March 1, 2013. The liability has been recorded at its net present value using a discount rate of 5% (2013: 5%). The liability is re-measured at each reporting date, with the accretion expense and change in estimate being recorded within finance costs and other gains, respectively.The total undiscounted amounts of the estimated obligation at December 31, 2014 is approximately $10,045 and is expected to be incurred through 2019 (2013: $13,599).

For the year ended December 31, 2014, the Company recorded an accretion expenses of $480 (2013: $636) as part of finance costs and a loss in a change in estimate of $242 (2013: a loss of $297), as part of other gains on the consolidated statement of loss.

17 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, 2012	**15,154,318**	**$**	**2.62**
Granted	6,716,500		0.30
Forfeited / Expired	(6,128,484)		2.98
Balance, December 31, 2013	**15,742,334**	**$**	**1.49**
Granted	5,511,000		0.11
Forfeited / Expired	(2,159,098)		1.68
Balance, December 31, 2014	**19,094,236**	**$**	**1.07**

There were no options exercised for the year ended December 31, 2014 and 2013.

As at December 31, 2014, the following stock options were outstanding and exercisable:

Exercise price C$	Options outstanding	Options exercisable	Remaining contractual life (years)	Expiry dates
$0.00 to $1.15	11,742,090	5,426,018	3.21	January 6, 2017 to December 15, 2019
$1.16 to $2.49	4,047,146	4,030,242	1.89	July 5, 2016 to February 22, 2017
$2.50 to $3.75	2,746,250	2,746,250	0.68	February 8, 2015 to April 12, 2016
$3.76 to $5.45	558,750	558,750	0.45	March 15, 2015 to December 13, 2015
	19,094,236	12,761,260	2.13	

c) Other stock-based payment plans

Deferred share unit plan (“DSU Plan”)

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

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

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

A continuity of issued RSUs is as follows:

	Number of units
Balance, December 31, 2012	293,877
Exercised	(99,772)
Forfeited	(1,917)
Balance, December 31, 2013	**192,188**
Granted	600,000
Exercised	(67,199)
Forfeited	(125,000)
Balance, December 31, 2014	**599,989**

During 2014, there were 25,532 RSUs exercised on October 22, 2014 with an exercise price of C$0.10, and 41,667 RSUs exercised on December 15, 2014 with an exercise price of C$0.07 (2013: 99,761 RSUs exercised on December 15, 2013 with an exercise price of C$0.09).

d) Share-based payment expense

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. Share-based payment expense recognized in general and administrative expense in the consolidated statements of loss for the year ended December 31, 2014 totalled $548 (2013: $1,392).

The Company granted 5,511,000 stock options to its employees during the year ended December 31, 2014, which vest over a period of 3 years, at exercise prices from C$0.08 to C$0.15, expire in 2019 and have a total fair value of C$403. The fair value of stock options granted during the year ended December 31, 2014 and 2013 was estimated using the Black-Scholes option pricing model with the following assumptions:

For the year ended December 31,	2014	2013
Expected volatility	**99% - 111%**	78%
Risk-free interest rate	**1.02% - 1.10%**	1.20%
Weighted average share price for options granted	**C$0.11**	C$0.30
Expected life in years	**2.8**	3.2
Expected forfeiture rate	**12%**	7%
Expected dividend yield	**0%**	0%

18 REVENUES BY NATURE

		2014		2013
Gold sales	**$**	**221,436**	$	289,830
Copper concentrate sales		**43,953**		41,047
	$	**265,389**	$	330,877

19 COST OF GOODS SOLD BY NATURE

		2014		2013
Direct mine and mill costs	**$**	**216,645**	$	247,642
Write-down of inventory to net realizable value		**9,133**		34,354
Depletion and amortization (note 10)		**24,118**		54,574
Suspension and termination costs		**4,793**		–
	$	**254,688**	$	336,570

20 GENERAL AND ADMINISTRATIVE EXPENSES

		2014		2013
Salaries, wages and benefits	**$**	**6,264**	$	7,017
Professional and consulting fees		**2,297**		1,673
Share-based payment expense (note 17 (d))		**548**		1,392
Amortization (note 10)		**379**		283
Directors' fees		**315**		354
Travel expenses		**237**		342
Other		**3,035**		5,017
	$	**13,075**	$	16,078

21 EXPLORATION EXPENSES

		2014		2013
San Andres Mine	**$**	**366**	$	1,109
Sao Vicente Mine		**135**		671
Aranzazu Mine		**21**		24
Non-core projects		**18**		61
Serrote Project		**–**		122
	$	**540**	$	1,987

22 FINANCE COSTS

		2014		2013
Accretion expense	**$**	**2,809**	$	2,179
Interest expense on debt (note 12)		**1,013**		2,264
Finance cost on post-employment benefit		**645**		515
Other interest and finance costs		**2,130**		859
	$	**6,597**	$	5,817

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

23 OTHER GAINS

		2014		2013
Gain on disposal of Sao Vicente Mine (note 10)	**$**	**2,618**	$	–
Net gain on gold collar and fixed price contracts (note 25 (d))		**1,836**		14,579
Change in estimate of provision for mine closure and restoration (note 14)		**1,033**		4,172
Gain on disposal of assets (note 10)		**951**		–
Foreign exchange loss		**(2,540)**		(4,165)
Change in fair value of gold loan (note 12 (b))		**(1,238)**		–
Change in estimates of net smelter royalty payable (note 16)		**(242)**		(297)
Net gain on foreign currency contracts (note 25 (b))		**–**		178
Net loss on copper collar contracts (note 25 (c))		**–**		(88)
Other items		**(464)**		(977)
	$	**1,954**	$	13,402

24 CASH FLOW INFORMATION

a) Items not affecting cash

	2014	2013
Depletion and amortization (note 10)	**$ 24,497**	$ 54,857
Deferred and current income tax recovery (note 13)	**(1,938)**	(7,677)
Write-down of inventory to net realizable value	**9,133**	34,354
Accretion expense	**2,809**	2,179
Change in fair value of gold loan (note 12 (b))	**1,238**	–
Periodic service and finance costs on post-employment benefit	**1,801**	1,080
Interest expense	**–**	2,264
Write-off of unamortized transaction costs on credit facility (note 12 (c))	**806**	–
Share-based payment expense (note 17 (d))	**548**	1,392
Foreign exchange gain	**(849)**	(925)
Gain (loss) on disposal of assets	**(3,569)**	8,760
Change in other long term liabilities	**242**	(4,172)
Unrealized gain on gold collar and fixed price contracts (note 25 (d))	**(339)**	2,265
Impairment Charge - Aranzazu Mine (note 10)	**137,502**	–
Impairment Charge - Brazilian Mines (note 10)	**–**	16,019
Impairment Charge - San Andres Mine (note 10)	**–**	40,172
Unrealized loss on copper collar contracts (note 25 (C))	**–**	125
Unrealized gain on foreign currency contract (note 25 (b))	**–**	(182)
Other non-cash items	**(795)**	3,141
	$ 171,086	$ 153,652

b) Changes in non-cash working capital

	2014	2013
Changes in non-cash working capital		
Trade and other receivables	**$ 2,794**	$ (6,768)
Inventory	**1,446**	(19,798)
Trade and other payables	**(1,061)**	(14,701)
	$ 3,179	$ (41,267)

c) Supplementary cash flow information

	2014	2013
Non-cash investing and financing activities consist of:		
Change in accounts payable relating to investing activities	**$ (374)**	$ 1,347
Assets acquired under finance leases	**$ –**	$ 2,930
Fair value of options exercised	**$ –**	$ 154

25 FINANCIAL INSTRUMENTS

a) Embedded derivatives

The Company has embedded derivatives in its accounts receivable as a result of provisional pricing arrangements on its concentrate sales. These derivatives are marked to their market values at each reporting date. Adjustments to the fair values of the accounts receivable are included in the consolidated statements of loss within revenue. During the year ended December 31, 2014 the Company recognized losses of $1,752 (2013: $1,126), respectively, as changes in the fair values of embedded derivatives.

b) Foreign currency contracts

The Company entered 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 Brazilian reais 11,900 at an average rate of 1.9848 Brazilian real 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 December 31, 2014 were $nil. For the year ended December 31, 2013, the Company recognized unrealized gains of $178.

At December 31, 2014, the Company did not have any foreign currency contracts outstanding.

c) Copper collar contracts

In 2011, the Company entered into derivative contracts to manage price risk for a total of 6,000 tonnes (spread equally over 26 months at 230.8 tonnes per month) of copper production from the Aranzazu Mine between May 1, 2012 and June 30, 2013. The derivative instruments entered into were in the form of zero-cost put/call collars with a floor price of $3.25 per pound and a ceiling price of $5.08 per pound. These derivative instruments were not designated as hedges by the Company and were marked to their market values at each reporting date.

As at December 31, 2013 put/call collars for January to May 2013 expired unexercised, while the June collars were exercised. For the year ended December 31, 2013, the Company recognized a net unrealized losses of $89.

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

d) Gold collar and fixed price contracts

During the year ended December 31, 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. The Company advanced $1,500 to Auramet as a margin deposit for this hedging program.

During the year ended December 31, 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 year ended December 31, 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 and recorded realized gains on the close-out of these collars of $13,182.

As at December 31, 2014, the Company did not have any zero-cost put/call collars outstanding.

In addition, during the year ended December 31, 2014, the Company also entered into contracts to hedge a total of 118,300 ounces of gold between January 1, 2014 and May 29, 2015. The derivative instruments entered into were in the form of fixed price contracts at an average price of $1,266 per ounce of gold. At December 31, 2014, the Company had 30,000 ounces of fixed price contracts outstanding at an average price of $1,211 per ounce of gold. For the year ended December 31, 2014, the Company recorded realized gains on these fixed price contracts of $934.

As at December 31, 2014, the Company recorded a derivative asset on these fixed price contracts of $339.

Both the gold collar and fixed price contracts have not been designated as accounting 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 statements of loss in other gains..

e) Credit risk

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial contract. The Company's credit risk is limited to trade receivables and derivative contracts in the ordinary course of business and the quality of its financial investments. As of December 31, 2013, the Company's financial assets include deposits in highly rated financial institutions, and the Company considers the risk of loss associated with these deposits to be low.

At the Aranzazu Mine, as of December 31, 2014, the Company's trade accounts receivable balance is due from two customers.

f) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (refer to note 1). The Company manages its liquidity risk through a rigorous planning and budgeting process, which is reviewed and updated on a regular basis, to help determine the funding requirements to support the Company's current operations and expansion and development plans and by managing its capital structure as described in note 28.

The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. In the normal course of business, the Company enters into contracts that give rise to commitments for future payments as disclosed in notes 12 and 16.

g) Currency risk

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

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: cash and cash equivalents, accounts receivable, other long-term assets, accounts payable and accrued liabilities denominated in foreign currencies. At December 31, 2014, the Company had cash and cash equivalents of $7,831, of which $744 was held in Canadian dollars, $3,964 in United States dollars, $337 in Brazilian reais, $1,976 in Honduran lempiras, and $810 in Mexican pesos.

An increase or decrease of 10% in the United States dollar exchange rate to the currencies listed above would have increased or decreased the Company's loss for the year by $645 and $529, respectively.

h) Interest rate risk

The Company is exposed to interest rate risk on its cash and cash equivalents and the credit facility. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk. For the year ended December 31, 2014, an increase or decrease in interest rates of 100 basis points (1 percent) would have increased consolidated loss and comprehensive loss for the year by $383 and a decrease in interest rates of 100 basis points (1 percent) would have decreased the loss and comprehensive loss for the year by $213.

i) Commodity price risk

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

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

A 10% change in the average commodity price for gold for the year, with all other variables held constant, would result in an impact on the Company's 2014 consolidated net loss and comprehensive loss of $20,056. A 10% decrease in the average commodity price for copper for the year, with all other variables held constant, would result in an impact on the Company's 2014 consolidated net loss and comprehensive loss of $4,777.

j) Fair value of financial instruments

The Company's financial assets and liabilities have been classified into categories that determines their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at December 31, 2014 and 2013:

	Level	December 31, 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	**$2,458**	**$2,458**	$6,862	$6,862
Other assets	N/A	**1,824**	**1,824**	2,006	2,006
At fair value through profit and loss					
Derivative assets	2	**$339**	**$339**	–	–
		$4,621	**$4,621**	$8,868	$8,868
Financial Liabilities					
At fair value through profit and loss					
Gold loan	2	**$16,151**	**$16,151**	–	–
Other financial liabilities, measured at amortized cost					
Accounts payable and accrued liabilities	N/A	**$36,647**	**$36,647**	$35,724	$35,724
Short-term loan	N/A	**13,662**	**13,662**	23,254	23,254
Credit facility	N/A	–	–	21,213	21,213
Other provisions	3	**6,154**	**6,154**	7,543	7,543
Other liability	3	**9,098**	**9,098**	7,661	7,661
		$81,712	**$81,712**	$95,395	$95,395

The Company measures certain of its financial assets and liabilities at fair value on a recurring basis and these are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The three levels of the fair value hierarchy are: Level 1, which are inputs that are unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, which are inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; and Level 3, which are inputs for the asset or liability that are not based on observable market data.

The Company classifies derivative assets and liabilities in Level 2 of the fair value hierarchy as they are valued using pricing models which require a variety of inputs such as expected gold price. The Company classified its other liability in Level 3 as there is no observable market data for the fair value inputs. The Company uses a discounted cash flow model to determine the fair value. The key inputs for level 3 are the expected gold price, expected production and discount rate.

26 CAPITAL MANAGEMENT

The Company's objectives in managing capital are to ensure sufficient liquidity is maintained in order to properly develop and operate its current projects and to pursue strategic growth initiatives, to ensure that externally imposed capital requirements related to any debt obligations are complied with, and to provide returns for shareholders and benefits to other stakeholders. In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity and long-term debt. The Company manages its capital structure in light of changes in economic conditions, the risk characteristics of the underlying assets, and the Company's liquidity

requirements. To maintain or adjust the capital structure, the Company may be required to issue new shares or debt, re-pay existing debt, acquire or dispose of assets, or adjust amounts of certain investments.

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

Pursuant to the terms of the Amended Credit Facility (note 12), 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. As at December 31, 2013, certain events of default occurred and were continuing under the Amended Credit Facility. The lenders granted a series of forbearance agreements during 2013. Although the most recently granted forbearance agreement matured on January 17, 2014, the outstanding Amended Credit Facility balance of $22,424, including payment-in-kind interest from January 1, 2014 to March 17, 2014, was fully repaid on March 17, 2014 from the proceeds of a financing process.

The Second Gold Loan agreement requires the Company to maintain a cash and cash equivalent balance of $3,000 at all times. As at the December 31, 2014, the Company is in compliance with the minimum cash balance requirement.

27 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2014, the Company entered into no transactions with related parties except for compensation paid to key management personnel.

The renumeration of directors and other members of key executive management personnel during the year ended December 31, 2014 and 2013 are as follows:

		2014		2013
Salaries and short-term employee benefits	**$**	**1,095**	$	1,322
Share-based payment		**126**		368
Post-employment benefits		**17**		9
	$	**1,238**	$	1,699

28 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. The segments presented reflect the way in which the Company's management reviews its business performance. Operating segments are reported in a manner consistent with the internal reporting provided to executive management who act as the chief operating decision-maker. Executive management is responsible for allocating resources and assessing performance of the operating segments.

For the years ended December 31, 2014 and 2013, segmented information is as follows:

For the year ended December 31, 2014	San Andres Mine	Brazilian Mines	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	$ 101,581	$ 119,855	$ 43,953	$ –	$ –	$ 265,389
Cost of production	66,756	109,360	54,454	–	–	230,570
Depletion and amortization	9,693	3,232	11,193	–	–	24,118
Gross margin (loss)	$ 25,132	$ 7,263	$ (21,694)	$ –	$ –	$ 10,701
Impairment charges	–	–	(137,502)	–	–	(137,502)
Other (expenses) income	(3,931)	(2,324)	(3,052)	(17,928)	9,216	(18,019)
Income (Loss) before income taxes	$ 21,201	$ 4,939	$ (162,248)	$ (17,928)	$ 9,216	$ (144,820)
Property, plant and equipment	$ 50,992	$ 2,987	$ 3,939	$ 33,164	$ 466	$ 91,548
Total assets	$ 85,826	$ 37,436	$ 12,841	$ 33,456	$ 9,933	$ 179,491
Capital expenditures	$ 6,434	$ 513	$ 8,984	$ 6,113	$ 195	$ 22,239

For the year ended December 31, 2013	San Andres Mine	Brazilian Mines	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	$ 88,570	$ 201,260	$ 41,047	$ –	$ –	$ 330,877
Cost of production	73,507	156,448	52,041	–	–	281,996
Depletion and amortization	8,577	36,144	9,853	–	–	54,574
Gross margin	$ 6,486	$ 8,668	$ (20,847)	$ –	$ –	$ (5,693)
Impairment charges	(40,172)	(16,019)	–	–	–	(56,191)
Loss on disposal - Brazillian exploration propertie	–	–	–	–	(8,760)	(8,760)
Other (expenses) income	(3,741)	(5,135)	(6,560)	(52)	4,262	(11,226)
Loss before income taxes	$ (37,427)	$ (12,486)	$ (27,407)	$ (52)	$ (4,498)	$ (81,870)
Property, plant and equipment	$ 52,042	$ 9,561	$ 134,664	$ 31,135	$ 1,360	$ 228,762
Total assets	$ 84,415	$ 66,019	$ 157,729	$ 32,101	$ 11,244	$ 351,508
Capital expenditures	$ 13,231	$ 1,219	$ 15,274	$ 25,539	$ 471	$ 55,734

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.

29 COMMITMENTS AND CONTINGENCIES

a) Operating commitments

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

For the year ended December 31, 2014		
Within one year	$	234
Two to Four Years		177
	$	**411**

b) Royalties

Copper production from the Aranzazu Mine is subject to an underlying 1% NSR royalty when during any calendar month the monthly average copper price as quoted by the London Metals Exchange equals or exceeds $2.00 per pound.

c) Contingencies

Certain conditions may exist as of the date of these financial statements which may result in a loss to the Company in the future when certain events occur or fail to occur. The Company assesses at each reporting date its loss contingencies related to ongoing legal proceedings by evaluating the likelihood of such proceedings, as well as the amounts claimed or expected to be claimed.

Included in other provisions as of December 31, 2014 is a provision of $522 (2013: $616) for loss contingencies related to ongoing legal claims associated with the Brazilian Gold Mines, which were assumed as part of the acquisition of these mines.