Aura Minerals Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

Dated as of March 24, 2015

This management's discussion and analysis ("MD&A") should be read in conjunction with Aura Minerals Inc.'s (the "Company" or "Aura Minerals") consolidated financial statements for the year ended December 31, 2014 and related notes thereto (the "Financial Statements") which have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"). In addition, this MD&A should be read in conjunction with the 2014 Annual Information Form ("AIF") dated March 24, 2015, as well as other information relating to Aura Minerals as filed on the Company's profile on SEDAR at www.sedar.com. Unless otherwise noted, references herein to "$" are to thousands of United States dollars. References to "C$" are to thousands of Canadian dollars. Tables are expressed in thousands of United States dollars, except where otherwise noted.

This MD&A has been prepared as at March 24, 2015 and provides information that management believes is relevant to assessing and understanding the financial condition of the Company and the results of operations and cash flows for the quarter and year ended December 31, 2014.

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

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

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1. BACKGROUND AND CORE BUSINESS

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

- *The San Andres Gold Mine ("San Andres")* – 100% interest in an open-pit heap leach gold mine located in the highlands of western Honduras, in the municipality of La Union, Department of Copan, approximately 150 kilometres southwest of the city of San Pedro Sula. The mine has been in production since 1983;
- *The Sao Francisco Gold Mine ("Sao Francisco")* – 100% interest in an open-pit heap leach gold mine located in the State of Mato Grosso, Brazil, approximately 560 kilometres west of Cuiaba, the state capital. The mine has been in production since 2006;
- *The Aranzazu Copper Mine ("Aranzazu")* - In January 2015, the Company announced a suspension of operations at its wholly-owned Aranzazu open-pit and underground mine operation with a 2,600 tonnes per day ("tpd") mill, producing a copper-gold-silver concentrate, located next to the town of Concepcion del Oro in the state of Zacatecas, Mexico. The Company continues to control approximately 11,380 hectares of exploration concessions centred on the Arroyos Azules underground mine and the past-producing EI Cobre area. As of the date of this MD&A, Aranzazu is on care-and maintenance; and
- *The Serrote da Laje Project ("Serrote")* – A wholly-owned, development-stage copper-gold-iron project which is the Company's development asset. The Serrote Project is located in the central-southern part of the State of Alagoas, Brazil, approximately 15 kilometres northwest of the city of Arapiraca and currently consists of 24 exploration licences totalling 40,899 hectares, 11 exploration applications totalling 19,622 hectares and one mining concession totalling 400 hectares.

During the quarter ended December 31, 2014, the Company disposed of the assets and liabilities of its Sao Vicente Gold Mine ("Sao Vicente") located to the north of Sao Francisco in the State of Mato Grosso, Brazil. Sao Francisco and Sao Vicente are collectively referred to as the "Brazilian Mines".

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

2. FOURTH QUARTER AND YEAR-END 2014 FINANCIAL AND OPERATING HIGHLIGHTS

- Loss of $138,605 or $0.61 per share for the three months ended December 31, 2014 compared to a loss of $11,382 or $0.05 per share for the fourth quarter of 2013. Loss for the year ended December 31, 2014 (after impairment charges of $137,502) of $142,882 or $0.63 per share compared to a loss of $74,193 (including impairment charges of $56,191 and losses on disposal of non-core exploration properties of $8,760) or $0.32 per share for the year ended December 31, 2013;
- Operating cash outflow[1] of $1,138 for the fourth quarter of 2014 compared to $22,113 for the fourth quarter of 2013. Operating cash flow[1] of $31,264 for the year ended December 31, 2014 compared to $66,847 for the year ended December 31, 2013;
- Net sales revenue in the fourth quarter of 2014 decreased by 22% over the fourth quarter of 2013. Net sales for the year ended December 31, 2014 decreased by 20% in comparison to the year ended December 31 2013. Details are as follows:

	For the three months ended December 31, 2014	For the three months ended December 31, 2013	**For the year ended December 31, 2014**	For the year ended December 31, 2013
San Andres, *ounces ("oz")*	**22,754**	17,358	**84,553**	65,424
Sao Francisco, *oz*	**19,748**	26,401	**85,921**	106,894
Sao Vicente, *oz*	-	8,082	**9,928**	36,669
Total ounces sold	**42,502**	51,841	**180,402**	208,987
Realized average gold price oz	**$ 1,203**	$ 1,281	**$ 1,266**	$ 1,414
Gold sales revenues, *net of local sales taxes*	**$ 49,420**	$ 64,052	**$ 221,437**	$ 289,830
Copper concentrate sales	**$ 9,101**	$ 10,920	**$ 43,952**	$ 41,047
Total net sales	**$ 58,521**	$ 74,972	**$ 265,389**	$ 330,877

The average realized prices per oz for the three months ended December 31, 2014 and 2013 in the above table compare to the average market prices (London PM Fix) of $1,201 per oz, and $1,276 per oz, respectively and the realized average gold price per oz for the years ended December 31, 2014 and 2013, respectively.

Copper concentrate sales are from the shipment of 6,532 dry metric tonnes ("DMT") and 6,512 DMT for the quarters ended December 31, 2014 and 2013, respectively. Copper Concentrate sales for the year ended December 31, 2014 and 2013 were 28,058 DMT and 24,995 DMT, respectively.

[1] A cautionary note regarding non-GAAP measures is included in Section 19 of this MD&A.

- Gold production for the fourth quarter of 2014 was 10% lower than the fourth quarter of 2013 and gold production for the year ended December 31, 2014 was 12% lower than the prior year. Gold production and cash costs[1] for the three and twelve months ended December 31, 2014 and 2013 were as follows:

	For the three months ended December 31, 2014		For the three months ended December 31, 2013	
	Oz Produced	**Cash Costs[1]**	**Oz Produced**	**Cash Costs[1]**
San Andres	**23,469**	**$ 814**	**15,017**	**$ 1,244**
Sao Francisco	**19,960**	**1,184**	**25,259**	**1,048**
Sao Vicente	**-**	**-**	**8,230**	**906**
Total / Average	**43,429**	**$ 984**	**48,506**	**$ 1,085**

	For the year ended December 31, 2014		For the year ended December 31, 2013	
	Oz Produced	**Cash Costs[1]**	**Oz Produced**	**Cash Costs[1]**
San Andres	**88,813**	**$ 744**	**63,811**	**$ 1,131**
Sao Francisco	**84,959**	**1,134**	**105,541**	**1,144**
Sao Vicente	**7,393**	**1,500**	**37,604**	**1,288**
Total / Average	**181,165**	**$ 958**	**206,956**	**$ 1,166**

- Cash costs for the Brazilian Mines for the year ended December 31, 2014 included net realizable value inventory write-downs of $12 per oz. There were no inventory write-downs at San Andres in 2014 (2013: Brazilian Mines $163 per oz, San Andres $13 per oz). Sao Vicente's lower ounce production and higher average cash cost per ounce of gold produced[1] in 2014 as compared to 2013 is as a result of lower ounces yielded and ongoing costs incurred during its wind-down prior to disposal;

- Copper production at Aranzazu for the fourth quarters of 2014 and 2013 was 2,684,907 pounds and 3,642,482 pounds, respectively, a decrease of 26%. On-site average cash cost[1] per pound of copper produced, net of gold and silver credits was $2.71 for the fourth quarter of 2014 compared to $3.92 for the fourth quarter of 2013, inclusive of net realizable value inventory write-downs of $0.50 and $0.76, respectively. Copper production at Aranzazu for the years ended December 31, 2014 and 2013 was 14,593,460 pounds and 13,626,982 pounds, respectively, an increase of 7%. On-site average cash cost[1] per pound of copper produced, net of gold and silver credits was $2.87 for the full year of 2014 compared to $4.15 for the full year of 2013 inclusive of net realizable value write-downs of $0.35 and $0.74 for the years 2014 and 2013, respectively;

- Gross loss of $6,811 for the fourth quarter of 2014, compared to a gross margin of $7,685 for the fourth quarter of 2013, and a gross margin of $10,701 for the year ended December 31, 2014, compared to a gross loss of $5,693 for the year ended December 31, 2013.

[1]A cautionary note regarding non-GAAP measures is included in Section 19 of this MD&A.

3. REVIEW OF MINING OPERATIONS AND DEVELOPMENT PROJECTS

San Andres, Honduras

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

	Q4 2014	Q4 2013	**2014**	2013
Ore mined (tonnes)	**1,716,055**	1,145,041	**6,151,236**	5,465,031
Waste mined (tonnes)	**1,056,322**	1,227,346	**3,380,374**	3,850,975
Total mined (tonnes)	**2,772,377**	2,372,387	**9,531,610**	9,316,006
Waste to ore ratio	**0.62**	1.07	**0.55**	0.70
Ore plant feed (tonnes)	**1,698,956**	1,139,242	**6,167,074**	5,447,460
Grade (g/tonne)	**0.47**	0.50	**0.48**	0.56
Production (ounces)	**23,469**	15,017	**88,813**	63,811
Sales (ounces)	**22,754**	17,358	**84,553**	65,424
Average cash cost per ounce of gold produced[1]	**$ 814**	$ 1,244	**$ 744**	$ 1,131

Total ore and waste mined during the fourth quarter of 2014 was 17% higher than in the comparable quarter. During the fourth quarter of 2014, ore mined was 50% higher than the comparable quarter and waste mined was 14% lower. The waste to ore ratio was 42% lower when comparing the fourth quarters of 2014 and 2013. The increase in the waste and ore tonnes moved was primarily due to additional ore mined over that anticipated in the mine plan. San Andres implemented a production efficiency and cost reduction program in early 2014 which has yielded additional cash flows and higher production.

Total plant feed during the fourth quarter of 2014 was 49% higher than the tonnes processed in the same quarter of2013. The average ore plant feed grade for the fourth quarter of 2014 decreased by 6% as compared to the fourth quarter of 2013, due to lower grade areas mined in 2014.

Gold production at San Andres in the fourth quarter of 2014 increased by 56% over the comparable period primarily due to increased throughput and improved recoveries in both the leaching and carbon stripping processes.

Average cash cost per oz of gold produced[1] in the fourth quarter of 2014 decreased by 35% over the fourth quarter of 2013 as a result of the increased production as well as the successful cost reduction program.

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[1]A cautionary note regarding non-GAAP measures is included in Section 19 of this MD&A.

Sao Francisco, Brazil

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

	Q4 2014	Q4 2013	**2014**	2013
Ore mined (tonnes)	**902,451**	1,421,183	**3,835,332**	5,336,871
Waste mined (tonnes)	**1,024,287**	1,390,185	**5,192,004**	6,727,088
Total mined (tonnes)	**1,926,738**	2,811,368	**9,027,336**	12,063,959
Waste to ore ratio	**1.14**	0.98	**1.35**	1.26
Ore plant feed (tonnes)	**1,068,800**	1,501,611	**4,250,691**	5,484,180
Grade (g/tonne)	**0.58**	0.65	**0.67**	0.65
Production (ounces)	**19,960**	25,259	**84,959**	105,541
Sales (ounces)	**19,748**	26,401	**85,921**	106,894
Average cash cost per ounce of gold produced[1]	**$ 1,184**	$ 1,048	**$ 1,134**	$ 1,144

Total material moved during the fourth quarter of 2014 was 31% lower than the fourth quarter of 2013. The waste to ore ratio was 16% higher than the comparable period in 2013 due to mining of the higher strip ratio ore in the base of the pit. Material moved was lower due to restrictions resulting from the tightening of the pit and the longer haul distances for both waste and ore.

Total plant feed during the fourth quarter of 2014 was 29% lower than in the fourth quarter of 2013. The average ore plant feed grade for the fourth quarter of 2014 was 11% lower than in the fourth quarter of 2013 due to a lower conversion from waste to low grade crushed gravity ore in the North and West areas of the pit.

Gold production in the fourth quarter of 2014 was 21% lower than the fourth quarter of 2013 due to the decrease in grade and lower plant feed.

Average cash cost per oz of gold produced[1] in the fourth quarter of 2014 was 13% higher than in the fourth quarter of 2013. Refer to Section 6, Results of Operations for information relating to total net realizable value write-downs at the Brazilian Mines.

Mining at Sao Francisco is expected to continue into the fourth quarter of 2015 as exploration drilling in 2013 and a revised geological block model have identified additional mineralized material in several areas of the pit. An extra push-back in the south is also reflected in the higher strip ratio for the fourth quarter of 2014 as compared to the fourth quarter of 2013. Ongoing monthly reconciliation in 2014 has indicated that there may be a positive conversion of waste to ore and low grade zones, resulting in an increase to the processing plant life. Processing is expected to be extended into 2016.

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[1]A cautionary note regarding non-GAAP measures is included in Section 19 of this MD&A.

Sao Vicente, Brazil

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

	Q4 2014	Q4 2013	**2014**	2013
Ore mined (tonnes)	-	107,835	-	1,789,382
Waste mined (tonnes)	-	949	-	1,124,607
Total mined (tonnes)	-	108,784	-	2,913,989
Waste to ore ratio	-	0.01	-	0.63
Ore plant feed (tonnes)	-	403,294	**9,505**	2,025,963
Grade (g/tonne)	-	0.63	**4.05**	0.58
Production (ounces)	-	8,230	**7,393**	37,604
Sales (ounces)	-	8,082	**9,928**	36,669
Average cash cost per ounce of gold produced[1]	**$** -	$ 906	**$ 1,500**	$ 1,288

Mining operations at Sao Vicente were completed by the fourth quarter of 2013, and as a result there was no material moved during 2014. Plant processing continued until the third quarter of 2014. Sao Vicente's 2014 costs have been impacted by closure costs incurred prior to a fourth quarter 2014 disposal of the asset and liabilities of the mine to a third party.

[1]A cautionary note regarding non-GAAP measures is included in Section 19 of this MD&A.

Aranzazu, Mexico

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

	Q4 2014	Q4 2013	**2014**	2013
Ore mined (tonnes)	**244,383**	253,164	**987,939**	946,064
Ore milled (tonnes)	**232,171**	206,813	**940,634**	796,413
Copper grade (%)	**0.69%**	1.01%	**0.87%**	0.98%
Gold grade (g/tonne)	**0.39**	0.47	**0.44**	0.48
Silver grade (g/tonne)	**11.68**	15.84	**14.39**	16.21
Copper recovery[2]	**74.8%**	78.0%	**82.3%**	78.7%
Gold recovery	**58.4%**	61.0%	**64.1%**	63.9%
Silver recovery	**50.1%**	52.0%	**52.9%**	52.0%
Concentrate production:				
Copper concentrate produced (DMT)	**5,247**	7,001	**28,338**	25,815
Copper contained in concentrate (%)	**23.2%**	23.3%	**23.3%**	23.9%
Gold contained in concentrate (g/DMT)	**9.3**	8.4	**9.2**	9.2
Silver contained in concentrate (g/DMT)	**281.0**	250.0	**269.6**	264.3
Copper contained in concentrate (pounds)	**2,684,907**	3,642,482	**14,593,460**	13,626,982
Estimated payable copper produced (pounds)	**2,590,935**	3,449,956	**14,082,689**	12,917,856
Estimated payable gold produced (ounces)	**1,627**	3,405	**8,725**	8,365
Estimated payable silver produced (ounces)	**47,025**	97,860	**241,125**	241,045
Average cash cost per pound of copper produced, net of gold and silver credits [1]	**$ 2.71**	$ 3.92	**$ 2.87**	$ 4.15

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

For the fourth quarter of 2014, ore mined and ore milled were 3% lower and 12% higher, respectively, than the comparative period in 2013. Copper concentrate production, copper recovery and copper grade decreased by 25%, 4% and 32% in the fourth quarter of 2014 as compared to the fourth quarter of 2013.

Average cash cost per pound of copper produced[1] for the fourth quarter of 2014 improved by 31% as compared to the fourth quarter of 2013. These average cash costs are inclusive of net realizable value write-downs of $0.50 and $0.76 per pound of copper produced for the fourth quarters of 2014 and 2013, respectively. The average arsenic level in the copper concentrate was 0.86% and 0.99% during the fourth quarters of 2014 and 2013, respectively.

As a result of the Company having been unable to either internally generate or externally raise the financing required in to maintain or expand the Aranzazu operations, on January 15, 2015, the Company announced that all mining activities at Aranzazu would be temporarily suspended and that all capital projects, including underground development work, would be deferred. Processing of copper concentrate was to continue until the economic stockpiles were depleted. As at the date of this MDA, the Aranzazu project is on care-and-maintenance.

The Company anticipates spending 2015 reviewing mine and development plans, site costs, and capital expenditures for the Aranzazu project and aims to release a revised National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) compliant technical report on the project that may include a smaller scale expansion plan than that outlined in the preliminary economic assessment in 2012.

[1] A cautionary note regarding non-GAAP measures is included in Section 19 of this MD&A.

Serrote

The Serrote project development phase is continuing at a limited level of expenditures. During the year ended December 31, 2013, the Company's wholly-owned subsidiary Mineração Vale Verde Ltda. ("MVV") received Brazilian Reais 45,000 (approximately $19,254) (the "Bridge Loan") from Banco Itaú BBA S.A. ("Itaú"). During the year ended December 31, 2014, MVV repaid Brazilian Reais $9,400 (approximately $3,885) of the Bridge Loan to Itau.

The Bridge Loan has been utilized by the Company for community resettlement, engineering, long-lead equipment procurement and early site improvements. Community resettlement has been substantially completed in areas of the future mining and processing operations. Basic engineering was completed for the processing plant based on the NI 43-101 compliant technical report published in September 2012. The Company has since prepared an internal redesign of the Serrote project's plant and processing sequence that would lower capital expenditure and features an earlier planned execution schedule. The Company is continuing to pursue options to maximize the value of Serrote including a disposal of a significant interest in the project equity.

NI 43-101 Compliance

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

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[1] A cautionary note regarding non-GAAP measures is included in Section 19 of this MD&A.

4. OUTLOOK AND STRATEGY

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

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

Aura Minerals' production and cash cost per oz[1] guidance for the 2015 year is updated as follows:

Gold Mines	Cash Cost per oz[1]	2015 Production
San Andres	$ 750 - $ 800	90,000 – 100,000 oz
Sao Francisco	$ 900 - $ 950	70,000 – 80,000 oz
Total	**$ 800 - $ 900**	**160,000 - 180,000 oz**

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

For 2015, updated capital spending is expected to be $13,300. Of this amount, $11,900 relates to San Andres and principally includes the heap leach expansion, power line and committed community expenditures. The remaining portion will be spent on other group projects.

[1] A cautionary note regarding non-GAAP measures is included in Section 19 of this MD&A.

5. SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information for the Company for the three recently completed financial years:

Year ended December 31,	**2014**	2013	2012
Financial Results:			
Revenue	**$ 265,389**	$ 330,877	$ 307,412
Loss for the period	**$ (142,882)**	$ (74,193)	$ (54,942)
Loss per share*	**$ (0.63)**	$ (0.32)	$ (0.24)
Financial Position: At December 31,			
Total Assets	**$ 179,492**	$ 351,508	$ 425,683
Debt	**31,433**	47,229	32,234
Deferred income tax liabilities	**2,696**	12,341	19,448
Provision for mine closure and rehabilitation	**18,223**	21,835	20,216
Cash dividends declared per share	**Nil**	Nil	Nil

** Loss per share is calculated based on weighted average number of shares outstanding for the year*

Factors that have caused period to period variations include: significant financings over the three year period; the wind-down of operations and processing at Sao Vicente in 2013 and 2014, the arsenic issue first encountered at Aranzazu in 2012 and impairments recorded on the Company's assets during all three years. The allocation of total assets between the operating segments is presented in note 28 to the consolidated financial statements for the year ended December 31, 2014.

For the year ended December 31, 2014, $43,953 of the revenue was attributable to the sale of copper concentrate from Aranzazu, $101,581 was attributable to the sale of gold from San Andres, and $119,855 was attributable to the sale of gold from the Brazilian Mines. For the year ended December 31, 2013, $41,047 of the revenue was attributable to the sale of copper concentrate from Aranzazu, $88,570 was attributable to the sale of gold from San Andres and $201,260 was attributable to the sale of gold from the Brazilian Mines. For the year ended December 31, 2012, $36,967 of the revenue was attributable to the sale of copper concentrate from Aranzazu, $84,160 was attributable to the sale of gold from San Andres, and $186,285 was attributable to the sale of gold from the Brazilian Mines.

The loss for the year ended December 31, 2014 reflects the gross loss from the Aranzazu mine and an impairment charge of $137,502 on certain assets recorded at Aranzazu. The loss for the year ended December 31, 2013 reflects the gross loss from the Aranzazu mine and impairment charges of $56,191 recorded on the San Andres and Brazilian Mines. The loss for the year ended December 31, 2012 reflects the gross loss from the Brazilian Gold Mines and the Aranzazu Mine.

6. RESULTS OF OPERATIONS

For the year ended December 31, 2014, the Company recorded a loss of $142,882 compared to a loss of $74,193 for the year ended December 31, 2013.

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

(In thousands of dollars)		**2014**		2013
Revenues:				
San Andres	**$**	**101,581**	$	88,570
Brazilian Mines		**119,855**		201,260
Aranzazu		**43,953**		41,047
	$	**265,389**	$	330,877
Cost of Production:				
San Andres	**$**	**66,756**	$	73,507
Brazilian Mines		**109,360**		156,448
Aranzazu		**54,454**		52,041
	$	**230,570**	$	281,996
Depletion and Amortization:				
San Andres	**$**	**9,693**	$	8,577
Brazilian Mines		**3,232**		36,144
Aranzazu		**11,193**		9,853
	$	**24,118**	$	54,574
Gross Margin:				
San Andres	**$**	**25,132**	$	6,486
Brazilian Mines		**7,263**		8,668
Aranzazu		**(21,694)**		(20,847)
	$	**10,701**	$	(5,693)

Revenues

Revenues for the year ended December 31, 2014 decreased by 20% compared to the year ended December 31, 2013. The decrease in revenues resulted from a 24% decrease in gold sales offset by a 7% increase in copper concentrate sales.

The decrease in gold sales is attributable to both a 14% decrease in gold sales volumes and a decrease of 10% in the realized average gold price per oz. The decrease in gold sales volumes is mainly due to the wind down of operations at Sao Vicente.

Revenue related to concentrate shipments for the year ended December 31, 2014 and 2013 is comprised as follows:

(In thousands of dollars)		**2014**		2013
Copper revenue, net of treatment and refining charges	**$**	**32,919**	$	30,005
Gold by-product revenue		**10,647**		9,857
Silver by-product revenue		**4,211**		4,254
Price adjustments recorded		**(3,824)**		(3,069)
Total revenue	**$**	**43,953**	$	41,047

The increase in copper concentrate net sales is primarily attributable to a 12% increase in DMT sold and a decrease of 5% in the average price realized. Total revenues for the year ended December 31, 2014 at Aranzazu related to the shipment of 28,058 DMT of copper concentrate compared to 24,995 DMT of copper concentrate for the year ended December 31, 2013. Total concentrate shipment revenues for the year ended December 31, 2014 and 2013 were $1,566 per DMT and $1,642 per DMT, respectively.

Cost of Goods Sold

For the year ended December 31, 2014 and 2013, total cost of goods sold from San Andres was $76,449 or $904 per oz compared to $82,084 or $1,255 per oz, respectively. For the year ended December 31, 2014 and 2013, cash operating costs were $790 per oz and $1,124 per oz, respectively, while non-cash depletion and amortization charges were $115 per oz and $131 per oz, respectively. There were no write-downs of production inventory to net realizable value for the year ended December 31, 2014 (2013: write-downs of $880 or $13 per oz).

At the Brazilian Mines, for the year ended December 31, 2014 and 2013, total cost of goods sold was $112,592 or $1,175 per oz compared to $192,592 or $1,141 per oz, respectively. For the year ended December 31, 2014 and 2013, cash operating costs were $1,165 per oz and $1,090 per oz, respectively, while non-cash depletion and amortization charges were $34 per oz and $252 per oz, respectively. The cash operating costs for the year ended December 31, 2014 included write-downs of $1,161 or $12 per oz to bring production inventory to net realizable value (2013: $23,401 or $163 per oz).

Total cost of goods sold from Aranzazu for the year ended December 31, 2014 and 2013 was $65,647 or $2,340 per DMT and $61,894 or $2,476 per DMT, respectively. For the year ended December 31, 2014 and 2013, cash operating costs were $1,940 per DMT and $2,082 per DMT, respectively, while non-cash depletion and amortization charges were $399 per DMT and $394 per DMT, respectively. The cash operating costs for the year ended December 31, 2014 included a write-down of $7,972 or $284 per DMT to bring production inventory to its net realizable value (2013: $10,074 or $403 per DMT), and suspension and termination cost accruals of $4,793 (2013: $Nil).

Other Expenses and Impairment Charges

For the year ended December 31, 2014 and 2013, general and administrative costs include:

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

Salaries, wages and benefits and travel expenses decreased as a result of corporate reorganizations. Professional and consulting fees increased due to additional consulting costs incurred on the closure of Sao Vicente as well as costs attributable to the sustainability reporting. Share-based payment expense decreased significantly as a result of a lower value assigned to stock options granted during the period and prior period forfeitures. Other expenses for 2013 include a non-recurring provision for employee travel liabilities and also separate taxation penalties assessed on the late payment of installments relating to prior periods at the Company's Brazilian operations. Other expenses for 2014 include withholding taxes on management fees charged by the Company's corporate office to San Andres, insurance premia and software expenses.

Exploration costs for the year ended December 31, 2014 and 2013 include:

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

The decrease in exploration expenses for San Andres reflects the completion of the resource update which was published in the second quarter of 2014.

For the year ended December 31, 2014, the Company recorded an impairment charge of $137,502 on the Aranzazu Mine. For the year ended December 31, 2013, the Company recorded impairment charges of $16,019 and $40,172 related to the long-lived assets of the Sao Francisco Mine and the San Andres Mine, respectively, and a loss on disposal relating to the non-core Brazilian exploration properties of $8,760. See *Section 15 b), Critical Accounting Estimates* for further details.

Finance and Other Income and Expenses, Taxes, and Loss

Finance costs for the year ended December 31, 2014 and 2013 included the following:

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

The increase in accretion expenses relates to increases in the provisions for the mine closure cost and restoration and net smelter return royalty payable. The decrease in interest expense on debt reflects the repayment of the Company's revolving Credit Facility with Barclays and Credit Suisse in March 2014. The increase in other interest and finance costs reflects the interest rates, payment-in-kind interest charges and expensing unamortized transaction costs on the Credit Facility and transaction costs incurred on the Gold Loans.

Other gains for the year ended December 31, 2014 and 2013 consisted of:

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

The Company disposed of the assets and liabilities of Sao Vicente resulting in a gain of $2,618. The decrease in the net gain on gold collar and fixed price contracts is principally due to the close out of the zero-cost puts/calls hedge program in 2013 with no corresponding similar benefit in 2014. The decrease in the change in estimate for mine closure and restoration is due to the change in closure cost estimate for Sao Francisco being not as significant as it was in 2013. The change in the fair value of the gold loan reflects the mark-to-market fair value adjustment on the gold loan for the year ended December 31, 2014.

The income tax recovery for the year ended December 31, 2014 was $1,938 and consisted of $8,598 and $320 in current income tax expense related to San Andres and Aranzazu, respectively and $10,856 of deferred tax recovery which is related to the impairment charge at Aranzazu. The income tax recovery for the year ended December 31, 2013 was $7,677 and consisted of $3,777 in current income tax expense related to San Andres, and $11,454 in deferred tax recovery, which primarily related to the impairment charges on San Andres and Brazilian Mines.

Other comprehensive losses

Other comprehensive losses for the year ended December 31, 2014 and 2013 were $1,762 and $1,669 respectively, related to the translation of foreign subsidiaries from their functional currencies into the Company's presentation currency and the recognition of unrealized actuarial gains and losses on post-employment benefits.

7. SUMMARY OF QUARTERLY RESULTS

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

Fiscal quarter ended	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Revenue	**$58,521**	$76,592	$65,249	$65,027	$74,972	$86,064	$81,256	$88,585
Working capital	**($4,409)**	$11,030	$8,080	$7,697	$15,149	$21,286	$12,326	$12,887
Property, plant and equipment	**$91,548**	$226,918	$231,415	$227,780	$228,762	$226,382	$228,929	$291,796
Impairment charges[1]	**($137,502)**	$0	$0	$0	$0	$0	$56,191	$0
(Loss) Income for the period	**($138,605)**	$776	$4,020	($9,073)	($11,382)	($1,795)	($50,078)	($10,938)
Net income (loss) per share - basic and diluted	**($0.61)**	$0.01	$0.02	($0.04)	($0.05)	($0.01)	($0.22)	($0.05)
Operating cash flow[2]	**($1,138)**	$12,147	$13,149	$7,106	$22,113	$22,139	$11,126	$11,467

(1) For the quarter ended December 31, 2014, the Company recorded an impairment charge on the Aranzazu mine. For the quarter ended June 30, 2013, impairment charges were recorded on the Company's Sao Francisco mine and San Andres mine.

(2) A cautionary note regarding non-GAAP measures is included in Section 19 of this MD&A.

Refer to Section 8, Liquidity and Capital Resources, for changes in cash and cash equivalents. For further additional information on period to period variations, see *Section 3, Review of Mining Operations and Development Projects* and *Section 6, Results of Operations.*

8. LIQUIDITY AND CAPITAL RESOURCES

The changes in cash and cash equivalents for the year ended December 31, 2014 and 2013 are presented in the table below:

(In thousands of dollars)		**2014**		2013
Cash flow generated by operating activities	**$**	**32,894**	$	46,201
Cash flow used by investing activities		**(15,928)**		(49,465)
Cash flow (used) generated by financing activities		**(24,452)**		9,353
Effect of exchange rate changes on cash and cash equivalents		**(42)**		(47)
(Decrease) Increase in cash and cash equivalents	**$**	**(7,528)**	$	6,042

Significant capital expenditures during the year ended December 31, 2014 include $8,984, $6,113 and $6,434 on the infrastructure and development at Aranzazu, the Serrote project and San Andres, respectively.

Cash flow used by financing activities for the year ended December 31, 2014 reflect a $22,997 repayment on the Gold Loan, $4,000 repayment on the short-term promissory note at the San Andres project, $3,885 and $2,404 on principal and interest payments, respectively, on the Bridge loan, and $1,142 on finance lease payments.

The outstanding Credit Facility balance of $22,425 (including payment-in-kind interest of $406 from January 1, 2014 to March 17, 2014) was fully repaid on March 17, 2014 from the proceeds of a Gold Loan. The Gold Loan was fully repaid during the fourth quarter of 2014. On December 2, 2014, the Company obtained an additional $15,500 gold loan (the “Second Gold Loan”). 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 previous gold loan, the Second Gold Loan may be repaid at any time with no repayment penalties.

The Company has experienced recurring operating losses and has an accumulated deficit of $523,019 at December 31, 2014. For the three months and the year ended December 31, 2014, the Company incurred a net loss of $138,605 and $142,882, respectively. Based on the Company’s current cash flow forecasts, which reflect current commodity prices, the Company presently does not have sufficient funds or working capital to make the required debt repayments over the next twelve months and to fund any expansion activities without refinancing or obtaining additional financing.

These factors may lend substantial 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.

9. CONTRACTUAL OBLIGATIONS

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

As at December 31, 2014, the Company's contractual obligations included the following:

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total
Trade and other payables	$ 43,949	$ –	$ –	$ –	$ 43,949
Short-term loans and gold loan repayment	29,813	–	–	–	29,813
Finance lease repayments	1,620	–	–	–	1,620
Provision for mine closure and restoration	309	3,338	2,403	13,878	19,927
Other liabilities	3,082	4,767	1,277	–	9,126
	$ 78,773	**$ 8,105**	**$ 3,680**	**$ 13,878**	**$ 104,435**

As of December 31, 2014, the Company had made no capital commitments.

The above table includes the Company's estimated obligations to reclaim San Andres, Sao Francisco and Aranzazu following completion of mining activities at those sites. The total undiscounted amounts of the estimated obligations for restoration and closure of all operations, adjusted by estimated annual inflation at each location, are approximately $27,845. The amounts reflected in the above table represent the discounted amounts of the estimated obligations for restoration and closure of the operations. Ongoing reclamation costs incurred as part of normal mining operations are expensed as incurred.

A net smelter return royalty ("NSR Royalty") is payable at 1.5% on the sales from San Andres, Sao Francisco and Sao Vicente, up to a cumulative royalty amount of $16,000 adjusted by any payments made on account of the NSR Royalty. The Company has reflected the NSR Royalty in the other liabilities line in the above table as the annual discounted expected payments.

Other contractual obligations include an underlying 1% NSR royalty on copper production from the Aranzazu Mine, when, during any calendar month, the monthly average copper price as quoted by the LME equals or exceeds $2.00 per pound, and underlying NSR's of 1.0% on gold, 0.75% on copper and 4% on all other mineral production from the Serrote Project.

10. OFF-BALANCE SHEET ARRANGEMENTS

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

11. TRANSACTIONS WITH RELATED PARTIES

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

12. FOURTH QUARTER

Revenue for the three months ended December 31, 2014 and 2013 was $58,521 and $74,972 respectively. The Company's revenue for the fourth quarter of 2014 is comprised of sales of gold from the Company's gold mines of $49,419 and copper concentrate sales from Aranzazu of $9,102 compared to $64,052 from the gold mines and $10,920 from Aranzazu for the fourth quarter of 2013. The 23% decrease in gold sales resulted from an 18% decrease in oz sold offset by a 6% decrease in the average realized gold price per oz. The 17% decrease in copper concentrate sales resulted from a 17% decrease in average realized revenue per DMT.

For the three months ended December 31, 2014, the Company recorded total cost of goods sold of $65,332. Cost of gold sold of $45,281 or $1,065 per ounce consisted of cash cost of $41,400 or $974 per ounce and non-cash depletion and amortization charges of $3,881 or $91 per ounce. Cost of gold sold included net realizable value write-downs of $1,161 or $12 per ounce. Cost of copper concentrate sold of $20,051 or $3,069 per DMT consisted of cash costs of $17,137 or $2,623 per DMT and non-cash costs of $2,914 or $446 per DMT. Cost of copper sold included net realizable value write-downs of $3,698 or $566 per pound.

For the three months ended December 31, 2013, the Company recorded total cost of goods sold of $67,287. Cost of gold sold of $51,365 or $991 per ounce consisted of cash costs of $50,468 or $974 per ounce and non-cash depletion and amortization charges of $897 or $17 per ounce. Cost of gold sold included net realizable value write-downs of $3,348 or $65 per ounce. Cost of copper concentrate sold of $15,922 or $2,445 per DMT consisted of cash costs of $13,722 or $2,107 per DMT and non-cash costs of $2,201 or $338 per DMT. Cost of copper sold included net realizable value write-downs of $2,768 or $425 per pound.

Other expense items for the fourth quarter of 2014 include general and administrative expenses of $3,601 (2013: $5,040), finance costs of $1,138 (2013: $1,013), impairment charges of $137,502 (2013: $nil) and other losses of $1,478 (2013: $3,697). Loss before income taxes for the fourth quarter of 2014 was $146,741 (2013: $1,525).

For the fourth quarter of 2014, the Company recorded a loss of $138,605 or $0.61 per share. This compares to a loss of $11,382 or $0.05 per share for the fourth quarter 2013.

13. PROPOSED TRANSACTIONS

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

14. CHANGES IN ACCOUNTING POLICIES

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

a) New accounting standards adopted during 2014

IFRIC 21, Accounting for Levies Imposed by Government, clarifies that obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. The standard is effective for annual periods beginning on or after January 1, 2014. We performed an assessment of the impact of IFRIC 21 and concluded it did not have a significant impact on the Company's consolidated financial statements.

IAS 36, Impairment of Assets, was amended in May 2013 to make small changes to the disclosures required by IAS 36 when an impairment loss is recognized or reversed. The amendment requires the disclosure of the recoverable amount of an asset or cash generating unit ("CGU") at the time an impairment loss has been recognized or reversed and detailed disclosure of how the associated fair value less costs of disposal ("FVLCD") has been determined. The amendment is effective for accounting periods beginning on or after January 1, 2014 with earlier adoption permitted. This amendment has no significant impact on the Company's consolidated financial statements.

b) Accounting standards issued but not yet adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2015, with earlier application permitted. The Company reviewed the new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 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 is available for early adoption. In addition, the own credit risk changes can be early adopted in isolation without otherwise changing the accounting for the financial instruments. The Company is currently assessing the impact of this standard on its consolidated financial statements.

15. CRITICAL ACCOUNTING ESTIMATES

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

The Company's significant accounting policies are described in note 4 to the consolidated financial statements for the year ended December 31, 2014. Management's critical accounting estimates are applied as follows:

a) Determination of Mineral Resources and Mineral 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 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 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.

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 end 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 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.

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.

16. FINANCIAL INSTRUMENTS AND DERIVATIVES

Financial instruments

Financial instruments that potentially subject the Company to interest rate and credit risk consist of cash and cash equivalents, derivative contracts, accounts receivable, and long-term debt. In order to manage credit risk, the Company deposits cash and cash equivalents with high credit quality financial institutions.

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. At Aranzazu, as of December 31, 2014, the Company's trade accounts receivable balance is due from two customers. The Company believes that its credit risk exposure on sales of concentrate is limited as the Company sells its product to large, international purchasers with high credit ratings.

The sale of gold is at spot prices in world markets. Also, as cash receipts following gold sales are usually at same-day value, the Company does not consider credit risk associated with gold sales to be a significant risk. Furthermore, the Company maintains separate and sufficient insurance and requires the transporters of its gold doré and the refiners to carry sufficient insurance to prevent loss during transportation or the refining process.

The Company is subject to price risk from fluctuations in market prices of gold, copper and other metals. In addition, in respect of metals in concentrate, there is a time lag between the time of initial payment on shipment and final settlement pricing, and changes in the price of gold, copper and other metals during this period impact the Company's revenues and working capital position. As at December 31, 2014, the Company has $339 of outstanding gold hedges.

Foreign exchange

As the Company's primary operating activities are in Honduras, Mexico and Brazil, foreign exchange risk exposures arise from transactions denominated in foreign currencies. Financial instruments that impact the Company's loss or other comprehensive gain (loss) due to currency fluctuations include: cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities denominated in Canadian Dollars, Honduran Lempiras, Brazilian Reais and Mexican Pesos. The Company's net revenues from its Honduran, Brazilian and Mexican operations, including treatment charges and royalties are substantially denominated in United States dollars, however, the majority of all other operating expenses are in Honduran Lempiras, Brazilian Reais and Mexican Pesos, respectively.

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, which are subject to foreign currency fluctuations. Accordingly, depending upon the timing of expenditures and receipts at San Andres, the Brazilian Mines, and Aranzazu, the Company could be exposed to currency risk due to significant fluctuations in the Honduran Lempira, Brazilian Real, Mexican Peso, or Canadian Dollar.

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.

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.

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 a third party 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 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.

17. CORPORATE GOVERNANCE

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

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

18. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

19. NON-GAAP PERFORMANCE MEASURES

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

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

The following table provides a reconciliation from the consolidated financial statements to average cash cost per oz of gold produced:

(In thousands of dollars except for ounces of gold produced and average cash cost per ounce)	**For the three months ended December 31, 2014**	For the three months ended December 31, 2013	**For the year ended December 31, 2014**	For the year ended December 31, 2013
Cost of goods sold	**$ 45,281**	$ 51,365	**$ 189,041**	$ 274,676
Less: Depletion and amortization	**(3,881)**	(897)	**(12,925)**	(44,721)
Inventory movements and adjustments	**1,334**	2,144	**(2,614)**	11,401
Total cash cost	**$ 42,734**	$ 52,612	**$ 173,502**	$ 241,356
Gold ounces produced	**43,429**	48,506	**181,165**	206,956
Average cash cost per ounce of gold produced	**$ 984**	$ 1,085	**$ 958**	$ 1,166

The following table provides a reconciliation from the consolidated financial statements to the average cash cost per pound of copper produced:

(In thousands of dollars except for pounds of contained copper produced and average cash cost per pound of copper produced)	**For the three months ended December 31, 2014**	For the three months ended December 31, 2013	**For the year ended December 31, 2014**	For the year ended December 31, 2013
Cost of goods sold	**$ 20,051**	$ 15,922	**$ 65,647**	$ 61,894
Less: Depletion and amortization	**(2,914)**	(2,202)	**(11,193)**	(9,853)
Inventory movements and adjustments	**(6,188)**	(138)	**(2,665)**	5,893
Cash production costs	**$ 10,949**	$ 13,582	**$ 51,789**	$ 57,934
Less: Estimated by-product credits	**(3,667)**	(3,106)	**(14,858)**	(14,111)
Plus: Estimated selling costs	**-**	3,759	**4,955**	12,684
Total cash costs net of by-product credits	**$ 7,282**	$ 14,235	**$ 41,886**	$ 56,507
Contained copper pounds produced	**2,684,907**	3,642,482	**14,593,460**	13,626,982
Average cash cost per pound of copper produced	**$ 2.71**	$ 3.92	**$ 2.87**	$ 4.15

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

The following table reconciles the consolidated financial statements to the operating cash flow:

	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Operating gain (loss)	$ (148,023)	$ 4,525	$ 8,491	$ (5,409)	$ 2,503	$ (4,181)	$ (75,694)	$ (11,337)
Add back:								
Depletion and amortization	6,873	5,558	3,413	8,653	2,974	13,667	18,673	19,543
Write-down of inventory to net realizable value	2,444	1,957	1,080	3,652	16,458	3,581	11,583	2,732
Share based payments	66	107	165	210	178	312	373	529
Loss on disposal - Intangible assets	-	-	-	-	-	8,760	-	-
Impairment charge - Aranzazu Mine	137,502	-	-	-	-	-	-	-
Impairment charge - Brazilian Mines	-	-	-	-	-	-	16,021	-
Impairment charge - San Andres Mine	-	-	-	-	-	-	40,172	-
Operating cash flow	$ (1,138)	$ 12,147	$ 13,149	$ 7,106	$ 22,113	$ 22,139	$ 11,128	$ 11,467

20. RISK FACTORS

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

21. DISCLOSURE OF SHARE DATA

As at March 26, 2015, the Company had the following outstanding: 228,525,305 common shares, 19,094,236 stock options, 4,500,000 share purchase warrants and 599,989 restricted share units.

22. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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