Aura Minerals Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015

Dated as of August 11, 2015

This management's discussion and analysis ("MD&A") should be read in conjunction with Aura Minerals Inc.'s (the "Company" or "Aura Minerals") unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2015 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 August 11, 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 three and six months ended June 30, 2015.

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 AIF and the Cautionary Note regarding Forward-Looking Information section 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 controlled assets include:

- *The San Andres Gold Mine ("San Andres")* – a 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")* – a 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 in the state of Zacatecas, Mexico. The Company controls approximately 11,380 hectares of exploration concessions centred on the Arroyos Azules underground mine and the past-producing El Cobre area. As of the date of this MD&A, Aranzazu is on full care-and maintenance and has entered into administration proceedings in Mexico (See Section 7, Liquidity and Capital Resources, for additional information); 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 year 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 have been 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. SECOND QUARTER 2015 FINANCIAL AND OPERATING HIGHLIGHTS

- Loss of $1,522 or $0.01 per share for the three months ended June 30, 2015 compared to income of $4,020 or $0.02 per share for the second quarter of 2014;
- Operating cash flow[1] of $2,387 for the second quarter of 2015 compared to $13,149 for the second quarter of 2014;
- Net sales revenue in the second quarter of 2015 decreased by 41% over the second quarter of 2014. Details are as follows:

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	**For the six months ended June 30, 2015**	For the six months ended June 30, 2014
San Andres, *ounces ("oz")*	**20,503**	21,718	**43,451**	36,439
Sao Francisco, *oz*	**13,431**	19,556	**27,933**	40,168
Sao Vicente, *oz*	**-**	1,939	**-**	8,885
Total ounces sold	**33,934**	43,213	**71,384**	85,492
Realized average gold price per oz	**$ 1,191**	$ 1,287	**$ 1,206**	$ 1,285
Gold sales revenues, *net of local sales taxes*	**$ 39,085**	$ 53,574	**$ 82,962**	$ 106,564
Copper concentrate sales	**$ (453)**	$ 11,675	**$ 3,875**	$ 23,712
Total net sales	**$ 38,632**	$ 65,249	**$ 86,837**	$ 130,276

- The average realized prices per oz for the three months ended ("three months ended" or "the second quarter of") June 30, 2015 and 2014 in the above table compares to the average market prices (London PM Fix) of $1,192 per oz and $1,288 per oz, respectively. There were no copper concentrate sales for the second quarter of 2015, only revaluations of unsettled shipments. Copper concentrate sales were from the shipment of 6,881 dry metric tonnes ("DMT") for the three months ended June 30, 2014.
- Gold production for the second quarter of 2015 was 25% lower than the second quarter of 2014. Gold production and cash costs[1] for the three and six months ended June 30, 2015 and 2014 were as follows:

	For the three months ended June 30, 2015		For the three months ended June 30, 2014	
	Oz Produced	**Cash Costs[1]**	Oz Produced	Cash Costs[1]
San Andres	**19,914**	**$ 849**	22,223	$ 683
Sao Francisco	**13,702**	**1,019**	21,276	966
Sao Vicente	**-**	**-**	1,265	2,296
Total / Average	**33,616**	**$ 918**	44,764	$ 863

	For the six months ended June 30, 2015		For the six months ended June 30, 2014	
	Oz Produced	**Cash Costs[1]**	Oz Produced	Cash Costs[1]
San Andres	**43,274**	**$ 808**	39,888	$ 718
Sao Francisco	**28,290**	**1,188**	41,633	1,143
Sao Vicente	**-**	**-**	6,485	1,326
Total / Average	**71,564**	**$ 958**	88,006	$ 964

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

- Cash costs for the Brazilian Mines for the second quarter of 2015 included net realizable value inventory write-downs of $58 per oz (2014: $Nil). There were no inventory write-downs at San Andres for the second quarters of 2015 and 2014;
- There was no copper production at Aranzazu for the second quarter of 2015. Copper production at Aranzazu for the second quarter of 2014 was 3,800,257 pounds;
- Gross margin of $2,336 for the second quarter of 2015, compared to a gross margin of $11,151 for the second quarter of 2014;
- On June 9, 2015, the Company completed a non-brokered private placement (the "private placement") by issuing 57,009,346 common shares for gross proceeds of $4,940 (C$6,100);
- On August 7, 2015, the Company announced an updated Preliminary Economic Assessment ("PEA") National Instrument 43-101 ("NI 43-101") compliant report for the restart of operations at Aranzazu. This PEA demonstrated a net present value ("NPV") of $103.1 million based on certain assumptions (See Section 3, Review of Mining Operations and Development Projects, for further information).

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

3. REVIEW OF MINING OPERATIONS AND DEVELOPMENT PROJECTS

San Andres, Honduras

The table below sets out selected operating information for San Andres for the three and six months ended June 30, 2015 and 2014:

	Q2 2015	Q2 2014	**YTD 2015**	YTD 2014
Ore mined (tonnes)	**1,248,543**	1,429,137	**2,830,037**	2,736,634
Waste mined (tonnes)	**686,814**	440,454	**2,005,344**	1,220,011
Total mined (tonnes)	**1,935,357**	1,869,591	**4,835,381**	3,956,645
Waste to ore ratio	**0.55**	0.31	**0.71**	0.45
Ore plant feed (tonnes)	**1,566,736**	1,433,803	**3,148,717**	2,741,300
Grade (g/tonne)	**0.48**	0.48	**0.47**	0.50
Production (ounces)	**19,914**	22,223	**43,274**	39,888
Sales (ounces)	**20,503**	21,718	**43,451**	36,439
Average cash cost per ounce of gold produced[1]	**$ 849**	$ 683	**$ 808**	$ 718

Total combined ore and waste mined during the second quarter of 2015 was 4% higher than in the comparable quarter. During the second quarter of 2015, ore mined was 13% lower than the comparable quarter and waste mined was 56% higher. The waste to ore ratio was 77% higher when comparing the second quarters of 2015 and 2014. The increase in the ore and waste tonnes moved was primarily due to additional waste mined as anticipated in the mine plan.

Total plant feed during the second quarter of 2015 was 9% higher than the tonnes processed in the same quarter of 2014. The average ore plant feed grade for the second quarter of 2015 remains unchanged when compared to the second quarter of 2014.

Gold production at San Andres in the second quarter of 2015 decreased by 10%, primarily due to lower recoveries than in the comparable period. Recoveries are expected to improve to 2014 levels in the second half of 2015.

Average cash cost per oz of gold produced[1] in the second quarter of 2015 increased by 24% over the second quarter of 2014 as a result of lower than expected production.

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

Sao Francisco, Brazil

The table below sets out selected operating information for Sao Francisco for the three and six months ended June 30, 2015 and 2014:

	Q2 2015	Q2 2014	**YTD 2015**	YTD 2014
Ore mined (tonnes)	**979,013**	1,093,187	**1,641,460**	1,966,264
Waste mined (tonnes)	**812,353**	1,329,161	**2,031,989**	2,886,180
Total mined (tonnes)	**1,791,366**	2,422,348	**3,673,449**	4,852,444
Waste to ore ratio	**0.83**	1.22	**1.24**	1.47
Ore plant feed (tonnes)	**917,786**	1,140,848	**1,998,637**	2,111,525
Grade (g/tonne)	**0.54**	0.68	**0.51**	0.69
Production (ounces)	**13,702**	21,276	**28,290**	41,633
Sales (ounces)	**13,431**	19,556	**27,933**	40,168
Average cash cost per ounce of gold produced[1]	**$ 1,019**	$ 966	**$ 1,188**	$ 1,143

Total material moved during the second quarter of 2015 was 26% lower than the second quarter of 2014. The waste to ore ratio was 29% lower than the comparable period in 2014. 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 second quarter of 2015 was 20% lower than in the second quarter of 2014. The average ore plant feed grade for the second quarter of 2015 was 21% lower than in the second quarter of 2014 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 second quarter of 2015 was 36% lower than the second quarter of 2014 due to the decrease in tonnes mined as well as a lower than expected grade. Sao Franciso is mining in areas outside of its original mine model.

Average cash cost per oz of gold produced[1] in the second quarter of 2015 was 5% higher than in the second quarter of 2014 as a result of the lower production. Refer to Section 5, Results of Operations for information relating to net realizable value write-downs at the Brazilian Mines.

Sao Vicente, Brazil

The table below sets out selected operating information for Sao Vicente for the three and six months ended June 30, 2015 and 2014:

	Q2 2015	Q2 2014	**YTD 2015**	YTD 2014
Production (ounces)	-	1,265	-	6,485
Sales (ounces)	-	1,939	-	8,885
Average cash cost per ounce of gold produced[1]	**$ -**	$ 2,296	**$ -**	$ 1,326

Sao Vicente's 2014 costs have been impacted by closure costs incurred prior to a fourth quarter 2014 disposal of the assets and liabilities of the mine to a third party.

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

Aranzazu, Mexico

The table below sets out selected operating information for Aranzazu for the three and six months ended June 30, 2015 and 2014:

	Q2 2015	Q2 2014	**YTD 2015**	YTD 2014
Ore mined (tonnes)	-	246,821	**58,569**	494,337
Ore milled (tonnes)	-	234,594	**84,932**	464,372
Copper grade (%)	-	0.91%	**0.52%**	0.98%
Gold grade (g/tonne)	-	0.44	**0.31**	0.46
Silver grade (g/tonne)	-	15.40	**9.01**	16.16
Copper recovery[2]	-	83.5%	**55.4%**	82.6%
Gold recovery	-	66.3%	**45.6%**	64.7%
Silver recovery	-	51.5%	**37.3%**	51.9%
Concentrate production:				
Copper concentrate produced (DMT)	-	7,466	**2,359**	15,646
Copper contained in concentrate (%)	-	23.1%	**15.4%**	23.3%
Gold contained in concentrate (g/DMT)	-	9.5	**7.0**	9.1
Silver contained in concentrate (g/DMT)	-	261.1	**188.1**	259.5
Copper contained in concentrate (pounds)	-	3,800,257	**1,205,983**	8,048,000
Estimated payable copper produced (pounds)	-	3,667,248	**1,163,773**	7,766,750
Estimated payable gold produced (ounces)	-	2,382	**831**	4,767
Estimated payable silver produced (ounces)	-	61,688	**21,291**	128,235
Average cash cost per pound of copper produced, net of gold and silver credits[1]	**$ -**	$ 3.07	**$ 3.91**	$ 2.83

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

As a result of the Company having been unable to either internally generate or externally raise the financing required 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 completed at the end of February 2015. As at the date of this MDA, the Aranzazu project is on full care-and-maintenance. (See Section 7, Liquidity and Capital Resources, for further information.)

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

Aranzazu PEA

The following information regarding the Aranzazu PEA has been extracted in its entirety from the August 7, 2015 news release. The PEA demonstrates the technical and economic viability of re-opening Aranzazu as a re-designed copper mine with reduced development costs, improved head grades and more appropriate mining methods and includes the following highlights;

- An updated resource model at $45/tonne ("t") Net Smelter Return ("NSR") cut-off providing a tighter wireframe and allowing a more efficient focus on mining mineralization from the underground:

Category	Cut-off NSR ($/t)	Tonnes (thou.)	Cu (%)	Cu (thou. Lbs)	Au (g/t)	Au (thou. Oz)	Ag (g/t)	Ag (thou. Oz)
Measured	45	3,800	1.74	145,676	1.07	130	18.1	2,212
Indicated	45	8,221	1.61	291,162	1.12	295	21.2	5,613
Measured and Indicated	**45**	**12,021**	**1.65**	**436,838**	**1.1**	**425**	**20.3**	**7,825**
Inferred	45	5,654	1.77	221,101	1.28	233	23.1	4,201

Notes: 1 Mineral Resources stated as at March 2015
2. Mineral Resources stated according to CIM guidelines
3. Mineral Resources stated at a cut off of $45/t NSR
4. The figures only consider material classified as sulphide mineralization
5. The figures may not add due to rounding of the numbers to reflect that they are estimates.

- Conceptual mine production considering 3,090 tonnes per day ("tpd") underground mine using a combination of longitudinal and transverse long hole mining methods for the majority of the deposit, with cut & fill in the upper levels of the deposit;
- NSR cut-off of $55/t for potentially mineable resources estimated at 6,072,000 tonnes of Measured and Indicated resources at average grades of 1.64% copper, 1.16 grammes("g")/t gold and 20.0 g/t silver, plus 4,759,000 tonnes of Inferred resources at average grades of 1.66% copper, 1.21 g/t gold and 20.7 g/t silver;
- Preliminary mine re-design considering 30m stope heights which allows a reduction of development costs by approximately 40% compared to the old mine design;
- An annual process plant throughput rate of 1,050,000 tonnes producing an annual average of 63,460 tonnes of Copper Concentrate at 23% copper grade, 11.6 g/t gold and 236 g/t silver. This is equivalent to 10.3 years life-of-mine ("LOM");
- Future process plant recoveries (supported by historical results and metallurgical testing) of:
  - Copper at 84.0%
  - Gold at 59.4%
  - Silver at 70.3%
  - Arsenic at 37.9%
- Total Operational Costs: $47.9/t. Average NSR values of the mineralization mined over the LOM is $108.7/t. All-in Costs including sustaining development average $57.7/t over the LOM;
- NSR calculation considers metal values as well as penalties associated with Arsenic content in the concentrate;
- Initial Capital Expenditure ("capex") is $28.3 million during Year 1 and Year 2, which includes $12.4 million outstanding debt with Suppliers and Contractors;
- Total LOM capex of $119.2 million;
- The project's NPV is $103.1 million, based on the following metal prices: $3.00/Lb copper, $1,275.00/Oz gold and $20.00/Oz silver;
- A Payback period after the start-up of the operation of three years.

The PEA is preliminary in nature. It includes Inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

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 $20,000) (the "Bridge Loan") from Banco Itaú BBA S.A. ("Itaú"). During the year ended December 31, 2014 the Company repaid Brazilian Reais 9,400 (approximately $3,885) of the Bridge Loan to Itaú. During the six months ended June 30, 2015, MVV repaid Brazilian Reais 7,899 (approximately $2,522) of the Bridge Loan to Itaú.

The Bridge Loan has been utilized by the Company for community resettlement, engineering, long-lead equipment procurement and early site improvements. The Company is continuing to pursue options to maximize the value of Serrote.

NI 43-101 Compliance

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

4. OUTLOOK AND STRATEGY

Aura Minerals' future profitability, operating cash flows and financial position will be closely related to the prevailing prices of gold. Key factors influencing the price of gold include, but are not limited to, the supply of and demand for gold and copper, 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	$800 - $850	85,000 – 95,000 oz
Sao Francisco	$950 - $1,100	55,000 – 60,000 oz
Total	**$900 - $1,000**	**140,000 - 155,000 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, the updated capital expenditure is expected to be $12,800 relating to San Andres and principally includes the heap leach expansion, power line and committed community expenditures.

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

5. RESULTS OF OPERATIONS

For the three months ended June 30, 2015, the Company recorded a loss of $1,522 compared to an income of $4,020 for the three months ended June 30, 2014.

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

(In thousands of dollars)	**For the three months ended June 30, 2015**	For the three months ended June 30, 2014
Revenues:		
San Andres	**$ 23,195**	$ 26,396
Brazilian Mines	**15,890**	27,178
Aranzazu	**(453)**	11,675
	$ 38,632	$ 65,249
Cost of Production:		
San Andres	**$ 17,579**	$ 17,738
Brazilian Mines	**16,530**	21,487
Aranzazu	**349**	11,520
	$ 34,458	$ 50,745
Depletion and Amortization:		
San Andres	**$ 1,707**	$ 1,399
Brazilian Mines	**131**	644
Aranzazu	**–**	1,310
	$ 1,838	$ 3,353
Gross Margin:		
San Andres	**$ 3,909**	$ 7,259
Brazilian Mines	**(771)**	5,047
Aranzazu	**(802)**	(1,155)
	$ 2,336	$ 11,151

Revenues

Revenues for the three months ended June 30, 2015 decreased by 41% compared to the three months ended June 30, 2014. The decrease in gold sales is attributable to both a 21% decrease in gold sales volumes and a decrease of 7% in the realized average gold price per oz. The decrease in gold sales volumes is mainly due to the disposal of Sao Vicente, and the wind down of mining operations at Sao Francisco.

The decrease in copper sales is due to the suspension of operations at Aranzazu mine. As a result, there were no copper concentrate sales during the second quarter of 2015, only revaluations of outstanding shipments. Total copper sales revenue for the three months ended June 30, 2014 were related to the shipment of 6,881 DMT of copper concentrate at $1,697 per DMT.

Cost of Goods Sold

For the three months ended June 30, 2015 and 2014, total cost of goods sold from San Andres was $19,286 or $941 per oz compared to $19,137 or $881 per oz, respectively. For the three months ended June 30, 2015 and 2014, cash operating costs were $857 per oz and $817 per oz, respectively, while non-cash depletion and amortization charges were $84 per oz and $64 per oz, respectively. There were no write-downs of production inventory to net realizable value for the three months ended June 30, 2015 and 2014.

At the Brazilian Mines, for the three months ended June 30, 2015 and 2014, total cost of goods sold was $16,661 or $1,240 per oz compared to $22,131 or $1,030 per oz, respectively. For the three months ended June 30, 2015 and 2014, cash operating costs were $1,231 per oz and $1,000 per oz, respectively, while non-cash depletion and amortization charges were $9 per oz and $30 per oz, respectively. The cash operating costs for the three months ended June 30, 2015 included write downs of $777 or $58 per oz to bring production inventory to net realizable value (2014: $Nil and $Nil per oz)

There was no production at the Aranzazu mine during the second quarter of 2015. Total cost of goods sold for the three months ended June 30, 2015 of $349 was related to the prior quarter's production. Total cost of goods sold for the second quarter of 2014 was $12,830 or $1,865 per DMT. The cash operating costs and non-cash depletion and amortization charges for the three months ended June 30, 2014 were $1,674 per DMT and $190 per DMT, respectively.

General and administrative costs, finance costs, other income, other losses and income taxes

For the three months ended June 30, 2015 and 2014, general and administrative costs include:

(In thousands of dollars)	**For the three months ended June 30, 2015**	For the three months ended June 30, 2014
Salaries, wages and benefits	**$ 1,337**	$ 1,542
Professional and consulting fees	**323**	399
Directors' fees	**66**	83
Share-based payment expense	**47**	166
Amortization	**60**	60
Travel expenses	**24**	65
Other	**532**	233
	$ 2,389	$ 2,548

Salaries, wages and benefits decreased as a result of corporate reorganizations. Other expenses for the three months ended June 30, 2015 include legal settlements, insurance premiums and software expenses. Other expenses for the three months ended June 30, 2014 include $212 relating to accruals for on-going litigations.

Total finance costs for the three months ended June 30, 2015 and 2014 were $1,650 and $1,123, respectively. The increase in finance costs reflects the interest expense on the Bridge Loan which is no longer capitalized to the Serrote project from the beginning of 2015.

Total other income for the three months ended June 30, 2015 and 2014 was $239 and $Nil, respectively. The increase is related to an insurance claim received for the copper concentrate stolen in 2014.

Total other losses for the three months ended June 30, 2015 and 2014 were $533 and $639, respectively. The decrease in other losses is mainly related to lower losses in foreign exchange and changes in the fair value of gold loan.

The income tax recovery for the three months ended June 30, 2015 was $797 consisting of $1,259 of current income tax expense and $2,056 of deferred tax recovery related to San Andres. The income tax expense for the three months ended June 30, 2014 was $2,709 consisting of $2,253 in current income tax expense related to San Andres, and $456 in deferred tax expense, which primarily related to impairment charges on San Andres and the Brazilian Mines.

Other comprehensive income (loss)

Other comprehensive income (loss) for the three months ended June 30, 2015 and 2014 were an income of $603 and a loss of $35 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.

Comparing the six months ended June 30, 2015 to the six months ended June 30, 2014

For the six months ended June 30, 2015, the Company recorded a loss of $7,430 which compares to a loss of $5,053 for the six months ended June 30, 2014.

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

(In thousands of dollars)	**For the six months ended June 30, 2015**	For the six months ended June 30, 2014
Revenues:		
San Andres	**$ 49,416**	$ 44,554
Brazilian Mines	**33,546**	62,010
Aranzazu	**3,875**	23,712
	$ 86,837	$ 130,276
Cost of Production:		
San Andres	**$ 36,378**	$ 30,260
Brazilian Mines	**36,611**	55,096
Aranzazu	**7,808**	23,631
	$ 80,797	$ 108,987
Depletion and Amortization:		
San Andres	**$ 3,351**	$ 3,900
Brazilian Mines	**267**	2,706
Aranzazu	**–**	5,188
	$ 3,618	$ 11,794
Gross Margin:		
San Andres	**$ 9,687**	$ 10,394
Brazilian Mines	**(3,332)**	4,208
Aranzazu	**(3,933)**	(5,107)
	$ 2,422	$ 9,495

Revenues

Revenues for the six months ended June 30, 2015 decreased by 33% compared to the six months ended June 30, 2014. The decrease in revenues resulted from a 22% decrease in gold sales and an 84% decrease in copper concentrate sales.

The decrease in gold sales is attributable to a 17% decrease in gold sales volumes and a 6% decrease in the realized average gold price per ounce.

Revenue related to concentrate shipments for the six months ended June 30, 2015 and 2014 is comprised as follows:

(In thousands of dollars)		For the six months ended June 30, 2015		For the six months ended June 30, 2014
Copper revenue, net of treatment and refining charges	$	**2,009**	$	17,262
Gold by-product revenue		**1,635**		5,377
Silver by-product revenue		**564**		2,145
Price adjustments recorded		**(333)**		(1,072)
Total revenue	$	**3,875**	$	23,712

The decrease in copper concentrate net sales is due to the suspension of operation at the Aranzazu mine. Total copper sales revenue for the six months ended June 30, 2015 and 2014 at Aranzazu was related to the shipment of 4,270 DMT and 14,303 DMT of copper concentrate, respectively. Total concentrate shipment revenues for the six months ended June 30, 2015 and 2014 were $908 per DMT and $1,658 per DMT, respectively.

Cost of Goods Sold

For the six months ended June 30, 2015 and 2014 total cost of goods sold from San Andres was $39,729 or $914 per oz compared to $34,160 or $937 per oz, respectively. For the six months ended June 30, 2015 and 2014, cash operating costs were $837 per oz and $830 per oz, respectively, while non-cash depletion and amortization charges were $77 per oz and $107 per oz, respectively. There were no write-downs of production inventory to net realizable value for the six months ended June 30, 2015 and 2014.

At the Brazilian Mines, for the six months ended June 30, 2015 and 2014, total cost of goods sold was $36,878 or $1,320 per oz compared to $57,802 or $1,178 per oz, respectively. For the six months ended June 30, 2015 and 2014, cash operating costs were $1,311 per oz and $1,123 per oz, respectively, while non-cash depletion and amortization charges were $10 per oz and $55 per oz, respectively. The cash operating costs for the six months ended June 30, 2015 included a write-down of $2,370 or $85 per oz to bring production inventory to its net realizable value (2014: $5,192 or $106 per oz).

Total cost of goods sold from Aranzazu for the six months ended June 30, 2015 and 2014 was $7,808 or $1,829 per DMT and $28,819 or $2,015 per DMT, respectively. For the six months ended June 30, 2015 and 2014, cash operating costs were $1,829 per DMT and $1,652 per DMT, respectively, while non-cash depletion and amortization charges were $nil per DMT and $363 per DMT, respectively.

General and administrative costs, finance costs, other gains (losses) and income taxes

For the six months ended June 30, 2015 and 2014, general and administrative costs included:

(In thousands of dollars)		For the six months ended June 30, 2015		For the six months ended June 30, 2014
Salaries, wages and benefits	$	**2,302**	$	2,961
Professional and consulting fees		**1,181**		939
Directors' fees		**140**		159
Share-based payment expense		**112**		376
Amortization		**125**		272
Travel expenses		**67**		132
Other		**1,080**		1,244
	$	**5,007**	$	6,083

Salaries, wages and benefits decreased as a result of corporate reorganizations. Professional and consulting fees increased due to consulting costs paid to a related party. Other expenses for the six months ended June 30, 2015 include legal settlements, insurance premiums and software expenses. Other expenses for the six months ended June 30, 2014 include $690 and $212 relating to import taxes charged on the purchase of cyanide and accruals for on-going litigations, respectively.

Total finance costs for the six months ended June 30, 2015 and 2014 were $2,500 and $4,241, respectively. The finance costs for the six months ended June 30, 2014 included transaction costs on the Gold Loan in March 2014, and the write off of transaction costs related to the revolving Credit Facility with Barclays and Credit Suisse.

Total other gains (losses) for the six months ended June 30, 2015 and 2014 were a gain of $374 and a loss of $1,724, respectively. The increase in other gains (losses) is mainly related to foreign exchange gains for the second quarter of 2015.

The income tax expense for the six months ended June 30, 2015 was $2,489 consisting of $2,914 of current income tax expense and $425 of deferred tax recovery related to San Andres. The income tax expense for the six months ended June 30, 2014 was $2,170 consisting of $1,965 in current income tax expense related to San Andres, and $205 in deferred tax expense.

Other comprehensive (loss) income

Other comprehensive (loss) income for the six months ended June 30, 2015 and 2014 were a loss of $2,548 and an income of $1,077, respectively, related to the translation of foreign subsidiaries from their functional currencies into the Company's presentation currency and the recognition of unrealized actuarial gains and losses on post-employment benefits.

6. SUMMARY OF QUARTERLY RESULTS

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

Fiscal quarter ended	**June 30, 2015**	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Revenue	**$38,632**	$48,205	$58,521	$76,592	$65,249	$65,027	$74,972	$86,064
Working capital	**($8,079)**	($8,372)	($4,409)	$11,030	$8,080	$7,697	$15,149	$21,286
Property, plant and equipment	**$90,911**	$89,128	$91,548	$226,918	$231,415	$227,780	$228,762	$226,382
Impairment charges[1]	**$0**	$0	($137,502)	$0	$0	$0	$0	$0
(Loss) Income for the period	**($1,522)**	($5,908)	($138,605)	$776	$4,020	($9,073)	($11,382)	($1,795)
Net (loss) income per share - basic and diluted	**($0.01)**	($0.03)	($0.61)	$0.01	$0.02	($0.04)	($0.05)	($0.01)
Operating cash flow[2]	**$2,387**	$4,099	($1,138)	$12,147	$13,149	$7,106	$22,113	$22,139

(1) For the quarter ended December 31, 2014, the Company recorded an impairment charge on the Aranzazu mine.

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

Refer to Section 7, Liquidity and Capital Resources, for changes in cash and cash equivalents. For further additional information on period to period variations, see *Section 3, Review of Mining Operations and Development Projects* and *Section 5, Results of Operations.*

7. LIQUIDITY AND CAPITAL RESOURCES

The changes in cash and cash equivalents for the three and six months ended June 30, 2015 and 2014 are presented in the table below:

(In thousands of dollars)	**For the three months ended June 30, 2015**	For the three months ended June 30, 20114	**For the six months ended June 30, 2015**	For the six months ended June 30, 20114
Cash flow generated by operating activities	**$ 9,445**	$ 11,069	**$ 10,472**	$ 16,636
Cash flow used by investing activities	**(3,644)**	(3,395)	**(7,712)**	(6,691)
Cash flow used by financing activities	**(2,259)**	(12,847)	**(5,983)**	(20,256)
Decrease (increase) in restricted cash	**–**	500	**–**	(1,000)
Increase (decrease) in cash and cash equivalents	**$ 3,542**	$ (4,673)	**$ (3,223)**	$ (11,311)

Significant capital expenditures during the three months ended June 30, 2015 of $3,406 were for development and infrastructure at San Andres.

The outstanding Barclays and Credit Suisse 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") 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.

On June 9, 2015, the Company completed a non-brokered private placement of 57,009,346 common shares at a price of $0.107 per share, representing a premium of approximately 15% to the five day volume weighted average price (VWAP) of the common shares as of May 27, 2015 (date the placement was announced). The Company received gross proceeds of $4,940 (C$6,100) from the private placement.

Cash flows used by financing activities for the three months ended June 30, 2015 reflect a $6,498 repayment on the Second Gold Loan, a $431 repayment on the short-term promissory note at San Andres and repayment of $983 (Brazilian Reais 3,049) of the outstanding principal of the Bridge Loan.

The Company has experienced recurring operating losses and has an accumulated deficit of $530,395 at June 30, 2015. For the three and six months ended June 30, 2015, the Company incurred net losses of $1,522 and $7,430, 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. The Company's Aranzazu mine filed for administrative proceedings in Mexico on March 25, 2015. This process was approved by the Mexican Federal Court on May 4, 2015. Management believes that the administrative process in Mexico is similar in structure to that pertaining to Canada.

These factors 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.

8. CONTRACTUAL OBLIGATIONS

For the three and six months June 30, 2015 and as at the date of this MD&A, the Company has not entered into any contractual obligations that are outside of the ordinary course of business.

9. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of June 30, 2015, other than certain royalty obligations in respect of Aranzazu and the Serrote Project.

10. TRANSACTIONS WITH RELATED PARTIES

On January 1, 2015, the Company entered into a consulting agreement with Acumen Capital, LLC ("Acumen"), a US based company located in Texas, which is controlled by the Company's Chief Executive Officer.

For the three and six months ended June 30, 2015, the Company paid consulting fees to Acumen of $124 and $416 (2014: $Nil and $Nil respectively). As at June 30, 2015, the Company owed $Nil (December 31, 2014: $Nil) to Acumen.

11. PENDING TRANSACTION

On April 30, 2015, the Company announced that it has entered into an agreement with Serra da Borda Mineração e Metalurgia S.A. ("SBMM") a company affiliated with Yamana Gold Inc. ("Yamana") to acquire, upon completion of certain conditions, the assets and liabilities of the Ernesto/Pau-a-Pique Project (the "Project") located in the southwest of Mato Grosso state, near Pontes e Lacerda in Brazil.

The completion of the acquisition is subject to the receipt of regulatory approvals in Brazil including both antitrust and national defense regulatory requirements (the "regulatory approval period"). Pursuant to the acquisition agreement (the "Agreement") and upon receipt of the appropriate regulatory approvals, as consideration for the Project, the Company will issue or provide to Yamana: (i) 2,000,000 common shares of the Company; (ii) 3,500,000 common share purchase warrants of the Company; and (iii) a 2% net smelter return royalty on gold ounces produced from the Project with respect to up to 1,000,000 collective ounces of gold, and thereafter, a 1% net smelter return royalty on gold ounces produced from the Project.

In order to facilitate the acquisition, during the regulatory approval period, Yamana will make available a working capital facility to SBMM of up to approximately $9,000 (the "Working Capital Facility") to be invested in the capital requirements of the Project. The Working Capital Facility will be assumed by the Company upon receipt of the appropriate regulatory approvals, and is expected to be repaid with the initial free cash flow from the Project or will be payable in full within 36 months from the date of the Agreement. Should the Project not enter into production and the Company not have sufficient funds to repay the Working Capital Facility on the due date, such amount outstanding will, at the option of Yamana, be converted into common shares of the Company.

If the above transaction does not receive the approvals from both antiturst and national regulatory bodies, the same conditions for the Working Capital Facility, as mentioned in the previous paragraph, would continue to be applicable and the Company would assume the liability.

12. CHANGES IN ACCOUNTING POLICIES

As of January 1, 2015, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

a) 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, 2016, 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, 2018. 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.

13. 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 3 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.

14. CORPORATE GOVERNANCE

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

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

15. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for designing and maintaining adequate internal controls over financial reporting ("ICFR"), under the supervision of the CEO and CFO, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the 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 June 30, 2015 and ongoing review and monitoring of these procedures, and as there were no changes in ICFR or DC&P in the six months ended June 30, 2015 which have materially affected or are reasonably likely to materially affect ICFR or DC&P, management of the Company believes its internal controls and procedures are appropriately designed and effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner, and that material information relating to the Company is made known to them.

16. NON-GAAP PERFORMANCE MEASURES

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

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

The following table provides a reconciliation from the 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 June 30, 2015**		For the three months ended June 30, 2014		**For the six months ended June 30, 2015**		For the six months ended June 30, 2014
Cost of goods sold	**$**	**35,947**	$	41,268	**$**	**76,607**	$	91,962
Less: Depletion and amortization		**(1,838)**		(2,043)		**(3,618)**		(6,606)
Inventory movements and adjustments		**(3,246)**		(605)	**$**	**(4,421)**		(528)
Total cash cost	**$**	**30,863**	$	38,620	**$**	**68,568**	$	84,828
Gold ounces produced		**33,616**		44,764		**71,564**		88,006
Average cash cost per ounce of gold produced	**$**	**918**	$	863	**$**	**958**	$	964

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 June 30, 2015**		For the three months ended June 30, 2014		**For the six months ended June 30, 2015**		For the six months ended June 30, 2014
Cost of goods sold	**$**	**355**	$	12,830	**$**	**7,808**	$	28,819
Less: Depletion and amortization		**-**		(1,310)		**-**		(5,188)
Inventory movements and adjustments		**(355)**		1,328		**1,607**		1,712
Cash production costs	**$**	**-**	$	12,848	**$**	**9,415**	$	25,343
Less: Estimated by-product credits		**-**		(3,633)		**(2,199)**		(7,521)
Plus: Estimated selling costs		**-**		2,452		**(2,501)**		4,955
Total cash costs net of by-product credits	**$**	**-**	$	11,667	**$**	**4,715**	$	22,777
Contained copper pounds produced		**-**		3,800,257		**1,205,983**		8,048,000
Average cash cost per pound of copper produc	**$**	**-**	$	3.07	**$**	**3.91**	$	2.83

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:

	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Operating (loss) gain	**$ (375)**	$ (2,679)	$ (148,023)	$ 4,525	$ 8,491	$ (5,409)	$ 2,503	$ (4,181)
Add back:								
Depletion and amortization	**1,898**	1,845	6,873	5,558	3,413	8,653	2,974	13,667
Write-down of inventory to net realizable value	**777**	4,868	2,444	1,957	1,080	3,652	16,458	3,581
Share based payments	**47**	65	66	107	165	210	178	312
Other non-cash expenses	**40**	-	-	-	-	-	-	-
Loss on disposal - Intangible assets	**-**	-	-	-	-	-	-	8,760
Impairment charge - Aranzazu Mine	**-**	-	137,502	-	-	-	-	-
Impairment charge - Brazilian Mines	**-**	-	-	-	-	-	-	-
Impairment charge - San Andres Mine	**-**	-	-	-	-	-	-	-
Operating cash flow	**$ 2,387**	$ 4,099	$ (1,138)	$ 12,147	$ 13,149	$ 7,106	$ 22,113	$ 22,139

17. RISK FACTORS

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

18. DISCLOSURE OF SHARE DATA

As at August 11, 2015, the Company had the following outstanding: 285,534,651 common shares, 19,283,770 stock options, 4,500,000 share purchase warrants and 1,292,145 restricted share units.

19. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A, and the documents incorporated by reference, contain certain "forward-looking information" and "forward-looking statements", as defined in applicable securities laws (collectively, "forward-looking statements"). All statements other than statements of historical fact are forward-looking statements. Forward-looking statements relate to future events or future performance and reflect the Company's current estimates, predictions, expectations or beliefs regarding future events and include, without limitation, statements with respect to: the economic viability of a project; strategic plans, including the Company's plans with respect to its San Andres, Aranzazu, Sao 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.