Aura Minerals Inc.

Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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

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

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

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

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

"James Bannantine"
President, Chief Executive Officer

"Rory Taylor"
Chief Financial Officer

Toronto, Canada

March 24, 2016

March 24, 2016

Independent Auditor's Report

To the Shareholders of
Aura Minerals Inc.

We have audited the accompanying consolidated financial statements of Aura Minerals Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of loss, comprehensive loss, changes in equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

PricewaterhouseCoopers LLP
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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aura Minerals Inc. and its subsidiaries as at December 31, 2015 and 2014 its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Aura Minerals Inc.

Consolidated Statements of Loss

For the years ended December 31, 2015 and 2014

Expressed in thousands of United States dollars

	Note	2015	2014
Revenue	18	**$ 165,763**	$ 265,389
Cost of goods sold	19	**151,583**	254,688
Gross margin		**14,180**	10,701
General and administrative expenses	20	**8,422**	13,075
Care and maintenance expenses		**791**	–
Exploration expenses	21	**631**	540
Impairment charges	10	**8,367**	137,502
Operating loss		**(4,031)**	(140,416)
Finance costs	22	**(4,566)**	(6,597)
Other gains	23	**4,869**	2,193
Loss before income taxes		**(3,728)**	(144,820)
Income tax (expense) recovery	13	**(10,751)**	1,938
Loss for the year		**$ (14,479)**	$ (142,882)
Loss per share:			
Basic and diluted		**$ (0.06)**	$ (0.63)
Weighted average number of common shares outstanding:			
Basic and diluted		**260,773,823**	228,464,829

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

Aura Minerals Inc.

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2015 and 2014

Expressed in thousands of United States dollars

		2015		2014
Loss for the year	**$**	**(14,479)**	$	(142,882)
Other comprehensive loss				
Loss on foreign exchange translation of subsidiaries		**(6,064)**		(2,030)
Actuarial gain on post employment benefit, net of tax		**18**		268
Other comprehensive loss, net of tax		**(6,046)**		(1,762)
Total comprehensive loss	**$**	**(20,525)**	$	(144,644)

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

Aura Minerals Inc.

Consolidated Statements of Cash Flows

As at December 31, 2015 and 2014

Expressed in thousands of United States dollars

	Note	2015	2014
Cash flows from operating activities			
Loss for the period		**$ (14,479)**	$ (142,882)
Items not affecting cash	24 (a)	**29,615**	171,086
Changes in non-cash working capital	24 (b)	**4,951**	3,179
Other assets and liabilities		**912**	1,511
Net cash generated by operating activities		**20,999**	32,894
Cash flows from investing activities			
Purchase of property, plant and equipment		**(11,724)**	(19,151)
Proceeds from sale of fixed assets		**133**	3,223
Net cash used in investing activities		**(11,591)**	(15,928)
Cash flows from financing activities			
Proceeds received from private placement	17 (b)	**4,928**	–
Draw down of short-term loans	12 (a)	**4,290**	–
Proceeds received from gold loan, net	12 (b)	**–**	36,958
Repayment of gold loans		**(17,625)**	(22,997)
Repayment of credit facility		**–**	(22,425)
Repayment of short-term loans		**(3,624)**	(7,875)
Repayment of other liabilities		**(740)**	(3,554)
Interest paid on debt		**(1,943)**	(3,417)
Finance lease payments	12 (d)	**(224)**	(1,142)
Net cash used in financing activities		**(14,938)**	(24,452)
Decrease in cash and cash equivalents		**(5,530)**	(7,486)
Effect of exchange rate changes on cash and cash equivalents		**(40)**	(42)
Cash and cash equivalents, beginning of the year		**7,831**	15,359
Cash and cash equivalents, end of the year		**$ 2,261**	$ 7,831

Supplementary cash flow information (note 24(c))

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

Aura Minerals Inc.

Consolidated Statements of Financial Position

As at December 31, 2015 and 2014

Expressed in thousands of United States dollars

	Note	2015	2014
ASSETS			
Current			
Cash and cash equivalents		**$ 2,261**	$ 7,831
Trade and other receivables	6	**14,493**	15,638
Inventory	7	**36,083**	46,126
Other current assets	8	**2,494**	4,769
		55,331	74,364
Other long-term assets	9	**9,436**	8,961
Property, plant and equipment	10	**78,428**	91,548
Deferred income tax assets	13	**128**	4,619
		$ 143,323	$ 179,492
LIABILITIES			
Current			
Trade and other payables	11	**$ 31,954**	$ 36,647
Current portion of debts	12	**7,642**	31,433
Current income tax liabilities	13	**14,412**	7,302
Current portion of provision for mine closure and restoration	14	**2,118**	309
Current portion of other liabilities	16	**4,613**	3,082
		60,739	78,773
Debts	12	**2,751**	–
Deferred income tax liabilities	13	**1,720**	2,696
Provision for mine closure and restoration	14	**15,367**	17,914
Other provisions	15	**5,904**	6,154
Other liabilities	16	**4,162**	6,016
		90,643	111,553
SHAREHOLDERS' EQUITY			
Share capital	17	**542,649**	537,684
Contributed surplus		**54,463**	54,162
Accumulated other comprehensive loss		**(6,952)**	(888)
Deficit		**(537,480)**	(523,019)
		52,680	67,939
		$ 143,323	$ 179,492

Nature of operations and going concern (note 1)
Commitments and contingencies (note 30)

Approved on behalf of the Board of Directors:

"Patrick Mars" *"James M. Bannantine"*

Patrick Mars, Director **James M. Bannantine, Director**

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

Aura Minerals Inc.

Consolidated Statements of Changes in Equity

As at December 31, 2015 and 2014

Expressed in thousands of United States dollars

	Note	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
At December 31, 2014		**228,525,305**	**$ 537,684**	**$ 54,162**	**$ (888)**	**$ (523,019)**	**$ 67,939**
Loss for the period		–	–	–	–	(14,479)	(14,479)
Loss on translation of subsidiaries		–	–	–	(6,064)	–	(6,064)
Actuarial gain on severance liability, net of tax		–	–	–	–	18	18
Private placement, net of share issuance costs	17 (b)	57,009,346	4,928	–	–	–	4,928
Shares issued on exercise of RSUs	17 (d)	452,145	37	(37)	–	–	–
Share-based payments	17 (e)	–	–	338	–	–	338
At December 31, 2015		**285,986,796**	**$ 542,649**	**$ 54,463**	**$ (6,952)**	**$ (537,480)**	**$ 52,680**

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

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

1 NATURE OF OPERATIONS AND GOING CONCERN

Aura Minerals Inc. ("Aura Minerals" or the "Company") is a mining company focused on the operation and development of mining properties in the Americas. The Company's mining operations and projects are:

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

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

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

The Company has experienced recurring operating losses and has an accumulated deficit of $537,480 at December 31, 2015. For the year ended December 31, 2015, the Company incurred a net loss of $14,479. Aranzazu's operating company, Aranzazu Holding S.A. de C.V., has filed for administrative proceedings under the Mexican Commercial Bankruptcy Law. This filing was accepted by the Mexican Federal Court on May 4, 2015.

These factors may lend significant doubt to the Company's ability to continue as a going concern. The Company's continued operation is dependent upon its ability to generate funding internally from its operations, refinance its current funding or raise additional funding to meet its obligations. Although management is confident that the Company will be able to generate funding internally from its operations, refinance its current funding or raise additional financing, there are no assurances that the Company will be successful. These consolidated financial statements do not include the adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

2 BASIS OF PREPARATION

The consolidated financial statements of Aura Minerals for the years ended December 31, 2015 and 2014 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved for issue by the board of directors effective March 24, 2016.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

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

Subsidiaries

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

b) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of loss.

Translation of subsidiary results into the presentation currency

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

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

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

c) Cash and cash equivalents

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

d) Trade and other receivables

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

e) Inventory

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

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

f) Mining interests

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

Mining properties

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

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

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

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

Plant and equipment

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

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

Leased assets

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

Amortization and depletion

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

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

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

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

g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or whenever other indicators exist. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of assets is the greater of their fair value less costs of disposal ("FVLCD") and value in use ("VIU"). FVLCD is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's-length basis. FVLCD for mineral properties is generally determined as the present value of estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, and discounted by an appropriate post-tax discount rate to arrive at a net present value. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. VIU is determined by applying assumptions specific to the Company's continued use and cannot take into account future development discounted by an appropriate pre-tax discount rate. As such, these assumptions differ from those used in calculating FVLCD. The Company's cash generating units ("CGUs") are the lowest level of identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

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

h) Deferred stripping costs

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

i) Financial instruments

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

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

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Other financial liabilities

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

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments such as fixed price and gold collar contracts to manage its gold price exposure of its forecasted revenues. Derivative financial instruments are initially recognized at fair value on the date the contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The method of recognizing the resulting gain or loss on the changes in fair value of derivative financial instruments depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. For derivatives that do not qualify for hedge accounting, any resulting gains or losses are recognized in the consolidated statements of loss for the period.

Fair value of financial instruments

The fair values of quoted investments are determined by reference to market prices at the close of business on the consolidated statements of financial position date. Where there is no active market, the Company determines fair value by using valuation techniques. These include using recent arm's length market transactions, referenced to the current market value of other instruments that are substantially the same, discounted cash flow analysis, and pricing models.

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

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

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

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

Impairment of financial assets

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

Derecognition of financial assets and liabilities

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

j) Provisions

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

Contingent liabilities are recognized in the consolidated financial statements, if estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote.

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

Mine closure and restoration

Provisions for mine closure and restoration are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include such costs as dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate and the accretion is included in finance costs. At the time of establishing the provision, the net present value of the obligation is capitalized as part of the cost of mineral properties.

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

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

k) Long-term employee benefits

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

l) Leases

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

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

m) Share capital

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

n) Share-based payments

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

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

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

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

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

o) Taxation

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

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

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

p) Borrowing costs

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

q) Revenue recognition

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

Gold sales

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

Metals in concentrate

Sales of metals in concentrate are recognized when the title passes, which is generally the date the concentrate is delivered to the buyer at the shipping port. The majority of the Company's sales of concentrates are sold under pricing arrangements where the final prices are determined by quoted market prices in a period subsequent to the date of sale. As a result, the estimated revenue is recorded based on forward metal prices for the expected date of final settlement, resulting in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value recorded as adjustments to revenue as they occur. These adjustments also reflect changes in quantities arising from final weight and assay calculations. Revenues from the sale of metals in concentrate are shown in the consolidated statements of loss net of treatment and refining costs paid to counterparties under the terms of the off-take arrangements.

r) Exploration expenses

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

s) Loss per share

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

t) Comprehensive loss

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

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

u) Segment reporting

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

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

a) Determination of ore reserves

The Company determines mineral resources and reserves under the principles incorporated in the Canadian Institute of Mining, Metallurgy and Petroleum standards for mineral reserves and resources, known as the CIM Standards. The information is regularly compiled by Qualified Persons and reported under National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI-43-101"). Reserves and resources determined in this way are used in the calculation of depletion expense, assessment of impairment charges and the carrying values of assets, and for forecasting the timing of the payment of mine closure and restoration costs.

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

b) Impairment of assets

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

The determination of FVLCD and VIU requires management to make estimates and assumptions about expected production and sales volumes, metals prices, reserves, operating costs, mine closure and restoration costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the consolidated statements of loss.

c) Valuation of work-in-process inventory

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

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

d) Deferral of stripping costs

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

e) Provisions for mine closure and restoration

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

5 CHANGES IN ACCOUNTING POLICIES

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 16, Leases

On January 13, 2016, the IASB published a new Standard, IFRS 16, Leases (“IFRS 16”). The new standard brings most leases onto the balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

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

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

Expressed in thousands of United States dollars, except where otherwise noted.

6 TRADE AND OTHER RECEIVABLES

		2015		2014
Value added taxes receivable	**$**	**22,070**	$	20,317
Trade accounts receivable		**137**		2,305
Other receivables		**322**		153
Total trade and other receivables	**$**	**22,529**	$	22,775
Less: non-current portion of value added taxes receivable (note 9)		**(8,036)**		(7,137)
Trade and other receivables recorded as current assets	**$**	**14,493**	$	15,638

Due to their short-term maturities, the fair value of trade and other receivables approximates their carrying value. As of December 31, 2015 and 2014, there is no allowance for doubtful accounts.

7 INVENTORY

		2015		2014
Finished product	**$**	**8,407**	$	19,781
Work-in-process		**12,344**		8,955
Parts and supplies		**15,332**		17,390
Total inventory	**$**	**36,083**	$	46,126

For the year ended December 31, 2015, the cost of inventory recognized as an expense (note 19) was $151,583 (2014: $254,688). The cost of inventory for 2015 and 2014 includes write-downs of $5,903 and $9,133 respectively, to bring finished product and work-in-process inventories to net realizable value. For the year ended December 31, 2014 the Company recorded an impairment charge of $8,181 to parts and supplies inventory at the Aranzazu mine (note 10).

8 OTHER CURRENT ASSETS

		2015		2014
Prepaid expenses, advances and deposits	**$**	**2,494**	$	4,430
Derivative assets (note 25 (b))		**–**		339
	$	**2,494**	$	4,769

9 OTHER LONG-TERM ASSETS

		2015		2014
Long-term receivables and deposits	**$**	**1,400**	$	1,824
Value added taxes receivable (note 6)		**8,036**		7,137
	$	**9,436**	$	8,961

Expressed in thousands of United States dollars, except where otherwise noted.

10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment movements for the years ended December 31, 2015 and 2014 are as follows:

	Mineral properties	Land and buildings	Furniture, fixtures and equipment	Plant and machinery	Assets under construction	Total
Net book value at January 1, 2015	**$ 58,623**	**$ 28,407**	**$ 1,612**	**$ 829**	**$ 2,077**	**$ 91,548**
Additions	**7,015**	**193**	**21**	**361**	**4,537**	**12,127**
Change in provision for mine closure and restoration	**1,538**	**–**	**–**	**–**	**–**	**1,538**
Reclassifications and adjustments	**12**	**219**	**(366)**	**384**	**(476)**	**(227)**
Disposals	**–**	**–**	**(23)**	**(377)**	**(227)**	**(627)**
Depletion and amortization	**(4,467)**	**(1,247)**	**(386)**	**(585)**	**–**	**(6,685)**
Impairment charges	**(3,689)**	**(4,217)**	**(87)**	**(374)**	**–**	**(8,367)**
Adjustment on currency translation	**(4,647)**	**(5,889)**	**(67)**	**–**	**(276)**	**(10,879)**
Net book value at December 31, 2015	**$ 54,385**	**$ 17,466**	**$ 704**	**$ 238**	**$ 5,635**	**$ 78,428**
Consisting of:						
Cost	**165,366**	**51,838**	**11,315**	**85,059**	**5,635**	**319,213**
Accumulated depletion and amortization	**(110,981)**	**(34,372)**	**(10,611)**	**(84,821)**	**–**	**(240,785)**
	$ 54,385	**$ 17,466**	**$ 704**	**$ 238**	**$ 5,635**	**$ 78,428**

	Mineral properties	Land and buildings	Furniture, fixtures and equipment	Plant and machinery	Assets under construction	Total
Net book value at January 1, 2014	$ 141,738	$ 42,626	$ 3,776	$ 36,207	$ 4,415	$ 228,762
Additions	16,210	49	102	1,022	4,828	22,211
Change in provision for mine closure and restoration	2,891	–	–	–	–	2,891
Reclassifications and adjustments	1,565	1,414	(532)	779	(3,465)	(239)
Disposals	–	(568)	(618)	(3,722)	–	(4,908)
Depletion and amortization	(11,723)	(4,377)	(900)	(6,643)	–	(23,643)
Impairment charges	(90,210)	(8,443)	(232)	(26,814)	(3,622)	(129,321)
Adjustment on currency translation	(1,848)	(2,294)	16	–	(79)	(4,205)
Net book value at December 31, 2014	$ 58,623	$ 28,407	$ 1,612	$ 829	$ 2,077	$ 91,548
Consisting of:						
Cost	165,137	61,532	11,837	85,065	2,077	325,648
Accumulated depletion and amortization	(106,514)	(33,125)	(10,225)	(84,236)	–	(234,100)
	$ 58,623	$ 28,407	$ 1,612	$ 829	$ 2,077	$ 91,548

For the years ended December 31, 2015 and 2014, depletion and amortization expenses of $6,533 and $24,118 respectively, have been charged to cost of goods sold, and $304 and $379 respectively, have been charged to general and administrative expenses.

For the year ended December 31, 2015, borrowing costs incurred on the Serrote bridge loan (note 12(a)(ii)) totaling $1,628 were recorded as interest expense due to the suspension of the active development of the qualifying asset. (2014: $2,468 of borrowing costs were capitalized to the Serrote project qualifying asset).

Impairment charges

a) San Andres

During the year ended December 31, 2015, the average gold price decreased on an overall basis. This is considered to be an impairment indicator, and as a result, management conducted an impairment analysis on the San Andres CGU whereby the carrying values of the assets and liabilities of the San Andres Mine have been compared to their fair value calculated using the FVLCD methodology, which was determined to be greater than the VIU.

The estimated future cash flows utilized in the FVLCD model incorporated the Company's best estimates of future gold production based on the mine plans developed, consensus gold prices, estimates of operating costs and residual values and fluctuations in the exchange rates between the United States dollar and the Honduran lempira. The Company utilized a range of gold prices between $1,156 to 1,216 per ounce over the remaining economic years of the San Andres life-of-mine and a 12.34% discount rate, which was based on the Company's post-tax weighted average cost of capital, in order to obtain the estimated fair value of the San Andres Mine.

The Company's analysis concluded that the fair values of the assets and liabilities of the San Andres Mine were above the carrying value as at December 31, 2015 and as a result, no impairment charge has been recorded.

b) Serrote Project

During the year ended December 31, 2015, the Company was unable to raise additional financing to maintain the ongoing development status or to fund the construction of the Serrote Project and made the decision to suspend the development of the Serrote Project and place it on care-and-maintenance with a minimal monthly spend for security, administration, site maintenance and the annual costs of permits and licenses. As a result, the 2016 budget has been significantly reduced, with a focus on preserving both the optionality and integrity of the Serrote Project. The Company will continue its activities to protect the asset and assess alternative methods to further develop the project in a more economic manner; however management's expectations of achieving a suitable return on further substantial investment on the Serrote Project in the current metal pricing environment remain 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 Serrote Project were compared to their fair values using the FVLCD methodology which was determined to be greater than the VIU.

The FVLCD for the Serrote Project was determined by considering observable market values over the past two years for entities with comparable assets being expressed as US dollars per pound of proven and probable reserves and resources (level 3 of the fair value hierarchy) and determined the market values were within a range of $0.02 to $0.03 per pound of economic resource. The Company has used the lower range of the observable market values of $0.02 per pound of economic resource as the cash flows for Serrote Project have significant uncertainty with respect to their financing, the timeline for the project and the estimated remaining construction costs in the current metal pricing environment. The observable market values have been adjusted, where appropriate, for country risk if the comparable asset was in a different country and any significant change in the copper metal pricing environment since the valuation date of the comparable asset. An estimate for costs of disposal has been calculated based on the Company's own experience.

The Company's FVLCD analysis has concluded that the long-lived assets of the Serrote Project are impaired as at December 31, 2015 and, as a result, the Company recorded an impairment charge of $8,367 on the property, plant and equipment, which has resulted in a reduction in the value of the mineral properties of $3,689 and a reduction in the value of plant and equipment of $4,678.

Sensitivity analyses to the assumptions which have the most significant impact on the impairment charge were also performed. Certain scenarios were reviewed where key inputs were changed: market values (+/-5%) and the economic resource base (+/-10%). An increase or decrease in market values by 5% would change the impairment charge by $831. An increase or decrease of 10% in the economic resource base would change the impairment charge by $1,662.

c) Aranzazu Mine

In December 2014, the Company completed an optimization study for the Aranzazu Mine with the goal of identifying an operating model that would improve the project economics and eliminate the risk by reducing both costs of production and capital expenditures and increasing production in order to generate a short-term return on our investment. The study was unable to identify an operating alternative that provided a short-term positive return on Aranzazu in the absence of available additional financing to maintain or expand the operation and therefore the Company made the decision to suspend the operation and place it on care-and-maintenance. As a result, the budget for the year ending December 31, 2015 was significantly reduced, with a focus on preserving both the optionality and integrity of the Aranzazu Mine. 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 remains diminished.

The foregoing developments were deemed to be indicators of impairment. The Company 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 VIU methodology, which was determined to be greater than the FVLCD. The estimated future cash flows utilized in the VIU 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 the Aranzazu Mine. 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 have resulted in a decrease in the impairment charge of $4,414 while a decrease in the copper price by 5% would have resulted in an increase to the impairment charge by $4,414. An increase or decrease of 1% in the discount rate utilized would have changed the impairment charge by $906 and $982, respectively, due to the timing of the estimated cash flows.

For the year ended December 31, 2015, the consensus copper price and other impairment indicators did not change significantly. Therefore, no reversals of previously recorded impairments have been recorded on the Aranzazu Mine.

Expressed in thousands of United States dollars, except where otherwise noted.

Sale of Sao Vicente Mine

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

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

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

11 TRADE AND OTHER PAYABLES

		2015		2014
Trade accounts payable	$	19,550	$	21,543
Other payables		7,997		9,978
Accrued liabilities		2,602		2,771
Deferred revenue		1,805		2,355
	$	31,954	$	36,647

12 DEBTS

		2015		2014
Term loans (note 12 (a))	$	10,393	$	13,662
Gold loan (note 12 (b))		–		16,151
Finance leases (note 12 (d))		–		1,620
	$	10,393	$	31,433
Less: current portion		(7,642)		(31,433)
Non-current portion	$	2,751	$	–

a) Term loans

i) Promissory note

On December 4, 2014, the Company, through its wholly-owned Honduran subsidiary, Minerales de Occidente, S.A. de C.V. (“Minosa”) received approval for a $4,300 short-term promissory note (the “Promissory Note”) from Banco de Occidente, S.A. (“Banco Occidente”) to finance the development of a power line project. The Promissory Note bears an annual interest rate of 7.5% with a maturity date of December 4, 2016. During the year, Banco Occidente approved a six month grace period on principal payments starting from September 2015 to February 2016, and extended the maturity date to October 2, 2018.

Expressed in thousands of United States dollars, except where otherwise noted.

As at December 31, 2015, the outstanding balance on the promissory note was $3,439 (December 31, 2014 - $10). For the year ended December 31, 2015 the Company drew $4,300 and repaid $861 on the Promissory Note and incurred $204 of interest expense which has been capitalized to the power line qualifying asset.

ii) **Itau Bridge Loan**

On February 25, 2013, the Company, through its wholly-owned subsidiary, Mineracao Vale Verde Ltda, received an advance of approximately $20,000 (Brazilian Reais 45,000) from Banco Itau BBA S.A. (the "Itau bridge loan") to finance the development of the Serrote Project. The Itau bridge loan bears interest at the Interbank Deposit Rate plus 6.0% and originally matured on July 31, 2013. The Company has obtained a series of extensions for the repayment of the debt.

During the year ended December 31, 2015 the company repaid $2,773 of the outstanding principal amount of the bridge loan (Brazilian Reais 8,953) and recorded an interest expense of $1,628 (2014: $2,468 of borrowing costs which were capitalized to the Serrote project qualifying asset (note 10)).

As at December 31, 2015, the outstanding balance on the Itau bridge loan was $6,954 (Brazilian Reais 27,158) (December 31, 2014: $13,652 (Brazilian Reais 36,262)). Subsequent to December 31, 2015, the Company has fully repaid the outstanding balance on the Itau bridge loan.

b) Gold Loans

		2015		2014
Balance, beginning of period	**$**	**16,151**	$	–
Proceeds from gold loans, net of warrants issued		**–**		37,910
Repayments during the period		**(17,625)**		(22,997)
Changes in fair value		**1,474**		1,238
Balance, end of period	**$**	**–**	$	16,151

On March 17, 2014, the Company obtained a $22,500 loan (the "Gold Loan") from Auramet International LLC, a subsidiary of Auramet Trading LLC ("Auramet"). The proceeds of the Gold Loan were used to settle the Company's entire outstanding obligations pursuant to the Company's Amended Credit Facility (See Note 12 (c)). The Gold Loan was to be repaid in 40 weekly installments of 458 ounces of gold which payments commenced on April 7, 2014. The Gold Loan could be repaid at any time with no early repayment penalties.

In partial consideration for the Gold Loan, the Company issued 4,500,000 non-transferable common share purchase warrants to Auramet, with each warrant entitling the holder thereof to acquire one common share of the Company. Each warrant had an exercise price of $0.36 and an expiry date of twelve months from issuance. The warrants were issued on March 17, 2014 and fair valued at $90.

The Gold Loan was recorded at $22,410 at initial recognition, which was equal to the fair value of 18,320 ounces of gold deliverable, net of warrants issued. The Company designated the Gold Loan as a financial liability to be measured at fair value through profit or loss ("FVTPL") and marked-to-market at each period end with changes in fair value recorded as other gains and losses.

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

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

Expressed in thousands of United States dollars, except where otherwise noted.

The Second Gold Loan was recorded at $15,500 at initial recognition, which was equal to the fair value of 15,250 ounces of gold deliverable, net of warrants issued. The Company designated the Second Gold Loan as a financial liability to be measured at FVTPL and marked-to-market at each period end with changes in fair value recorded as other gains and losses.

During the year ended December 31, 2014, $566 of transaction costs in respect of the Gold Loan and $388 of transaction costs in respect of the Second Gold Loan were included within finance costs on the consolidated statements of loss.

During the year ended December 31, 2015 the Company recorded mark-to-market losses of $1,474 (2014: $1,238) on the Gold Loans.

As at December 31, 2015, the Second Gold loan has been fully repaid.

On March 2, 2016, the Company obtained a $12,325 gold loan (the "Third Gold Loan") from Auramet. The proceeds of the Third Gold Loan are to be used for the Company's debt consolidation and working capital requirements. The Third Gold Loan is to be repaid in 68 weekly installments of 176.5 ounces of gold, with payments commencing on May 3, 2016. Similar to the previous gold loans, the Third Gold Loan may be repaid at any time with no early repayment penalties.

c) Credit Facility

On March 18, 2011, the Company entered into an agreement for a $25,000 revolving credit facility (the "Credit Facility") with Barclays Bank PLC to finance the working capital at the Aranzazu Mine and general corporate expenditure requirements. On May 10, 2012, the Company entered into an amended Credit Facility (the "Amended Credit Facility") pursuant to which Credit Suisse AG was added as a lender to the Company.

The outstanding Amended Credit Facility balance of $22,425, including payment-in-kind interest from January 1, 2014 to March 17, 2014, was fully repaid on March 17, 2014 from the proceeds of the Gold Loan (note 12(b)).

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

d) Finance leases

		2015		2014
Balance, beginning of period	**$**	**1,620**	$	2,762
Finance leases entered into during the period		**–**		–
Finance lease payments made during the period		**(1,620)**		(1,142)
Balance, end of period		**–**		1,620

For the year ended December 31, 2015, the Company recorded a total of $400 of interest expenses related to the finance leases (2014: $114) within finance costs in the consolidated statements of loss.

Expressed in thousands of United States dollars, except where otherwise noted.

13 INCOME TAXES

a) Income tax expense (recovery)

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

		2015		2014
Current income tax expense in respect of the current year	**$**	**7,584**	$	9,755
Adjustment to current income tax expense in respect of prior periods		**–**		(837)
Current income tax expense		**7,584**		8,918
Deferred income tax expense (recovery)		**3,167**		(10,856)
Income tax expense (recovery)	**$**	**10,751**	$	(1,938)

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

		2015		2014
Loss before income taxes	**$**	**3,728**	$	144,820
Canadian statutory income tax rate		**26.5%**		26.5%
Income tax recovery at the statutory income tax rate		**(988)**		(38,377)
Difference in statutory tax rates in foreign jurisdictions		**(1,974)**		(6,540)
Effect of changes in future income tax rates		**–**		996
Non-deductible expenses		**3,104**		6,165
Non-taxable items		**18**		51
Deferred tax assets not recognized		**4,104**		35,346
Effect of foreign exchange on income taxes		**5,643**		4,143
Withholdings taxes on distribution		**1,652**		4,282
Mexican royalty regime		**–**		(6,012)
Other		**(808)**		(1,992)
Income tax expense (recovery)	**$**	**10,751**	$	(1,938)

b) Deferred income tax (liabilities) assets

Deferred income tax (liabilities) assets on the consolidated statements of financial position consist of:

		2015		2014
Deferred income tax assets	**$**	**128**	$	4,619
Deferred income tax liabilities		**(1,720)**		(2,696)
	$	**(1,592)**	$	1,923

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

		2015		2014
Balance, January 1	**$**	**1,923**	$	(7,839)
Recovered from the statement of loss		**(3,167)**		10,856
Recorded through other comprehensive income		**(5)**		(67)
Foreign exchange difference		**(343)**		(1,027)
Balance, December 31	**$**	**(1,592)**	$	1,923

Expressed in thousands of United States dollars, except where otherwise noted.

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

		2015		2014
Provision for mine closure and restoration	**$**	**–**	$	1,703
Property, plant and equipment		**(914)**		1,874
Withholdings taxes on distribution		**–**		(2,389)
Other deductible temporary differences		**(678)**		735
Net deferred income tax (liabilities) asset	**$**	**(1,592)**	$	1,923

Temporary differences and tax losses arising in Canada, Mexico and Brazil have not been recognized as deferred income tax assets due to the fact that management has determined it is not probable that sufficient future taxable profits will be earned in those jurisdictions to recover such assets. The unrecognized deferred income tax assets are summarized as follows:

		2015		2014
Tax losses carried forward	**$**	**60,396**	$	59,239
Provision for mine closure and restoration		**4,164**		1,808
Property, plant and equipment		**18,102**		25,179
Other deductible temporary differences		**14,233**		9,019
Unrecognized deferred income tax assets	**$**	**96,895**	$	95,245

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

In 2010, management determined it was probable that sufficient future taxable profits would be generated in the foreseeable future at the Aranzazu Mine to recover the temporary differences and tax losses in this jurisdiction. Although the Aranzazu Mine recognized losses from 2010 to 2013, this was a result of being in the development phase and then the early stages of production. As a result of the impairment of the mine in the year ended December 31, 2014, the benefit of the temporary differences is no longer recognized. As at December 31, 2015, no deferred income tax asset has been recognized.

As of December 31, 2015, the Company had estimated cumulative tax operating losses of approximately $57,690 in Canada expiring between 2025 and 2035, $53,144 in Mexico expiring between 2018 and 2025, and $105,346 in Brazil, which can be carried forward indefinitely.

The aggregate amount of taxable temporary differences associated with investments in subsidiaries for which deferred income taxes have not been recognized as at December 31, 2015 is $Nil (2014: $11,699).

Profit repatriations from Honduras are subject to a 10% withholding tax and the unrecorded liability associated with this is $Nil (2014: $1,170).

Expressed in thousands of United States dollars, except where otherwise noted.

14 PROVISION FOR MINE CLOSURE AND RESTORATION

		2015		2014
Balance, beginning of year	**$**	**18,223**	$	21,835
Accretion expense		**1,018**		2,329
Change in estimate		**1,398**		1,837
Provision utilized		**–**		(161)
Reclamation liability disposed of (note 10)		**–**		(6,041)
Impact of currency translation		**(3,154)**		(1,576)
Balance, end of year		**17,485**		18,223
Less: current portion		**(2,118)**		(309)
	$	**15,367**	$	17,914

Provision for mine closure and restoration is related to the closure costs and environmental restoration associated with mining operations. The provisions have been recorded at their net present values, using discount rates of between 7.26% and 14.25% (2014: 7.75% to 12.25%). The provisions have been re-measured at each reporting date, with the accretion expense being recorded as a finance cost. The total undiscounted amounts of the estimated obligations at December 31, 2015 are approximately $24,449 and are expected to be incurred through 2029 (2014: $27,844).

During the year ended December 31, 2015, the Company recorded a decrease in its provision for mine closure and restoration related to the Brazilian Mines and San Andres Mine. There was no change in the estimate for the Aranzazu Mine for the year ended December 31, 2015. This change in estimate for each mine was as a result of changes in management's estimates of the gross cash flows resulting from legal obligations as well as changes in discount rates and inflation rates. The decrease in estimate for the Brazilian Mines of $140 has been recorded in other gains in the consolidated statements of loss as the mineral property in the Brazilian Mines had previously been fully depleted (2014: $1,033).

15 OTHER PROVISIONS

		Long-term employee benefits		Provision for judicial contingencies		Total
As of December 31, 2013	**$**	**5,080**	**$**	**2,463**	**$**	**7,543**
Periodic service and finance cost		1,312		–		1,312
Additional provision for the year		–		237		237
Settlement during the year		(1,974)		(884)		(2,858)
Curtailment		489		–		489
Actuarial gain		(268)		–		(268)
Impact of currency translation		(178)		(123)		(301)
As of December 31, 2014	**$**	**4,461**	**$**	**1,693**	**$**	**6,154**
Periodic service and finance cost		1,091		–		1,091
Settlement during the year		(201)		(349)		(550)
Actuarial gain		(22)		–		(22)
Impact of currency translation		(186)		(583)		(769)
As of December 31, 2015	**$**	**5,143**	**$**	**761**	**$**	**5,904**

Expressed in thousands of United States dollars, except where otherwise noted.

a) Long term employee benefits

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

The most recent actuarial valuation for the long term employee benefits provision was performed at December 31, 2015. The principal assumptions used for the purpose of the actuarial valuation were as follows:

	2015	2014
Discount rates	**9.25%**	10.5%
Salary increase rate (administrative)	**7.0%**	6.5%
Salary increase rate (operation)	**7.0%**	7.0%
Long term inflation	**5.5%**	5.5%

b) Provision for judicial contingencies

Provision for judicial contingencies represents compensation claims for unpaid travel time between the Brazilian mine sites and its employees' home town and other litigations brought against the Company. As of December 31, 2015, the Company recognized a reversal of a previously made provision for past unpaid travel time between the dismissed employee's home and the mine site and other litigations of $349 which was recorded within other gains (2014: an additional provision of $237).

16 OTHER LIABILITIES

	2015	2014
Balance, beginning of year	**$ 9,098**	$ 11,930
Accretion expense	**554**	480
Royalty payments	**(740)**	(3,554)
Change in estimate	**(137)**	242
Balance, end of year	**8,775**	9,098
Less: current portion	**(4,613)**	(3,082)
	$ 4,162	$ 6,016

In 2011, the Company completed a restructuring of its contractual obligations, which resulted in the settlement of the deferred purchase consideration and the granting of a net smelter return royalty ("NSR Royalty") equal to 1.5% on the net sales from the San Andres Mine and the Brazilian Mines, commencing on March 1, 2013 and up to a cumulative royalty amount of $16,000. The liability has been recorded at its net present value using a discount rate of 5% (2014: 5%). The liability is re-measured at each reporting date, with the accretion expense and change in estimate being recorded within finance costs and other gains, respectively. The total undiscounted amount of the estimated obligation at December 31, 2015 is approximately $9,317 and is expected to be incurred through 2019 (2014: $10,045).

For the year ended December 31, 2015, the Company recorded accretion expenses of $554 (2014: $480) within finance costs and a change in estimate gain of $137 (2014: a change in estimate loss of $242), within other gains on the consolidated statements of loss.

Subsequent to December 31, 2015, the Company made a royalty payment of $2,496.

Expressed in thousands of United States dollars, except where otherwise noted.

17 SHARE CAPITAL

a) Authorized – Unlimited number of common shares

b) Private placement

On June 9, 2015, the Company completed a financing agreement with a private company. The company raised gross proceeds of $4,940 (approximately C$6,100) through the issuance of 57,009,346 common shares of the Company at a price of C$0.107 per common share, and recorded an addition to share capital of $4,928 (net of share issuance costs of $12).

c) Stock options

A continuity of the Company's stock options issued and outstanding are as follows:

	Number of options	Weighted average price C$
Balance, December 31, 2013	**15,742,334**	**1.49**
Granted	5,511,000	0.11
Forfeited / Expired	(2,159,098)	1.68
Balance, December 31, 2014	**19,094,236**	1.08
Granted	3,765,000	0.10
Forfeited / Expired	(4,358,003)	2.19
Balance, December 31, 2015	**18,501,233**	**0.62**

There were no options exercised for the year ended December 31, 2015 and 2014.

As at December 31, 2015, the following stock options were outstanding and exercisable:

Exercise price C$	Options outstanding	Options exercisable	Remaining contractual life (years)	Expiry dates
$0.00 to $1.15	13,950,909	9,028,988	2.57	April 11, 2017 to June 1, 2020
$1.16 to $2.49	3,579,574	3,579,574	0.88	August 22, 2016 to January 6, 2017
$2.50 to $3.75	970,750	970,750	0.20	January 10, 2016 to April 12, 2016
	18,501,233	13,579,312	1.96	

d) Other stock-based payment plans

Deferred share unit plan ("DSU Plan")

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

For the year ended December 31, 2015, the Company issued 818,820 DSUs to all non-executive directors at C$0.089 (which was equivalent to the five day VWAP as at June 30, 2015) as payments for the first quarter of 2015's retainer fees and the second quarter of 2015's retainer and meeting fees for a total of $58. Based on the Black Scholes option pricing model, the fair value of the liability as of December 31, 2015 was $36.

Expressed in thousands of United States dollars, except where otherwise noted.

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

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

A continuity of issued RSUs is as follows:

	Number of units
Balance, December 31, 2013	192,188
Granted	600,000
Exercised	(67,199)
Forfeited	(125,000)
Balance, December 31, 2014	**599,989**
Granted	1,263,453
Exercised	(452,145)
Balance, December 31, 2015	**1,411,297**

During 2015, 452,125 RSUs were exercised on September 3, 2015 with an exercise price of C$0.07 (2014: 25,532 RSUs exercised on October 22, 2014 with an exercise price of C$0.10 and 41,667 RSUs exercised on December 15, 2014 with an exercise price of C$0.07). For the year ended December 31, 2015, the Company issued 958,125 of RSUsat C$0.10 per unit and 305,328 of RSUsat C$0.08 per unit to the Company's Chief Executive Officer and Chief Financial Officer in lieu of a portion of their salaries. These RSUs are recorded as part of salaries, wages and benefits and professional and consulting fees within general and administrative expenses in the consolidated statements of loss for the year ended December 31, 2015 at a fair value of $104 (2014: $Nil).

e) Share-based payment expense

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. Share-based payment expense is included within general and administrative expenses in the consolidated statements of loss for the year ended December 31, 2015 and totaled $234 (2014: $548).

The Company granted 3,765,000 stock options to its employees during the year ended December 31, 2015, which vest over a period of 3 years, at an exercise price of C$0.10, expire in 2020 and have a total fair value of C$173. The fair value of stock options granted during the year ended December 31, 2015 and 2014 was estimated using the Black-Scholes option pricing model with the following assumptions:

Expressed in thousands of United States dollars, except where otherwise noted.

	2015	2014
Expected volatility	**103% - 110%**	99% - 111%
Risk-free interest rate	**0.64% - 1.00%**	1.02% - 1.10%
Weighted average share price for options granted	**C$0.08**	C$0.11
Expected life in years	**2.8**	2.8
Expected forfeiture rate	**12%**	12%
Expected dividend yield	**0%**	0%

18 REVENUES BY NATURE

		2015		2014
Gold sales	**$**	**162,018**	$	221,436
Copper concentrate sales, net		**3,745**		43,953
	$	**165,763**	$	265,389

19 COST OF GOODS SOLD BY NATURE

		2015		2014
Direct mine and mill costs	**$**	**139,147**	$	216,644
Write-down of inventory to net realizable value		**5,903**		9,133
Depletion and amortization (note 10)		**6,533**		24,118
Suspension and termination costs		**–**		4,793
	$	**151,583**	$	254,688

20 GENERAL AND ADMINISTRATIVE EXPENSES

		2015		2014
Salaries, wages and benefits	**$**	**3,363**	$	5,483
Professional and consulting fees		**2,532**		3,078
Directors' fees		**199**		315
Share-based payment expense (note 17 (e))		**234**		548
Amortization (note 10)		**304**		379
Travel expenses		**114**		237
Other		**1,676**		3,035
	$	**8,422**	$	13,075

21 EXPLORATION EXPENSES

		2015		2014
San Andres Mine	**$**	**505**	$	366
Sao Francisco Mine		**102**		135
Aranzazu Mine		**–**		21
Non-core projects		**24**		18
	$	**631**	$	540

Expressed in thousands of United States dollars, except where otherwise noted.

22 FINANCE COSTS

		2015		2014
Interest expense on debts	**$**	**2,027**	$	1,013
Accretion expenses		**1,572**		2,809
Finance cost on post-employment benefit		**461**		645
Other interest and finance costs		**506**		2,130
	$	**4,566**	$	6,597

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

23 OTHER GAINS

		2015		2014
Foreign exchange gain (loss)	**$**	**4,923**	$	(2,540)
Gain on disposal of assets		**3,123**		951
Net gain on gold collar and fixed price contracts (note 25 (b))		**1,227**		1,836
Change in estimate of provision for mine closure and restoration (note 14)		**140**		1,033
Gain on disposal of Sao Vicente Mine (note 10)		**–**		2,618
Change in fair value of gold loans (note 12 (b))		**(1,474)**		(1,238)
Change in estimates of net smelter royalty payable (note 16)		**137**		(242)
Other items		**(3,207)**		(225)
	$	**4,869**	$	2,193

Expressed in thousands of United States dollars, except where otherwise noted.

24 CASH FLOW INFORMATION

a) Items not affecting cash

		2015		2014
Deferred and current income tax expense (recovery)	$	**10,751**	$	(1,938)
Impairment charges (notes 7 and 10)		**8,367**		137,502
Depletion and amortization (note 10)		**6,837**		24,497
Write-down of inventory to net realizable value (note 7)		**5,903**		9,133
Accretion expense		**1,572**		2,809
Change in fair value of gold loans (note 12 (b))		**1,474**		1,238
Periodic service, past service and finance costs on post-employment benefit		**1,091**		1,801
Interest expense		**400**		–
Unrealized loss (gain) on gold collar and fixed price contracts		**339**		(339)
Write-off of unamortized transaction costs on credit facility		**–**		806
Share-based payment expense (note 17 (e))		**234**		548
Foreign exchange gain		**(4,056)**		(849)
Gain on disposal of assets		**(3,123)**		(3,569)
Change in other liabilities		**(137)**		242
Other non-cash items		**(37)**		(795)
	$	**29,615**	$	171,086

b) Changes in non-cash working capital

		2015		2014
Changes in non-cash working capital				
Trade and other receivables	$	**1,145**	$	2,794
Inventory		**4,292**		1,446
Trade and other payables		**(486)**		(1,061)
	$	**4,951**	$	3,179

c) Supplementary cash flow information

		2015		2014
Non-cash investing and financing activities consist of:				
Non-cash addition to property, plant and equipment	$	**(328)**	$	(374)
Disposal of property, plant and equipment in exchange for payments on outstanding account payables and lease obligations	$	**(2,032)**	$	–
Disposal of supplies inventories in exchange for payments on outstanding account payables	$	**(1,585)**	$	–

25 FINANCIAL INSTRUMENTS

a) Embedded derivatives

The Company has embedded derivatives in its accounts receivable as a result of provisional pricing arrangements on its copper concentrate sales. These derivatives are marked to their market values at each reporting date. Adjustments to the fair values of the accounts receivable are included in the consolidated statements of loss within revenue. During the year ended December 31, 2015 the Company recognized losses of $2,011 (2014: losses of $1,752), respectively, as changes in the fair values of embedded derivatives.

b) Fixed price contracts and gold collars

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, expiring between January 31, 2015 and May 29, 2015.

During the year ended December 31, 2015, the Company entered into fixed price contracts to hedge 57,500 ounces of gold expiring between January 31, 2015 and December 30, 2015 at an average price of $1,209 per ounce of gold. For the year ended December 31, 2015, the Company recorded realized gains on these fixed price contracts of $1,474. At December 31, 2015, the Company did not have any fixed price contracts outstanding.

In addition, the Company also entered into call options on 12,500 ounces of gold expiring between June 30, 2015 and December 31, 2015 with strike prices between $1,190 to $1,275 and received a premium of $92 in consideration. The call options expired unexercised.

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 31, 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, 2015, the Company recorded a derivative asset on these fixed price contracts of $nil (2014: $339).

In addition, during the year ended December 31, 2014, the Company hedged a total of 15,000 ounces of gold expiring between July 1, 2014 and September 30, 2014. The derivative instruments entered into were in the form of zero-cost put/call collars with a floor price of $1,300 per ounce of gold and a ceiling price of $1,423 per ounce of gold. The Company advanced $1,500 to Auramet as a margin deposit for this hedging program.

During the year ended December 31, 2014 the Company closed out the floor on these zero-cost put/call collars for a realized gain of $563 and received a repayment of $1,500 of the margin deposit.

As at December 31, 2015, the Company did not have any zero-cost put/call collars outstanding.

The fixed price contracts and gold collars were not designated as accounting hedges by the Company and have therefore been marked to their market values at each reporting date. Adjustments to the market value are included in the consolidated statements of loss in other gains.

e) Credit risk

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial contract. The Company's credit risk is limited to trade receivables and derivative contracts in the ordinary course of business. As of December 31, 2015, the Company considers the credit risk with these financial contracts to be low.

f) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (refer to note 1). The Company manages its liquidity risk through a rigorous planning and budgeting process, which is reviewed and updated on a regular basis, to help determine the funding requirements to support the Company's current operations and expansion and development plans and by managing its capital structure as described in note 26.

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

g) Currency risk

The Company's operations are located in Honduras, Brazil, Mexico, and Canada; therefore foreign exchange risk exposures arise from transactions denominated in foreign currencies. Although the Company's sales are denominated in United States dollars, certain of the Company's operating expenses are denominated in foreign currencies, primarily the Honduran lempira, Brazilian real, Mexican peso and Canadian dollar. Financial instruments that impact the Company's net losses or other comprehensive losses due to currency fluctuations include: cash and cash equivalents, accounts receivable, other long-term assets, accounts payable and accrued liabilities, short term loans and other provisions denominated in foreign currencies. At December 31, 2015, the Company had cash and cash equivalents of $2,261, of which $70 was held in Canadian dollars, $191 in United States dollars, $1,444 in Brazilian reais, $138 in Honduran lempiras, and $418 in Mexican pesos.

An increase or decrease of 10% in the United States dollar exchange rate to the currencies listed above would have increased or decreased the Company's loss for the year by $390 and $319, respectively.

h) Interest rate risk

The Company is exposed to interest rate risk on its cash and cash equivalents. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk. For the year ended December 31, 2015, an increase or decrease in interest rates of 100 basis points (1 percent) would have increased consolidated loss and comprehensive loss for the year by $50 and a decrease in interest rates of 100 basis points (1 percent) would have decreased the loss and comprehensive loss for the year by $50.

i) Commodity price risk

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

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

A 10% change in the average commodity price for gold for the year, with all other variables held constant, would result in an impact on the Company's 2015 consolidated loss and comprehensive loss of $14,229. As Aranzazu is currently on care-and-maintenance, a 10% decrease in the average commodity price for copper for the year, with all other variables held constant, would not have an impact on the Company's 2015 consolidated loss and comprehensive loss.

Expressed in thousands of United States dollars, except where otherwise noted.

j) Fair value of financial instruments

The Company's financial assets and liabilities have been classified into categories that determines their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at December 31, 2015 and 2014:

	Level	December 31, 2015		December 31, 2014	
Financial Assets		**Carrying value**	**Fair value**	Carrying value	Fair value
Loans and receivables, measured at amortized cost					
Accounts receivable	N/A	**$459**	**$459**	$2,458	$2,458
Other assets	N/A	**1,400**	**1,400**	1,824	1,824
At fair value through profit and loss					
Derivative assets	2	**–**	**–**	339	339
		$1,859	**$1,859**	$4,621	$4,621
Financial Liabilities					
At fair value through profit and loss					
Gold loan	2	**$0**	**$0**	$16,151	$16,151
Other financial liabilities, measured at amortized cost					
Accounts payable and accrued liabilities	N/A	**$31,954**	**$31,954**	$36,647	$36,647
Short-term loans	N/A	**10,393**	**10,393**	13,662	13,662
Other provisions	3	**5,904**	**5,904**	6,154	6,154
Other liabilities	3	**8,775**	**8,775**	9,098	9,098
		$57,026	**$57,026**	$81,712	$81,712

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

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

26 CAPITAL MANAGEMENT

The Company's objectives in managing capital are to ensure sufficient liquidity is maintained in order to properly develop and operate its current projects and to pursue strategic growth initiatives, to ensure that externally imposed capital requirements related to any debt obligations are complied with, and to provide returns for shareholders and benefits to other stakeholders. In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity and long-term debt. The Company manages its capital structure in light of changes in economic conditions, the risk characteristics of the underlying assets, and the Company's liquidity requirements. To maintain or adjust the capital structure, the Company may be required to issue new shares or debt, re-pay existing debt, acquire or dispose of assets, or adjust amounts of certain investments.

Expressed in thousands of United States dollars, except where otherwise noted.

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

27 RELATED PARTY TRANSACTIONS

On January 1, 2015, the Company entered into a consulting agreement for the provision of management services with Acumen Capital, LLC ("Acumen"), a US based company which is controlled by the Company's Chief Executive Officer ("CEO") and provides the services of CEO to the Company.

For the year ended December 31, 2015, the Company paid consulting fees to Acumen of $798 (2014: $Nil). As at December 31, 2015, the Company owed $300 (2014: $Nil) to Acumen.

Other transactions including the compensation paid to key management personnel, remuneration of directors and other members of key executive management personnel for the year ended December 31, 2015 and 2015 are as follows:

		2015		2014
Salaries and short-term employee benefits	**$**	**1,600**	$	1,095
Share-based payments		**115**		126
Post-employment benefits		**18**		17
	$	**1,733**	$	1,238

28 ACQUISITION OF ERNESTO/PAU-A-PIQUE PROJECT

On April 30, 2015, the Company announced that it entered into an acquisition agreement (the "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 "EPP Project") located in the southwest of Mato Grosso state, near Pontes e Lacerda in Brazil.

The completion of the acquisition would be subject to the receipt of regulatory approvals in Brazil including both antitrust and national defense regulatory requirements (the "regulatory approval period"). Pursuant to the Agreement and upon receipt of the appropriate regulatory approvals, as consideration for the EPP 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 the first 1,000,000 gold ounces produced from the EPP Project, and thereafter, a 1% net smelter return royalty on gold ounces produced from the EPP Project.

In order to facilitate the acquisition, during the regulatory approval period, Yamana has made 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 EPP Project. The Working Capital Facility would be assumed by the Company upon receipt of the appropriate regulatory approvals and is expected to be repaid either with the cash flow from the Project or would be payable in full within 36 months from the date of the Agreement. Should the EPP 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.

Expressed in thousands of United States dollars, except where otherwise noted.

29 SEGMENTED INFORMATION

The reportable operating segments have been identified as the San Andres Mine, the Brazilian Mines, the Aranzazu Mine, the Serrote Project and Corporate. The Company manages its business, including the allocation of resources and assessment of performance, on a project by project basis, except where the Company's projects are substantially connected and share resources and administrative functions. The segments presented reflect the way in which the Company's management reviews its business performance. Operating segments are reported in a manner consistent with the internal reporting provided to executive management who act as the chief operating decision-maker. Executive management is responsible for allocating resources and assessing performance of the operating segments.

For the years ended December 31, 2015 and 2014, segmented information is as follows:

For the year ended December 31, 2015	San Andres Mine	Brazilian Mines	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	**$ 93,109**	**$ 68,909**	**$ 3,745**	**$ –**	**$ –**	**$ 165,763**
Cost of production	**71,996**	**64,726**	**8,328**	**–**	**–**	**145,050**
Depletion and amortization	**6,057**	**476**	**–**	**–**	**–**	**6,533**
Gross margin (loss)	**$ 15,056**	**$ 3,707**	**$ (4,583)**	**$ –**	**$ –**	**$ 14,180**
Impairment charges	**–**	**–**	**–**	**(8,367)**	**–**	**(8,367)**
Other (expenses) income	**(2,586)**	**4,768**	**(1,831)**	**(1,878)**	**(8,014)**	**(9,541)**
Income (Loss) before income taxes	**$ 12,470**	**$ 8,475**	**$ (6,414)**	**$ (10,245)**	**$ (8,014)**	**$ (3,728)**
Property, plant and equipment	**$ 56,404**	**$ 2,401**	**$ 3,939**	**$ 15,617**	**$ 67**	**$ 78,428**
Total assets	**$ 87,840**	**$ 32,766**	**$ 5,993**	**$ 15,778**	**$ 946**	**$ 143,323**
Capital expenditures	**$ 11,698**	**$ –**	**$ –**	**$ 1,740**	**$ –**	**$ 13,438**

For the year ended December 31, 2014	San Andres Mine	Brazilian Mines	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	$ 101,581	$ 119,855	$ 43,953	$ –	$ –	$ 265,389
Cost of production	66,756	109,360	54,454	–	–	230,570
Depletion and amortization	9,693	3,232	11,193	–	–	24,118
Gross margin (loss)	$ 25,132	$ 7,263	$ (21,694)	$ –	$ –	$ 10,701
Impairment charges	$ –	$ –	$ (137,502)	$ –	$ –	$ (137,502)
Other expenses	$ (3,931)	$ (2,324)	$ (3,052)	$ (18)	$ (8,694)	$ (18,019)
Income (Loss) before income taxes	$ 21,201	$ 4,939	$ (162,248)	$ (18)	$ (8,694)	$ (144,820)
Property, plant and equipment	$ 51,151	$ 2,987	$ 3,939	$ 33,354	$ 117	$ 91,548
Total assets	$ 85,826	$ 37,436	$ 12,841	$ 33,456	$ 9,933	$ 179,492
Capital expenditures	$ 6,434	$ 513	$ 8,984	$ 6,113	$ 195	$ 22,239

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

30 COMMITMENTS AND CONTINGENCIES

a) Operating commitments

The Company has a one year commitment of $149 for future minimum payments under operating lease.

b) Royalties

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

c) Contingencies

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

Included in other provisions as of December 31, 2015 is a provision of $281 (2014: $522) for loss contingencies related to ongoing legal claims associated with the Brazilian Mines, which were assumed as part of the acquisition of these mines.