Aura Minerals Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2015

Dated as of March 24, 2016

This management's discussion and analysis ("MD&A") should be read in conjunction with Aura Minerals Inc.'s (the "Company" or "Aura Minerals") consolidated financial statements for the year ended December 31, 2015 and related notes thereto (the "Financial Statements") which have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"). In addition, this MD&A should be read in conjunction with the 2015 Annual Information Form ("AIF") dated March 24, 2016, as well as other information relating to Aura Minerals as filed on the Company's profile on SEDAR at www.sedar.com. Unless otherwise noted, references herein to "$" are to thousands of United States dollars. References to "C$" are to thousands of Canadian dollars. Tables are expressed in thousands of United States dollars, except where otherwise noted.

This MD&A has been prepared as at March 24, 2016 and provides information that management believes is relevant to assessing and understanding the financial condition of the Company and the results of operations and cash flows for the quarter and year ended December 31, 2015.

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

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

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1. BACKGROUND AND CORE BUSINESS

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

- *The San Andres Gold Mine ("San Andres", the "San Andres Mine")* – a 100% interest in an open-pit heap leach gold mine located in the highlands of western Honduras, in the municipality of La Union, Department of Copan, approximately 150 kilometres southwest of the city of San Pedro Sula. The mine has been in production since 1983;

- *The Sao Francisco Gold Mine ("Sao Francisco", the "Sao Francisco Mine")* – a 100% interest in an open-pit heap leach gold mine located in the State of Mato Grosso, Brazil, approximately 560 kilometres west of Cuiaba, the state capital. The mine has been in production since 2006;

- *The Aranzazu Copper Mine ("Aranzazu", the "Aranzazu Mine")* – In January 2015, the Company announced a suspension of operations at its wholly-owned Aranzazu open-pit and underground mine operation in the state of Zacatecas, Mexico. As of the date of this MD&A, Aranzazu is on care-and-maintenance and has entered into administration proceedings in Mexico (See *Section 7, Liquidity and Capital Resources*, for additional information); and

- *The Serrote da Laje Project ("Serrote", the "Serrote Project")* – A wholly-owned, development-stage copper-gold-iron project is located in the central-southern part of the State of Alagoas, Brazil, approximately 15 kilometres northwest of the city of Arapiraca. As of the date of this MD&A, Serrote is on care-and-maintenance.

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

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

2. FOURTH QUARTER AND YEAR-END 2015 FINANCIAL AND OPERATING HIGHLIGHTS

- Loss of $11,886 or $0.04 per share for the three months ended December 31, 2015 compared to a loss of $138,605 or $0.61 per share for the three months ended December 31, 2014. Loss for the year ended December 31, 2015 of $14,479 or $0.06 per share compared to a loss of $142,882 or $0.63 per share for the year ended December 31, 2014;
- Impairment charges (included in the above losses) of $8,367 for the three months and year ended December 31, 2015 compared to $137,502 for the three months and year ended December 31, 2014
- Operating cash flow[1] of $6,589 for the fourth quarter of 2015 compared to an operating cash outflow of $1,138 for the fourth quarter of 2014. Operating cash flow[1] of $17,273 for the year ended December 31, 2015 compared to $31,264 for the year ended December 31, 2014;
- Net sales revenue in the fourth quarter of 2015 decreased by 36% over the fourth quarter of 2014. Net sales for the year ended December 31, 2015 decreased by 38% in comparison to the year ended December 31, 2014. Details are as follows:

	For the three months ended December 31, 2015	For the three months ended December 31, 2014	**For the year ended December 31, 2015**	For the year ended December 31, 2014
San Andres, *ounces ("oz")*	**19,364**	22,754	**84,556**	84,553
Sao Francisco, *oz*	**15,831**	19,748	**59,967**	85,921
Sao Vicente, *oz*	-	-	-	9,928
Total ounces sold	**35,195**	42,502	**144,523**	180,402
Realized average gold price per oz	**$ 1,108**	$ 1,203	**$ 1,161**	$ 1,266
Gold sales revenues, *net of local sales taxes*	**$ 37,707**	$ 49,420	**$ 162,018**	$ 221,436
Copper concentrate sales, net	**$ -**	$ 9,101	**$ 3,745**	$ 43,953
Total net sales	**$ 37,707**	$ 58,521	**$ 165,763**	$ 265,389

- The average realized prices per oz for the three months ended December 31, 2015 and 2014 in the above table compared to the average market prices (London PM Fix) of $1,106 per oz and $1,201 per oz, respectively. The average realized price per oz for the years ended December 31, 2015 and 2014 in the above table compared to the average market prices (London PM Fix) of $1,160 per oz and $1,266 per oz, respectively;
- There were no copper concentrate sales for the fourth quarter of 2015. Copper concentrate sales for the three months ended December 31, 2014 were from the shipment of 6,532 dry metric tonnes ("DMT"). Copper Concentrate sales for the years ended December 31, 2015 and 2014 were 4,270 DMT and 28,058 DMT, respectively;

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

- Gold production for the fourth quarter of 2015 was 19% lower than the fourth quarter of 2014 and gold production for the year ended December 31, 2015 was 21% lower than the prior year. Gold production and cash costs[1] for the three and twelve months ended December 31, 2015 and 2014 were as follows:

	For the three months ended December 31, 2015			For the three months ended December 31, 2014		
	Oz Produced	**Cash Costs[1]**		Oz Produced	Cash Costs[1]	
San Andres	**19,169**	**$**	**699**	23,469	$	814
Sao Francisco	**16,047**		**761**	19,960		1,184
Sao Vicente	-		-	-		-
Total / Average	**35,216**	**$**	**727**	43,429	$	984

	For the year ended December 31, 2015			For the year ended December 31, 2014		
	Oz Produced	**Cash Costs[1]**		Oz Produced	Cash Costs[1]	
San Andres	**83,521**	**$**	**779**	88,813	$	744
Sao Francisco	**59,461**		**979**	84,959		1,134
Sao Vicente	-		-	7,393		1,500
Total / Average	**142,982**	**$**	**862**	181,165	$	958

- There was no copper production at Aranzazu for the fourth quarter of 2015. Copper production at Aranzazu for the fourth quarter of 2014 was 2,684,907 pounds; Copper production at Aranzazu for the years ended December 31, 2015 and 2014 was 1,205,983 pounds and 14,593,460 pounds, respectively, a decrease of 92%. On-site average cash cost[1] per pound of copper produced, net of gold and silver credits was $3.91 for the full year of 2015 compared to $2.87 for the full year of 2014;

- On March 2, 2016, the Company obtained a $12,325 gold loan (the "Third Gold Loan") from Auramet International LLC ("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 instalments 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.

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

3. REVIEW OF MINING OPERATIONS AND DEVELOPMENT PROJECTS

San Andres, Honduras

The table below sets out selected operating information for San Andres for the three months and years ended December 31, 2015 and 2014:

	Q4 2015	Q4 2014	YTD 2015	YTD 2014
Ore mined (tonnes)	**1,333,534**	1,716,055	**6,202,143**	6,151,236
Waste mined (tonnes)	**668,663**	1,056,322	**4,326,013**	3,380,374
Total mined (tonnes)	**2,002,197**	2,772,377	**10,528,156**	9,531,610
Waste to ore ratio	**0.50**	0.62	**0.70**	0.55
Ore plant feed (tonnes)	**1,358,480**	1,698,956	**6,149,421**	6,167,074
Grade (g/tonne)	**0.46**	0.47	**0.48**	0.48
Production (ounces)	**19,169**	23,469	**83,521**	88,813
Sales (ounces)	**19,364**	22,754	**84,556**	84,553
Average cash cost per ounce of gold produced[1]	**$ 699**	$ 814	**$ 779**	$ 744

Total combined ore and waste mined during the fourth quarter of 2015 was 28% lower than in the comparable quarter. During the fourth quarter of 2015, ore mined was 22% lower than the comparable quarter and waste mined was 37% lower. The waste to ore ratio was 19% lower when comparing the fourth quarters of 2015 and 2014 due to lower average ore plant feed grade. The decreases in the ore and waste tonnes moved were primarily due to a 20-day suspension of operations during the fourth quarter of 2015.

Total plant feed during the fourth quarter of 2015 was 20% lower than the tonnes processed in the same quarter of 2014. The average ore plant feed grade for the fourth quarter of 2015 decreased by 2% compared to the fourth quarter of 2014.

San Andres achieved successful connection to a newly constructed national power line on July 4, 2015, which is anticipated to result in substantial savings to power costs in combination with the usage of solar power.

Gold production at San Andres in the fourth quarter of 2015 decreased by 18%, primarily due to both lower tonnes processed and lower grade than in the comparable period in 2014.

Average cash cost per oz of gold produced[1] in the fourth quarter of 2015 decreased by 14% over the fourth quarter of 2014 as a result of the lower costs incurred during the 20-day suspension of operations.

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

Sao Francisco, Brazil

The table below sets out selected operating information for Sao Francisco for the three months and years ended December 31, 2015 and 2014:

	Q4 2015	Q4 2014	**YTD 2015**	YTD 2014
Ore mined (tonnes)	**1,293,708**	902,451	**4,098,327**	3,835,332
Waste mined (tonnes)	**304,957**	1,024,287	**2,806,730**	5,192,004
Total mined (tonnes)	**1,598,665**	1,926,738	**6,905,057**	9,027,336
Waste to ore ratio	**0.24**	1.14	**0.68**	1.35
Ore plant feed (tonnes)	**991,250**	1,068,800	**3,944,557**	4,250,691
Grade (g/tonne)	**0.65**	0.58	**0.56**	0.67
Production (ounces)	**16,048**	19,960	**59,461**	84,959
Sales (ounces)	**15,831**	19,748	**59,967**	85,921
Average cash cost per ounce of gold produced[1]	**$ 761**	$ 1,184	**$ 979**	$ 1,134

Total material moved during the fourth quarter of 2015 was 17% lower than the fourth quarter of 2014. The waste to ore ratio was 79% lower than the comparable period in 2014. Material moved was lower due to restrictions resulting from the tightening of the pit and longer haul distances for both waste and ore.

Total plant feed during the fourth quarter of 2015 was 7% lower than in the fourth quarter of 2014. The average ore plant feed grade for the fourth quarter of 2015 was 12% higher than in the fourth quarter of 2014.

Gold production in the fourth quarter of 2015 was 20% lower than the fourth quarter of 2014 due to decreases in both plant feed and recovery. Sao Francisco is expected to complete its mining activities during the third quarter of 2016. Currently, Sao Francisco is mining in areas outside of its original pit mine life.

Average cash cost per oz of gold produced[1] in the fourth quarter of 2015 was 36% lower than in the fourth quarter of 2014 as a result of a site management reorganization and an ongoing focus on cost reduction.

Sao Vicente, Brazil

The table below sets out selected operating information for Sao Vicente for the three months and years ended December 31, 2015 and 2014:

	Q4 2015	Q4 2014	**YTD 2015**	YTD 2014
Production (ounces)	**-**	-	**-**	7,393
Sales (ounces)	**-**	-	**-**	9,928
Average cash cost per ounce of gold produced[1]	**$ -**	$ -	**$ -**	$ 1,500

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

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

Aranzazu, Mexico

The table below sets out selected operating information for Aranzazu for the three months and years ended December 31, 2015 and 2014:

	Q4 2015	Q4 2014	**YTD 2015**	YTD 2014
Ore mined (tonnes)	**-**	244,383	**58,569**	987,939
Ore milled (tonnes)	**-**	232,171	**84,932**	940,634
Copper grade (%)	**-**	0.69%	**0.52%**	0.87%
Gold grade (g/tonne)	**-**	0.39	**0.31**	0.44
Silver grade (g/tonne)	**-**	11.68	**9.01**	14.39
Copper recovery[2]	**-**	74.8%	**55.4%**	82.3%
Gold recovery	**-**	58.4%	**45.6%**	64.1%
Silver recovery	**-**	50.1%	**37.3%**	52.9%
Concentrate production:				
Copper concentrate produced (DMT)	**-**	5,247	**2,359**	28,338
Copper contained in concentrate (%)	**-**	23.2%	**15.4%**	23.3%
Gold contained in concentrate (g/DMT)	**-**	9.3	**7.0**	9.2
Silver contained in concentrate (g/DMT)	**-**	281.0	**188.1**	269.6
Copper contained in concentrate (pounds)	**-**	2,684,907	**1,205,983**	14,593,460
Estimated payable copper produced (pounds)	**-**	2,590,935	**1,163,773**	14,082,689
Estimated payable gold produced (ounces)	**-**	1,627	**831**	8,725
Estimated payable silver produced (ounces)	**-**	47,025	**21,291**	241,125
Average cash cost per pound of copper produced, net of gold and silver credits[1]	**$ -**	$ 2.71	**$ 3.91**	$ 2.87

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

As a result of the Company having been unable to either internally generate or externally raise the financing required to maintain or expand the Aranzazu operations, on January 15, 2015, the Company announced that all mining activities at Aranzazu would be suspended and that all capital projects, including underground development work, would be deferred. Processing of copper concentrates was completed at the end of February 2015. As at the date of this MDA, the Aranzazu project is on care-and-maintenance (See Section 8, Liquidity and Capital Resources, for further information).

On September 14, 2015, the Company filed a Preliminary Economic Assessment ("PEA") National Instrument 43-101 ("NI 43-101") compliant report for the restart of operations at Aranzazu. The PEA indicated a net present value ("NPV") of $103.1 million based on certain assumptions. Readers are encouraged to read the PEA in its entirety, a copy of which is located on SEDAR.

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

Serrote

The Serrote project currently consists of 24 exploration licences totalling 40,899 hectares, 11 exploration applications totalling 19,622 hectares and one mining concession totalling 400 hectares. Serrote's development phase is currently on hold and the project is on care-and-maintenance with expenditures limited to those necessary to maintain the installation licences. On October 1, 2015, Serrote's installation license was granted a renewal until August 2018.

During the year ended December 31, 2013, the Company's wholly-owned subsidiary Mineração Vale Verde Ltda. ("MVV") received Brazilian Reais 45,000 (approximately $20,000) (the "Bridge Loan") from Banco Itaú BBA S.A. ("Itaú"). The Itau Bridge Loan has been utilized by the Company for community resettlement, engineering, long-lead equipment procurement and early site improvements. The Company is continuing to pursue options to maximize the value of Serrote. As at December 31, 2015, the outstanding balance on the Itau Bridge Loan was Brazilian Reais 27,158 (approximately $6,954). As of the date of this MD&A, the Company has fully repaid the Itau Bridge Loan.

Cautionary Statement regarding NI 43-101 Compliance

Readers are encouraged to review the AIF and full text of the Continuous Disclosure Documents filed by the Company. These documents are available on SEDAR and supply further information on the Company's compliance with NI 43-101 requirements.

4. OUTLOOK AND STRATEGY

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

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

Aura Minerals' production and cash cost per oz[1] guidance for the 2016 year is updated as follows:

Gold Mines	**Cash Cost per oz[1]**	**2016 Production**
San Andres	$750 - $800	90,000 – 95,000 oz
Sao Francisco	$700 - $750	40,000 – 45,000 oz
Total	**$725 - $775**	**130,000 - 140,000 oz**

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

For 2016, updated capital spending is expected to be $11,500. Of this amount, $11,200 relates to San Andres and principally includes the Phase VI heap leach expansion, community and other expenditures. The remaining $300 capital expenditure is for Sao Francisco. The Company also expects a total cash outflow of $3,000 on care and maintenance costs for both the Aranzazu mine and the Serrote project during 2016.

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

5. SELECTED FINANCIAL INFORMATION

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

Year ended December 31,	**2015**	2014	2013
Financial Results:			
Revenue	**$ 165,763**	$ 265,389	$ 330,877
Loss for the year	**$ (14,479)**	$ (142,882)	$ (74,193)
Loss per share*	**$ (0.06)**	$ (0.63)	$ (0.32)
Financial Position:			
At December 31,			
Total Assets	**$ 143,323**	$ 179,492	$ 351,508
Debts	**10,393**	31,433	47,229
Deferred income tax liabilities	**1,720**	2,696	12,341
Provision for mine closure and rehabilitation	**17,485**	18,223	21,835
Cash dividends declared per share	**Nil**	Nil	Nil

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

Factors that have caused period-on-period variations include: significant financings and re-financings over the three year period; commodity price variations; the wind-down of operations and processing and subsequent sale of Sao Vicente in 2014; the suspension of operations at Aranzazu in the first quarter of 2015, and impairments recorded on the Company's assets during all three years. The allocation of total assets between the operating segments is presented in note 29 to the consolidated financial statements for the year ended December 31, 2015.

For the year ended December 31, 2015, $93,109 of the revenue was attributable to the sale of gold from San Andres, $68,909 was attributable to the sale of gold from Sao Francisco, and $3,745 was attributable to the sale of copper concentrate from Aranzazu. For the year ended December 31, 2014, $101,581 of the revenue was attributable to the sale of gold from San Andres, $119,855 was attributable to the sale of gold from the Brazilian Mines and $43,953 was attributable to the sale of copper concentrate from Aranzazu. For the year ended December 31, 2013, $88,570 of the revenue was attributable to the sale of gold from San Andres, $201,260 was attributable to the sale of gold from the Brazilian Mines and $41,047 was attributable to the sale of copper concentrate from Aranzazu.

The loss for the year ended December 31, 2015 reflects the gross loss from Aranzazu and an impairment charge of $8,367 on certain assets at Serrote. The loss for the year ended December 31, 2014 reflects the gross loss from Aranzazu and an impairment charge of $137,502 on certain assets recorded at Aranzazu. The loss for the year ended December 31, 2013 reflects the gross loss from Aranzazu and impairment charges of $56,191 recorded on San Andres and the Brazilian Mines.

6. RESULTS OF OPERATIONS

For the year ended December 31, 2015, the Company recorded a loss of $14,479 compared to a loss of $142,882 for the year ended December 31, 2014.

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

		2015		2014
Revenues:				
San Andres	**$**	**93,109**	$	101,581
Brazilian Mines		**68,909**		119,855
Aranzazu		**3,745**		43,953
	$	**165,763**	$	265,389
Cost of Production:				
San Andres	**$**	**71,996**	$	66,756
Brazilian Mines		**64,726**		109,360
Aranzazu		**8,328**		54,454
	$	**145,050**	$	230,570
Depletion and Amortization:				
San Andres	**$**	**6,057**	$	9,693
Brazilian Mines		**476**		3,232
Aranzazu		**–**		11,193
	$	**6,533**	$	24,118
Gross Margin (Loss):				
San Andres	**$**	**15,056**	$	25,132
Brazilian Mines		**3,707**		7,263
Aranzazu		**(4,583)**		(21,694)
	$	**14,180**	$	10,701

Revenues

Revenues for the year ended December 31, 2015 decreased by 38% compared to the year ended December 31, 2014. The decrease in revenues resulted from a 27% and a 92% decrease in gold sales and copper concentrate sales, respectively. The decrease in gold sales is attributable to a 20% decrease in gold sales volumes and an 8% decrease in the realized average gold price per ounce.

Revenue related to Aranzazu's concentrate shipments for the years ended December 31, 2015 and 2014 is comprised as follows:

		2015		2014
Copper revenue, net of treatment and refining charges	**$**	**2,009**	$	32,919
Gold by-product revenue		**1,635**		10,647
Silver by-product revenue		**564**		4,211
Price adjustments recorded		**(463)**		(3,824)
Total revenue	**$**	**3,745**	$	43,953

The decrease in copper concentrate net sales is due to the suspension of operation at Aranzazu. Total copper sales revenues for the years ended December 31, 2015 and 2014 at Aranzazu related to the shipment of 4,270 DMT and 28,058 DMT of copper concentrate, respectively. Total concentrate shipment revenues for the years ended December 31, 2015 and 2014 were $877 per DMT and $1,566 per DMT, respectively.

Cost of Goods Sold

For the years ended December 31, 2015 and 2014, total cost of goods sold from San Andres was $78,053 or $923 per oz compared to $76,449 or $904 per oz, respectively. For the years ended December 31, 2015 and 2014, cash operating costs were $851 per oz and $790 per oz, respectively, while non-cash depletion and amortization charges were $72 per oz and $115 per oz, respectively.

At the Brazilian Mines, for the years ended December 31, 2015 and 2014, total cost of goods sold was $65,202 or $1,087 per oz compared to $112,592 or $1,175 per oz, respectively. For the years ended December 31, 2015 and 2014, cash operating costs were $1,079 per oz and $1,141 per oz, respectively, while non-cash depletion and amortization charges were $8 per oz and $34 per oz, respectively.

Total cost of goods sold from Aranzazu for the years ended December 31, 2015 and 2014 was $8,328 or $1,950 per DMT and $65,647 or $2,340 per DMT, respectively. For the years ended December 31, 2015 and 2014, cash operating costs were $1,950 per DMT and $1,941 per DMT, respectively, while non-cash depletion and amortization charges were $Nil and $399 per DMT, respectively. For the year ended December 31, 2014, cash operating costs included accruals for suspension and termination costs of $4,793.

Other Expenses, Exploration Costs and Impairment Charges

For the years ended December 31, 2015 and 2014, general and administrative costs include:

		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		**234**		548
Amortization		**304**		379
Travel expenses		**114**		237
Other		**1,676**		3,035
	$	**8,422**	$	13,075

Salaries, wages and benefits and travel decreased as a result of ongoing corporate reorganizations. Professional and consulting fees decreased due to non-recurring expenditures incurred in 2014 on the closure of Sao Vicente. Share-based payment expenses decreased significantly as a result of a lower value assigned to stock options granted during the period and prior period forfeitures.

Other expenses for the years ended December 31, 2015 and 2014 include insurance premiums, merger and acquisition costs, occupancy costs, legal settlements, withholding taxes paid for foreign consultants and software expenses. Other expenses decreased significantly due to the implementation of cost reduction programs on computer support service outsourcing and office expenses and lower utilization of foreign consultants.

Exploration costs for the years ended December 31, 2015 and 2014 include:

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

For the years ended December 31, 2015, and 2014, the Company recorded impairment charges of $8,367 on Serrote and $137,502 on Aranzazu. See *Section 16 b), Critical Accounting Estimates* for further details.

Finance and Other Income and Expenses, Taxes, and Loss

Finance costs for the years ended December 31, 2015 and 2014 included the following:

		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

The decrease in accretion expenses relates to decreases in both the provisions for mine closure and restoration and net smelter return royalty payable. The increase in interest expense on debts is mainly attributed to the higher interest rate on the outstanding balance of the Itau Bridge Loan. The decrease in other interest and finance costs reflects the expensing of unamortized transaction costs incurred on the Credit Facility and transaction costs incurred on the Gold loans in 2014. See *Section 8, Liquidity and Capital Resources* for further details.

Other gains for the years ended December 31, 2015 and 2014 consisted of:

		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		**1,227**		1,836
Change in estimate of provision for mine closure and restoration		**140**		1,033
Gain on disposal of Sao Vicente Mine		**–**		2,618
Change in fair value of gold loans		**(1,474)**		(1,238)
Change in estimates of net smelter royalty payable		**137**		(242)
Other items		**(3,207)**		(225)
	$	**4,869**	$	2,193

The increase in the gain on disposal of assets is related to disposal of items of supplies inventory and equipment at the Aranzazu Mine to settle certain outstanding accounts payable. The decrease in the net gain on gold collar and fixed price contracts is principally due to the lower level of price protection entered into during 2015 in comparison to 2014. During 2014, the Company disposed of the assets and liabilities of Sao Vicente resulting in a gain of $2,618. The change in the fair value of the gold loans reflects higher mark-to-market fair value adjustments on the gold loans during 2015 over the mark-to-market fair value adjustments on the gold loans in 2014. Other items increased from the year ended December 31, 2014 due to additional charges incurred relating to withholding and corporate income taxes at San Andres.

The income tax expense for the year ended December 31, 2015 was $10,751 and consisted of $7,584 in current income tax expense related to San Andres, and $3,167 of deferred income tax recovery which is also related to San Andres. The income tax recovery for the year ended December 31, 2014 was $1,938 and consisted of $8,598 and $320 in current income tax expense related to San Andres and Aranzazu, respectively and $10,856 of deferred income tax recovery which is related to the impairment charge at Aranzazu.

Other comprehensive losses

Other comprehensive losses for the years ended December 31, 2015 and 2014 were $6,046 and $1,762 respectively, related to the translation of foreign subsidiaries from their functional currencies into the Company's presentation currency and the recognition of unrealized actuarial gains and losses on post-employment benefits.

7. SUMMARY OF QUARTERLY RESULTS

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

Fiscal quarter ended	**December 31, 2015**	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Revenue	**$37,707**	$41,219	$38,632	$48,205	$58,521	$76,592	$65,249	$65,027
Working capital	**($5,408)**	($2,524)	($8,079)	($8,372)	($4,409)	$11,030	$8,080	$7,697
Property, plant and equipment	**$78,428**	$85,767	$90,911	$89,128	$91,548	$226,918	$231,415	$227,780
Impairment charges[1]	**($8,367)**	$0	$0	$0	($137,502)	$0	$0	$0
(Loss) income for the period	**($11,886)**	$4,837	($1,522)	($5,908)	($138,605)	$776	$4,020	($9,073)
(Loss) income per share - basic and diluted	**($0.04)**	$0.02	($0.01)	($0.03)	($0.61)	$0.01	$0.02	($0.04)
Operating cash flow[2]	**$6,589**	$4,198	$2,387	$4,099	($1,138)	$12,147	$13,149	$7,106

(1) For the quarters ended December 31, 2015 and 2014, impairment charges were recorded on Serrote and Aranzazu, respectively.
(2) A cautionary note regarding non-GAAP measures is included in Section 19 of this MD&A.

Refer to Section 8, Liquidity and Capital Resources, for changes in cash and cash equivalents. For further additional information on period to period variations, see *Section 3, Review of Mining Operations and Development Projects, Section 5. Selected Financial Information* and *Section 6, Results of Operations.*

8. LIQUIDITY AND CAPITAL RESOURCES

The changes in cash and cash equivalents for the years ended December 31, 2015 and 2014 are presented in the table below:

		2015		2014
Cash flow generated by operating activities	**$**	**20,999**	$	32,894
Cash flow used by investing activities		**(11,591)**		(15,928)
Cash flow used by financing activities		**(14,938)**		(24,452)
Effect of exchange rate changes on cash and cash equivalents		**(40)**		(42)
Decrease in cash and cash equivalents	**$**	**(5,570)**	$	(7,528)

Significant capital expenditures during the year ended December 31, 2015 of $11,698 and $1,740 were for infrastructure and development at San Andres and Serrote, respectively. Significant capital expenditures during the year ended December 31, 2014 included $6,434, $6,113, and $8,984 on the infrastructure and development at San Andres, the Serrote project and Aranzazu, respectively.

Cash flows used by financing activities for the year ended December 31, 2015 include a $17,625 repayment on the Second Gold Loan, $861 and $204 on principal and interest payments, respectively, on the short-term promissory note at San Andres and $2,773 and $1,739 on principal and interest payments, respectively, on the Bridge loan. On June 9, 2015, the Company also completed a non-brokered private placement of 57,009,346 common shares at a price of $0.107 per share. The Company received net proceeds of $4,928 from this private placement.

The outstanding Barclays and Credit Suisse credit facility (the "Credit Facility") balance of $22,425 (including payment-in-kind interest of $406 from January 1, 2014 to March 17, 2014) was fully repaid on March 17, 2014 from the proceeds of a Gold Loan received from Auramet. This Gold Loan was fully repaid during the fourth quarter of 2014. On December 2, 2014, the Company obtained an additional $15,500 gold loan (the "Second Gold Loan") from Auramet 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. The Second Gold Loan was fully repaid during 2015.

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 recorded a net loss of $14,479. The Company's Aranzazu Mine filed for administrative proceedings in Mexico on March 25, 2015. This process was approved by the Mexican Federal Court on May 4, 2015. Management has been informed that the administrative process in Mexico is similar in structure to that pertaining to Canada.

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.

9. CONTRACTUAL OBLIGATIONS

For the three months and year ended December 31, 2015 and as at the date of this MD&A, the Company has not entered into any contractual obligations that are outside the ordinary course of business.

As at December 31, 2015, the Company's contractual obligations included the following:

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total
Trade and other payables	$ 31,954	$ -	$ -	$ -	$ 31,954
Short-term loans and gold loan repayment	7,642	2,751	-	-	10,393
Provision for mine closure and restoration	2,118	1,845	318	13,204	17,485
Other liabilities	4,613	2,721	1,441	-	8,775
Total contractual obligations	$ 46,327	$ 7,317	$ 1,759	$ 13,204	$ 68,607

As of December 31, 2015, the Company had made no capital commitments.

The above table includes the Company's estimated obligations to reclaim San Andres, Sao Francisco and Aranzazu following the completion of mining activities at those sites. The total undiscounted amounts of the estimated obligations for restoration and closure of all operations, adjusted by estimated annual inflation at each location, are approximately $24,449. The amounts reflected in the above table represent the discounted amounts of the estimated obligations for restoration and closure of the operations. Ongoing reclamation costs incurred as part of normal mining operations are expensed as incurred.

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

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

10. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no other off-balance sheet arrangements as of December 31, 2015. Refer to *Section 14, Acquisition of Ernesto / Pau-a-Pique Project*.

11. TRANSACTIONS WITH RELATED PARTIES

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 $242 and $798 (2014: $Nil and $Nil respectively). As at December 31, 2015, the Company owed $300 (December 31, 2014: $Nil) to Acumen.

12. FOURTH QUARTER

Revenue for the three months ended December 31, 2015 and 2014 was $37,707 and $58,521 respectively. The Company's revenue for the fourth quarter of 2015 is solely attributed to gold sales of $37,707, as compared to $49,420 from gold sales, and $9,101 from copper concentrate sales, respectively, in the fourth quarter of 2014. The 24% decrease in gold sales resulted from a 17% decrease in ounces sold and an 8% decrease in the average realized gold price per oz. No copper concentrate sales were recorded during the three months ended December 31, 2015.

For the three months ended December 31, 2015, the Company recorded total cost of goods sold of $30,738 or $873 per ounce. Cost of goods sold included net realizable value write-downs of $2,628 or $166 per ounce.

For the three months ended December 31, 2014, the Company recorded total cost of goods sold of $65,332. Cost of gold sold of $45,281 or $1,065 per ounce included net realizable value write-downs of $1,161 or $12 per ounce. Cost of copper concentrate sold of $20,051 or $3,069 per DMT included net realizable value write-downs of $3,698 or $566 per pound.

Other expense items for the fourth quarter of 2015 include general and administrative expenses of $1,740 (2014: $3,601), care-and-maintenance costs for Aranzazu of $290 (2014: $Nil), impairment charges of $8,367 (2014: $137,502), finance costs of $785 (2014: $1,138), and other gains of $2,124 (2014: $2,420).

Net loss before income taxes for the fourth quarter of 2015 was $2,321 (2014: $146,741). The income tax expense for the fourth quarter of 2015 was $9,565 (2014: recovery of $8,136).

For the fourth quarter of 2015, the Company recorded a loss of $11,886 or $0.04 per share. This compares to a loss of $138,605 or $0.61 per share for the fourth quarter of 2014.

13. PROPOSED TRANSACTIONS

Other than as disclosed in this MD&A, there are no ongoing or proposed asset or business acquisitions or dispositions currently under consideration. Refer to *Section 14, Acquisition of Ernesto / Pau-a-Pique Project*.

14. 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.

The Company anticipates that the closing of the acquisition will occur shortly.

15. CHANGES IN ACCOUNTING POLICIES

a) Accounting standards issued but not yet adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company reviewed the new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 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 statments.

16. CRITICAL ACCOUNTING ESTIMATES

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 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 cash generating unit ("CGU") is measured at the higher of fair value less cost of disposal ("FVLCD") or value in use ("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.

Serrote Impairment - 2015

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.

Aranzazu Impairment - 2014

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 Aranzazu. 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.

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.

17. CORPORATE GOVERNANCE

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

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

18. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for designing and maintaining adequate internal controls over financial reporting ("ICFR"), under the supervision of the CEO and CFO, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with IFRS. Management is also responsible for the design and effectiveness of disclosure controls and procedures ("DC&P"), under the supervision of the CEO and CFO, to provide reasonable assurance that material information related to the Company is made known to the Company's certifying officers. Based on a review of the ICFR and DC&P as of December 31, 2015 and ongoing review and monitoring of these procedures, and as there were no changes in ICFR or DC&P in the year ended December 31, 2015 which have materially affected or are reasonably likely to materially affect ICFR or DC&P, management of the Company believes its internal controls and procedures are appropriately designed and effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner, and that material information relating to the Company is made known to them.

19. NON-GAAP PERFORMANCE MEASURES

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

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

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

(In thousands of dollars except for ounces of gold produced and average cash cost per ounce)		**For the three months ended December 31, 2015**		For the three months ended December 31, 2014		**For the year ended December 31, 2015**		For the year ended December 31, 2014
Cost of goods sold	**$**	**30,738**	$	45,281	**$**	**143,255**	$	189,041
Less: Depletion and amortization		**(1,662)**		(3,881)		**(6,533)**		(12,925)
Inventory movements and adjustments		**(3,457)**		1,334		**(13,469)**		(2,614)
Total cash cost	**$**	**25,619**	$	42,734	**$**	**123,253**	$	173,502
Gold ounces produced		**35,217**		43,429		**142,982**		181,165
Average cash cost per ounce of gold produced	**$**	**727**	$	984	**$**	**862**	$	958

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

(In thousands of dollars except for pounds of contained copper produced and average cash cost per pound of copper produced)		**For the three months ended December 31, 2015**		For the three months ended December 31, 2014		**For the year ended December 31, 2015**		For the year ended December 31, 2014
Cost of goods sold	**$**	**-**	$	20,051	**$**	**8,328**	$	65,647
Less: Depletion and amortization		**-**		(2,914)		**-**		(11,193)
Inventory movements and adjustments		**-**		(6,188)		**1,087**		(2,665)
Cash production costs	**$**	**-**	$	10,949	**$**	**9,415**	$	51,789
Less: Estimated by-product credits		**-**		(3,667)		**(2,199)**		(14,858)
Plus: Estimated selling costs		**-**		-		**(2,501)**		4,955
Total cash costs net of by-product credits	**$**	**-**	$	7,282	**$**	**4,715**	$	41,886
Contained copper pounds produced		**-**		2,684,907		**1,205,983**		14,593,460
Average cash cost per pound of copper produced	**$**	**-**	$	2.71	**$**	**3.91**	$	2.87

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

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

	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Operating (loss) gain	**$ (3,660)**	$ 2,683	$ (375)	$ (2,679)	$ (148,023)	$ 4,525	$ 8,491	$ (5,409)
Add back:								
Depletion and amortization	**1,791**	1,303	1,898	1,845	6,873	5,558	3,413	8,653
Write-down of inventory to net realizable value	**144**	114	777	4,868	2,444	1,957	1,080	3,652
Share based payments	**37**	85	47	65	66	107	165	210
Other non-cash expenses	**(90)**	13	40	-	-	-	-	-
Impairment charges	**8,367**	-	-	-	137,502	-	-	-
Operating cash flow	**$ 6,589**	$ 4,198	$ 2,387	$ 4,099	$ (1,138)	$ 12,147	$ 13,149	$ 7,106

20. RISK FACTORS

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

21. DISCLOSURE OF SHARE DATA

As at March 24, 2016, the Company had the following outstanding: 286,195,965 common shares, 21,349,484stock options, 4,500,000 share purchase warrants and 1,411,297 restricted share units.

22. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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