Aura Minerals Inc.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(Unaudited)

NOTICE TO READER – FROM AURA MINERALS INC.

The unaudited condensed interim consolidated financial statements of Aura Minerals Inc. including the accompanying condensed interim consolidated statements of financial position as at March 31, 2016, and December 31, 2015, the condensed interim consolidated statements of loss, comprehensive loss and cash flows for the three months ended March 31, 2016 and 2015, and the condensed interim consolidated statements of change in equity for the three months ended March 31, 2016 and 2015 are the responsibility of the Company's management.

The unaudited condensed interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgements and estimates necessary to prepare the unaudited condensed interim financial statements in accordance with International Financial Reporting Standards for interim consolidated financial statements. The independent auditor of the Company has not performed a review of these unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016 and 2015.

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Loss

For the three months ended March 31, 2016 and 2015

Expressed in thousands of United States dollars

(Unaudited)

	Note		2016		2015
Revenue	9	**$**	**35,451**	$	48,205
Cost of goods sold	10		**27,922**		48,119
Gross margin			**7,529**		86
General and administrative expenses	11		**2,316**		2,618
Care and maintenance expenses			**718**		–
Exploration expenses			**94**		147
Operating income (loss)			**4,401**		(2,679)
Finance costs			**(852)**		(850)
Other (losses) gains	12		**(2,679)**		907
Income (loss) before income taxes			**870**		(2,622)
Income tax expense			**(888)**		(3,286)
Loss for the period		**$**	**(18)**	$	(5,908)
Loss per share:					
Basic and diluted		**$**	**(0.00)**	$	(0.03)
Weighted average number of common shares outstanding:					
Basic and diluted			**286,017,009**		228,525,305

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

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three months ended March 31, 2016 and 2015

Expressed in thousands of United States dollars

(Unaudited)

		2016		2015
Loss for the period	**$**	**(18)**	$	(5,908)
Other comprehensive loss				
Loss on foreign exchange translation of subsidiaries		**(457)**		(3,171)
Actuarial gain on post employment benefit, net of tax		**22**		20
Other comprehensive loss, net of tax		**(435)**		(3,151)
Total comprehensive loss	**$**	**(453)**	$	(9,059)

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

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended March 31, 2016 and 2015

Expressed in thousands of United States dollars

(Unaudited)

For the three months ended March 31,	**Note**	**2016**	2015
Cash flows from operating activities			
Loss for the period		**$ (18)**	$ (5,908)
Items not affecting cash	13(a)	**5,592**	11,289
Changes in non-cash working capital	13(b)	**(1,049)**	(4,476)
Other assets and liabilities		**(2,051)**	346
Net cash generated by operating activities		**2,474**	1,251
Cash flows from investing activities			
Purchase of property, plant and equipment		**(191)**	(4,089)
Proceeds from sale of fixed assets		**–**	21
Net cash used in investing activities		**(191)**	(4,068)
Cash flows from financing activities			
Proceeds received from gold loan	7(b)	**12,325**	–
Draw down of short-term loans	7(a)(i)	**–**	2,160
Proceed from stock options exercised	8(b)	**18**	–
Repayment of gold loans		**–**	(2,910)
Repayment of short-term loans	7(a)(ii)	**(6,825)**	(1,539)
Repayment of other liabilities		**(2,537)**	(734)
Increase in restricted cash	14	**(1,548)**	–
Interest paid on debt		**(420)**	(701)
Finance lease payments		**–**	(224)
Net cash generated (used) in financing activities		**1,013**	(3,948)
Increase (Decrease) in cash and cash equivalents		**3,296**	(6,765)
Cash and cash equivalents, beginning of the period		**2,261**	7,831
Cash and cash equivalents, end of the period		**$ 5,557**	$ 1,066

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

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2016 and December 31, 2015

Expressed in thousands of United States dollars

(Unaudited)

	Note	March 31, 2016	December 31, 2015
ASSETS			
Current			
Cash and cash equivalents		**$ 5,557**	$ 2,261
Restricted cash	14	**1,548**	–
Trade and other receivables	3	**16,885**	14,493
Inventory	4	**37,171**	36,083
Other current assets		**3,151**	2,494
		64,312	55,331
Other long-term assets		**11,718**	9,436
Property, plant and equipment	5	**75,031**	78,428
Deferred income tax assets		**–**	128
		$ 151,061	$ 143,323
LIABILITIES			
Current			
Trade and other payables	6	**$ 32,632**	$ 31,954
Derivative liabilities	14	**2,982**	–
Current portion of debts	7	**10,882**	7,642
Current income tax liabilities		**14,687**	14,412
Current portion of provision for mine closure and restoration		**2,118**	2,118
Current portion of other liabilities		**2,101**	4,613
		65,402	60,739
Debts	7	**5,849**	2,751
Deferred income tax liabilities		**1,833**	1,720
Provision for mine closure and restoration		**15,498**	15,367
Other provisions		**6,101**	5,904
Other liabilities		**4,093**	4,162
		98,776	90,643
SHAREHOLDERS' EQUITY			
Share capital	8	**542,677**	542,649
Contributed surplus		**54,492**	54,463
Accumulated other comprehensive loss		**(7,409)**	(6,952)
Deficit		**(537,475)**	(537,480)
		52,285	52,680
		$ 151,061	$ 143,323

Nature of operations and going concern (note 1)

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 unaudited condensed interim consolidated financial statements.

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Changes in Equity

As at March 31, 2016 and 2015

Expressed in thousands of United States dollars

(Unaudited)

	Note	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
At December 31, 2015		**285,986,796**	**$ 542,649**	**$ 54,463**	**$ (6,952)**	**$ (537,480)**	**$ 52,680**
Loss for the period		–	–	–	–	(18)	(18)
Loss on translation of subsidiaries		–	–	–	(457)	–	(457)
Actuarial gain on severance liability, net of tax		–	–	–	–	22	22
Shares issued on exercise of stock options	8(b)	209,169	28	(10)	–	–	18
Share-based payments	8(c)	–	–	39	–	–	39
At March 31, 2016		**286,195,965**	**$ 542,677**	**$ 54,492**	**$ (7,409)**	**$ (537,475)**	**$ 52,285**

	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		–	–	–	–	(5,908)	(5,908)
Loss on translation of subsidiaries		–	–	–	(3,171)	–	(3,171)
Actuarial gain on severance liability, net of tax		–	–	–	–	20	20
Share-based payments	8(c)	–	–	65	–	–	65
At March 31, 2015		**228,525,305**	**$ 537,684**	**$ 54,227**	**$ (4,059)**	**$ (528,907)**	**$ 58,945**

The accompanying notes form an integral part of these unaudited condensed interim 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 has a 100% interest in each of the following mining operations and projects:

- the San Andres gold mine in Honduras (the "San Andres Mine");
- the Sao Francisco gold mine in Brazil (the "Sao Francisco Mine");
- the Aranzazu mine in Mexico (the "Aranzazu Mine"), which produces a copper-gold-silver concentrate and is currently on care-and-maintenance; and
- the development-stage copper, gold and iron ore Serrote de Laje project in Brazil (the "Serrote Project") which is currently on care-and-maintenance.

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 condensed interim 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 $537,475 at March 31, 2016. For the three months ended March 31, 2016, the Company incurred a net loss of $18. 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. Although management is confident that the Company will be able to generate funding internally from its operations, there are no assurances that the Company will be successful. These condensed interim 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 condensed interim consolidated financial statements of Aura Minerals for the three months ended March 31, 2016 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS34, *"Interim Financial Reporting."*

These condensed interim consolidated financial statements follow the same accounting policies and methods of application, and should be read in conjunction with, the audited annual consolidated financial statements of the Company for the year ended December 31, 2015. These condensed interim consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015.

These financial statements were approved for issue by the board of directors effective May 10, 2016.

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

3 TRADE AND OTHER RECEIVABLES

		March 31, 2016		December 31, 2015
Value added taxes receivable	**$**	**24,334**	$	22,070
Trade accounts receivable		**543**		137
Other receivables		**2,368**		322
Total trade and other receivables	**$**	**27,245**	$	22,529
Less: non-current portion of receivables		**(10,360)**		(8,036)
Trade and other receivables recorded as current assets	**$**	**16,885**	$	14,493

Due to their short-term maturities, the fair value of trade and other receivables approximate their carrying value. As of March 31, 2016 there is no allowance for doubtful accounts.

4 INVENTORY

		March 31, 2016		December 31, 2015
Finished product	**$**	**9,808**	$	8,407
Work-in-process		**12,939**		12,344
Parts and supplies		**14,424**		15,332
Total inventory	**$**	**37,171**	$	36,083

During the three months ended March 31, 2016 the cost of inventories recognized as an expense (note 10) was $27,922 (2015: $48,119). For the three months ended March 31, 2016, there were no write-downs of inventory to bring finished product and work-in-process inventories to net realizeable value (2015: $4,868 included as part of the cost of inventories).

5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment movements for the three months ended March 31, 2016 and for the year ended December 31, 2015 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, 2016	$ 54,385	$ 17,466	$ 704	$ 612	$ 5,261	$ 78,428
Additions	345	–	94	–	498	937
Reclassifications and adjustments	–	1,495	(22)	18	(3,691)	(2,200)
Depletion and amortization	(1,594)	(351)	(55)	(134)	–	(2,134)
Net book value at March 31, 2016	$ 53,136	$ 18,610	$ 721	$ 496	$ 2,068	$ 75,031
Consisting of:						
Cost	165,711	53,333	11,387	85,451	2,068	317,950
Accumulated depletion and amortization	(112,575)	(34,723)	(10,666)	(84,955)	–	(242,919)
	$ 53,136	$ 18,610	$ 721	$ 496	$ 2,068	$ 75,031

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

	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	$ 612	$ 5,261	$ 78,428
Consisting of:						
Cost	165,366	51,838	11,315	85,433	5,261	319,213
Accumulated depletion and amortization	(110,981)	(34,372)	(10,611)	(84,821)	–	(240,785)
	$ 54,385	$ 17,466	$ 704	$ 612	$ 5,261	$ 78,428

For the three months ended March 31, 2016, depletion and amortization expenses of $2,116 (2015: $1,780) have been charged to cost of goods sold, and $46 (2015: $65) have been charged to general and administrative expenses.

For the three months ended March 31, 2016, the impairment indicators included in the annual consolidated financial statements as of December 31, 2015, note 10, did not change significantly, and therefore no further impairments or reversals of previously recorded impairments have been recorded.

6 TRADE AND OTHER PAYABLES

	March 31, 2016	December 31, 2015
Trade accounts payable	**$ 17,650**	$ 19,550
Other payables	**4,326**	4,099
Accrued liabilities	**7,177**	6,500
Deferred revenue	**3,479**	1,805
	$ 32,632	$ 31,954

7 DEBTS

	March 31, 2016	December 31, 2015
Term loans (note 7(a((i))	**$ 3,438**	$ 10,393
Gold loan (note 7(b))	**13,293**	–
	$ 16,731	$ 10,393
Less: current portion	**(10,882)**	(7,642)
Non-current portion	**$ 5,849**	$ 2,751

a) Short-term loans

i) Short-term 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 ended December 31, 2015, Banco Occidente approved a six month grace period on principal payments from November 2015 to April 2016, and extended the maturity date of the Promissory Note to October 2, 2018.

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

As at March 31, 2016, the outstanding balance on the Promissory Note was $3,438 (December 31, 2015: $3,438).

For the three months ended March 31, 2016, the Company incurred $43 (2015: $15) 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 bore interest at the Interbank Deposit Rate plus 6.0% and originally matured on July 31, 2013. The Company obtained a series of extensions for the repayment of the debt.

As at March 31, 2016, the Company had fully repaid the outstanding balance on the Itau Bridge Loan using the proceeds of the Third Gold Loan (note 7(b)) (December 31, 2015: $6,954).

For the three months ended March 31, 2016, the Company recorded an interest expense of $242 (2015: $477).

b) Gold Loans

		March 31, 2016		December 31, 2015
Balance, beginning of period	**$**	**–**	$	16,151
Proceeds from gold loans, net of warrants issued		**12,325**		–
Repayments during the period		**–**		(17,625)
Changes in fair value		**968**		1,474
Balance, end of period	**$**	**13,293**	$	–

On December 2, 2014, the Company obtained a $15,500 gold loan (the “Second Gold Loan”) from Auramet International LLC (“Auramet”). The proceeds of the Second Gold Loan were used for the Company’s working capital requirements. The Second Gold Loan was repaid in 50 weekly installments of 305 ounces of gold, which payments commenced on February 13, 2015.

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 has an exercise price of $0.11 and an expiry date of twenty-four (24) months from issuance. The warrants were issued on December 2, 2014 and fair valued at $57.

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 fair value through profit and loss (“FVTPL”) and marked-to-market at each period end with changes in fair value recorded as other losses and gains.

During the three months ended March 31, 2015, the Company recorded a mark-to-market loss of $969 on the Second Gold Loan. The Second Gold Loan was fully repaid during the year ended December 31, 2015.

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 being 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 loan, the Third Gold Loan may be repaid at any time with no early repayment penalties.

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

The Third Gold Loan was recorded at $12,325 at initial recognition, which was equal to the fair value of 12,002 ounces of gold deliverable. The Company designated the Third 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 losses and gains.

During the three months ended March 31, 2016, $161 of transaction costs, in respect of the Third Gold Loan, were included as part of the finance costs in the condensed interim consolidated statements of loss and the Company has recorded a mark-to-market loss of $968 on the Third Gold Loan.

The Third Gold Loan requires the Company to maintain a cash and cash equivalent balance of $3,000 at all times, with a 15 day period of grace to correct the balance if it falls below the minimum cash balance. As at, and subsequent to, March 31, 2016, the Company has been in compliance with the minimum cash balance requirement.

Subsequent to March 31, 2016, the Company has delivered 353 ounces of gold in payment of the Third Gold Loan valued at $441.

8 SHARE CAPITAL

a) Authorized – Unlimited number of common shares

b) Stock options

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

	Number of options	Weighted average price C$
Balance, December 31, 2015	**18,501,233**	0.62
Granted	3,955,000	0.09
Exercised	(209,169)	0.11
Forfeited / Expired	(3,897,365)	0.93
Balance, March 31, 2016	**18,349,699**	**0.44**

c) Share-based payment expense

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. Share-based payment expense recognized in general and administrative expense in the condensed interim consolidated statements of loss for the three months ended March 31, 2016 totaled $39 (2015: $65).

During the three months ended March 31, 2016, the Company granted 3,955,000 stock options to its employees at an exercise price of C$0.085 (2015: no grants).

There were no restricted share units issued during the three months ended March 31, 2016 and 2015.

9 REVENUES BY NATURE

For the three months ended March 31,		**2016**		2015
Gold sales	**$**	**35,451**	$	43,877
Copper concentrate sales, net		**–**		4,328
	$	**35,451**	$	48,205

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

10 COST OF GOODS SOLD BY NATURE

For the three months ended March 31,		2016		2015
Direct mine and mill costs	**$**	**25,806**	$	41,471
Write-down of inventory to net realizable value		**–**		4,868
Depletion and amortization (note 5)		**2,116**		1,780
	$	**27,922**	$	48,119

11 GENERAL AND ADMINISTRATIVE EXPENSES

For the three months ended March 31,		2016		2015
Salaries, wages and benefits	**$**	**1,247**	$	965
Professional and consulting fees		**539**		858
Directors' fees		**43**		74
Share-based payment expense (note 8(c))		**39**		65
Amortization (note 5)		**46**		65
Travel expenses		**28**		43
Other		**374**		548
	$	**2,316**	$	2,618

12 OTHER (LOSSES) GAINS

For the three months ended March 31,		2016		2015
Foreign exchange gain	**$**	**1,155**	$	1,688
Gain (loss) on disposal of assets		**1,533**		(21)
Change in estimates of net smelter royalty payable		**129**		71
Net (loss) gain on gold collar and fixed price contracts		**(4,714)**		107
Change in fair value of gold loans (note 7(b))		**(968)**		(969)
Other items		**186**		31
	$	**(2,679)**	$	907

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

13 CASH FLOW INFORMATION

a) Items not affecting cash

For the three months ended March 31,		2016		2015
Deferred and current income tax expense	$	888	$	3,286
Depletion and amortization (note 5)		2,162		1,845
Write-down of inventory to net realizable value (note 4)		–		4,868
Accretion expense		315		573
Change in fair value of gold loans (note 7(b))		968		969
Periodic service, past service and finance costs on post-employment benefit		266		252
Unrealized loss (gain) on gold collar and fixed price contracts		2,982		(396)
Share-based payment expense (note 8(c))		39		65
Foreign exchange gain		(366)		(123)
(Gain) loss on disposal of assets		(1,533)		21
Change in other liabilities		(129)		(71)
	$	5,592	$	11,289

b) Changes in non-cash working capital

For the three months ended March 31,		2016		2015
Trade and other receivables	$	(1,343)	$	1,013
Inventory		(1,059)		(1,438)
Trade and other payables		1,353		(4,051)
	$	(1,049)	$	(4,476)

14 FINANCIAL INSTRUMENTS

Fixed price contracts

At December 31, 2015, the Company did not have any fixed price contracts outstanding. During the three months ended March 31, 2016, the Company entered into fixed price contracts to hedge 27,000 ounces of gold expiring between January 29, 2016 and July 29, 2016 at an average price of $1,139 per ounce of gold. At March 31, 2016, the Company had 10,639 ounces of outstanding fixed price contracts at an average price of $1,181 per ounce of gold. For the three months ended March 31, 2016, the Company has recorded a realized loss of $1,280 on the expired fixed price contracts and an unrealized loss of $597 on the outstanding fixed priced contracts.

As at March 31, 2016, the Company has recorded a derivative liability on these outstanding fixed price contracts of $597 (December 31, 2015: $nil).

At March 31, 2015, the Company had 13,746 ounces of outstanding fixed price contracts at an average price of $1,240 per ounce of gold. For the three months ended March 31, 2015, the Company recorded a realized loss on expired fixed price contracts of $289 and an unrealized gain of $735 on the outstanding fixed price contracts.

During the three months ended March 31, 2016, the Company also entered into a call option program on 35,000 ounces of gold expiring between March 29, 2016 and July 27, 2016 with strike prices of between $1,140 and $1,175 and advanced $2,000 to Auramet as a margin deposit. During the three months ended March 31, 2016, the Company recorded a realized loss of $452 on the call of 5,000 options and repaid this amount from the margin deposit. For the three months ended March 31,2016, the Company has recorded an unrealized loss of $2,385 on the 30,000 outstanding call options.

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

As at March 31, 2016, the Company has recorded a derivative liability of $2,385 on the outstanding call options (December 31, 2015: $nil).

The fixed price contracts and call options 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 condensed interim consolidated statements of loss in other (losses) gains.

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Company's financial assets and liabilities measured at fair value on a recurring basis at March 31, 2016 and December 31, 2015 are summarized in the following table:

	Level	**March 31, 2016**		December 31, 2015	
Financial Assets		**Carrying value**	**Fair value**	Carrying value	Fair value
Loans and receivables, measured at amortized cost					
Accounts receivable	N/A	**$2,911**	**$2,911**	$459	$459
Other assets	N/A	**2,408**	**2,408**	1,400	1,400
		$5,319	**$5,319**	$1,859	$1,859
Financial Liabilities					
At fair value through profit and loss					
Gold loan	2	**$13,293**	**$13,293**	–	–
Derivative liabilities	2	**2,982**	**2,982**	–	–
Other financial liabilities, measured at amortized cost					
Accounts payable and accrued liabilities	N/A	**$32,631**	**$32,631**	$31,954	$31,954
Short-term loans	N/A	**3,438**	**3,438**	10,393	10,393
Other provisions	3	**5,266**	**5,266**	5,143	5,143
Other liability	3	**6,194**	**6,194**	8,775	8,775
		$63,804	**$63,804**	$56,265	$56,265

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

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

16 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 three months ended March 31, 2016, the Company paid consulting fees to Acumen of $180 (2015: $292). As at March 31, 2016, the Company owed $534 (December 31, 2015: $300) to Acumen.

17 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 is subject to the receipt of regulatory approvals in Brazil including both antitrust and national defense regulatory requirements (the "regulatory approval period"). Pursuant to the 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 EPP 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 transaction to acquire the EPP Project will occur shortly.

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

18 SEGMENTED INFORMATION

The reportable operating segments have been identified as the San Andres Mine, the Sao Francisco Mine, 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 both 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 three months ended March 31, 2016 and 2015, segmented information is as follows:

For the three months ended March 31, 2016	San Andres Mine	Sao Francisco Mine	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	**$ 18,945**	**$ 16,506**	**$ –**	**$ –**	**$ –**	**$ 35,451**
Cost of production	**14,750**	**11,056**	**–**	**–**	**–**	**25,806**
Depletion and amortization	**2,068**	**48**	**–**	**–**	**–**	**2,116**
Gross margin	**$ 2,127**	**$ 5,402**	**$ –**	**$ –**	**$ –**	**$ 7,529**
Care and maintenance expenses	**–**	**–**	**(413)**	**(305)**	**–**	**(718)**
Other income (expenses)	**409**	**(120)**	**1,429**	**(270)**	**(7,389)**	**(5,941)**
Income (Loss) before income taxes	**$ 2,536**	**$ 5,282**	**$ 1,016**	**$ (575)**	**$ (7,389)**	**$ 870**
Property, plant and equipment	**$ 53,063**	**$ 2,360**	**$ 3,939**	**$ 15,617**	**$ 52**	**$ 75,031**
Total assets	**$ 91,105**	**$ 33,480**	**$ 5,580**	**$ 15,642**	**$ 5,254**	**$ 151,061**
Capital expenditures	**$ 937**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 937**

For the three months ended March 31, 2015	San Andres Mine	Sao Francisco Mine	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	$ 26,221	$ 17,656	$ 4,328	$ –	$ –	$ 48,205
Cost of production	18,799	20,081	7,459	–	–	46,339
Depletion and amortization	1,644	136	–	–	–	1,780
Gross margin (loss)	$ 5,778	$ (2,561)	$ (3,131)	$ –	$ –	$ 86
Other expenses	$ (836)	$ 1,638	$ (299)	$ (4)	$ (3,207)	$ (2,708)
Income (Loss) before income taxes	$ 4,942	$ (923)	$ (3,430)	$ (4)	$ (3,207)	$ (2,622)
Property, plant and equipment	$ 53,747	$ 2,805	$ 3,939	$ 28,475	$ 162	$ 89,128
Total assets	$ 87,584	$ 34,702	$ 8,426	$ 28,525	$ 2,558	$ 161,795
Capital expenditures	$ 4,297	$ –	$ –	$ 923	$ –	$ 5,220

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