Aura Minerals Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

Dated as of May 10, 2016

This management's discussion and analysis ("MD&A") should be read in conjunction with Aura Minerals Inc.'s (the "Company" or "Aura Minerals") unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016 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 May 10, 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 three months ended March 31, 2016.

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 100% owned assets include:

- *The San Andres Gold Mine ("San Andres", the "San Andres Mine")* – 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")* – 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")* – an open-pit and underground mine in the state of Zacatecas, Mexico. As of the date of this MD&A, Aranzazu is on care-and-maintenance and is in 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 development-stage copper-gold-iron project 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.

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. FIRST QUARTER 2016 FINANCIAL AND OPERATING HIGHLIGHTS

- Loss of $18 or $nil per share for the three months ended March 31, 2016 compared to a loss of $5,908 or $0.03 per share for the first quarter of 2015;
- Operating cash flow[1] of $6,602 for the first quarter of 2016 compared to $4,099 for the first quarter of 2015;
- Net sales revenue in the first quarter of 2016 decreased by 27% over the first quarter of 2015. Details are as follows:

		For the three months ended March 31, 2016		For the three months ended March 31, 2015
San Andres, *ounces ("oz")*		**17,437**		22,948
Sao Francisco, *oz*		**14,184**		14,502
Total ounces sold		**31,621**		37,450
Realized average gold price per oz	**$**	**1,162**	$	1,219
Gold sales revenues, *net of local sales taxes*	**$**	**35,451**	$	43,877
Copper concentrate sales, net	**$**	**-**	$	4,328
Total net sales	**$**	**35,451**	$	48,205

The average realized prices per oz for the three months ended March 31, 2016 and 2015 in the above table compare to the average market prices (London PM Fix) of $1,183 per oz, and $1,218 per oz, respectively. There were no copper concentrate sales for the first quarter of 2016. Copper concentrate sales for the three months ended March 31, 2015 were from the shipment of 4,270 dry metric tonnes ("DMT");

- Gold production for the first quarter of 2016 was 10% lower than the first quarter of 2015. Gold production and cash costs[1] for the three months ended March 31, 2016 and 2015 were as follows:

	For the three months ended March 31, 2016			For the three months ended March 31, 2015		
	Oz Produced		**Cash Costs[1]**	Oz Produced		Cash Costs[1]
San Andres	**20,180**	**$**	**863**	23,361	$	751
Sao Francisco	**13,878**		**773**	14,588		1,347
Total / Average	**34,058**	**$**	**826**	37,949	$	980

- There were no inventory write-downs at San Andres for the three months ended March 31, 2016 and 2015. There were no inventory write-downs at the Sao Francisco Mine during the three months ended March 31, 2016. Cash cost per ounce produced[1] for Sao Francisco for the three months ended March 31, 2015 included a net realizable value inventory write-down of $110 per oz;
- There was no copper production at Aranzazu for the first quarter of 2016. Copper production for the first quarter of 2015 was 1,205,983 pounds.
- Gross margin of $7,529 for the first quarter of 2016, compared to a gross margin of $86 for the first quarter of 2015;
- On March 2, 2016, the Company obtained a $12,325 gold loan (the "Gold Loan") from Auramet International LLC ("Auramet") to be used for debt consolidation and working capital requirements;

[1]A cautionary note regarding non-GAAP measures is included in Section 17 of this MD&A.

- Subsequent to the end of the first quarter of 2016, the Company expects to complete the acquisition of the assets and liabilities of the Ernesto/Pau-a-Pique Project, located in the state of Mato Grosso, Brazil, in close proximity to Sao Francisco.

[1]A cautionary note regarding non-GAAP measures is included in Section 17 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 ended March 31, 2016 and 2015:

	Q1 2016	Q1 2015
Ore mined (tonnes)	**1,844,986**	1,581,494
Waste mined (tonnes)	**1,372,796**	1,318,530
Total mined (tonnes)	**3,217,782**	2,900,024
Waste to ore ratio	**0.74**	0.83
Ore plant feed (tonnes)	**1,864,556**	1,581,981
Grade (g/tonne)	**0.45**	0.47
Production (ounces)	**20,180**	23,361
Sales (ounces)	**17,437**	22,948
Average cash cost per ounce of gold produced[1]	**$ 863**	$ 751

Total ore and waste mined during the first quarter of 2016 was 11% higher than in the same quarter of 2015. During the first quarter of 2016, ore mined was 17% higher than in the first quarter of 2015 and waste mined was 4% higher. The waste to ore ratio was 11% lower when comparing the first quarters of 2016 and 2015. The increase in the ore and waste tonnes moved was primarily due to additional ore mined as anticipated in the mine plan.

Total plant feed during the first quarter of 2016 was 18% higher than the tonnes processed in the same quarter of 2015. The average ore plant feed grade for the first quarter of 2016 decreased by 4% as compared to the first quarter of 2015, due to the mining of lower grade areas. Gold recovery decreased to 73% from the 90% level achieved in the first quarter of 2015, due to the high tonnes stacked during the first quarter of 2016. This additional stacking occurred as a result of the stockpiles being built up again during the quarter following their depletion during the November 2015 suspension of operations for 20 days.

Gold production at San Andres in the first quarter of 2016 decreased by 14% over the first quarter of 2015 primarily due to the lower grades and recoveries.

Average cash cost per oz of gold produced[1] in the first quarter of 2016 increased by 15% over the first quarter of 2015 as a result of the decreased production.

[1]A cautionary note regarding non-GAAP measures is included in Section 17 of this MD&A.

Sao Francisco, Brazil

The table below sets out selected operating information for Sao Francisco for the three months ended March 31, 2016 and 2015:

		Q1 2016		Q1 2015
Ore mined (tonnes)		**577,411**		662,447
Waste mined (tonnes)		**165,157**		1,219,636
Total mined (tonnes)		**742,568**		1,882,083
Waste to ore ratio		**0.29**		1.84
Ore plant feed (tonnes)		**952,984**		1,080,851
Grade (g/tonne)		**0.60**		0.48
Production (ounces)		**13,878**		14,588
Sales (ounces)		**14,185**		14,502
Average cash cost per ounce of gold produced[1]	**$**	**773**	$	1,347

Although the total material moved during the first quarter of 2016 was 61% lower than the first quarter of 2015, the waste to ore ratio was 84% lower than the comparable period in 2015 due to a focus on the higher grade yielding areas of the pit in the last year of Sao Francisco's mine life.

Total plant feed during the first quarter of 2016 was 12% lower than in the first quarter of 2015. The average ore plant feed grade for the first quarter of 2016 was 25% higher than in the first quarter of 2015. Gold production in the first quarter of 2016 was 5% lower than the first quarter of 2015 due to the decreased tonnes mined and ore plant feed.

Average cash cost per oz of gold produced[1] in the first quarter of 2016 was 43% lower than in the first quarter of 2015 due to the substantially lower tonnes mined while focusing on higher grade areas. Refer to Section 5, Results of Operations for information relating to total net realizable value write-downs at Sao Francisco.

Mining at Sao Francisco is expected to continue into the third quarter of 2016 and processing is expected to be extended into 2017.

[1]A cautionary note regarding non-GAAP measures is included in Section 17 of this MD&A.

Aranzazu, Mexico

As a result of the Company having been unable to either internally generate or externally raise the financing required to maintain or expand Aranzazu, on January 15, 2015, the Company announced that all mining activities 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 a result of the above, there were no copper concentrate sales or production during the first quarter of 2016. Copper concentrate sales and production for the first quarter of 2015 were from the shipment of 4,270 DMT and 1,205,983 pounds, respectively.

As at the date of this MDA, Aranzazu remains on care-and-maintenance (See Section 7, Liquidity and Capital Resources, for further information).

Serrote, Brazil

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 was utilized by the Company for community resettlement, engineering and early site improvements. As at March 31, 2016, the outstanding balance on the Itau Bridge Loan has been fully repaid.

The Company is continuing to pursue options to maximize the value of Serrote.

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.

[1]A cautionary note regarding non-GAAP measures is included in Section 17 of this MD&A.

4. OUTLOOK AND STRATEGY

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

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

Aura Minerals' production and cash cost per oz[1] guidance for the 2016 year is unchanged and confirmed 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, 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 anticipates a combined cash outflow of $3,000 on care-and-maintenance costs for Aranzazu and Serrote during 2016.

[1]A cautionary note regarding non-GAAP measures is included in Section 17 of this MD&A.

5. RESULTS OF OPERATIONS

For the three months ended March 31, 2016, the Company recorded a loss of $18 compared to a loss of $5,908 for the three months ended March 31, 2015.

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

(In thousands of dollars)		**For the three months ended March 31, 2016**		For the three months ended March 31, 2015
Revenues:				
San Andres	**$**	**18,945**	$	26,221
Sao Francisco		**16,506**		17,656
Aranzazu		**–**		4,328
	$	**35,451**	$	48,205
Cost of Production:				
San Andres	**$**	**14,750**	$	18,799
Sao Francisco		**11,056**		20,081
Aranzazu		**–**		7,459
	$	**25,806**	$	46,339
Depletion and Amortization:				
San Andres	**$**	**2,068**	$	1,644
Sao Francisco		**48**		136
	$	**2,116**	$	1,780
Gross Margin (Loss):				
San Andres	**$**	**2,127**	$	5,778
Sao Francisco		**5,402**		(2,561)
Aranzazu		**-**		(3,131)
	$	**7,529**	$	86

Revenues

Revenues for the three months ended March 31, 2016 decreased by 27% compared to the three months ended March 31, 2015. The decrease in revenues resulted from a 19% and a 100% decrease in gold sales and copper concentrate sales, respectively. The decrease in gold sales is attributable to a 16% decrease in gold sales volumes and a 5% decrease in the realized average gold price per ounce.

Revenue related to concentrate shipments for the three months ended March 31, 2016 and 2015 is comprised as follows:

(In thousands of dollars)	For the three months ended March 31, 2016	For the three months ended March 31, 2015
Copper revenue, net of treatment and refining charges	$ –	$ 2,009
Gold by-product revenue	–	1,635
Silver by-product revenue	–	564
Price adjustments recorded	–	120
Total revenue	**$ –**	$ 4,328

There was no copper concentrate sold during the first quarter of 2016. Total copper sales revenues for the three months ended March 31, 2015 were related to the shipment of 4,270 DMT of copper concentrate at $1,014 per DMT.

Cost of Goods Sold

For the three months ended March 31, 2016 and 2015, total cost of goods sold from San Andres was $16,818 or $965 per oz compared to $20,443 or $891 per oz, respectively. For the three months ended March 31, 2016 and 2015, cash operating costs were $846 per oz and $819 per oz, respectively, while non-cash depletion and amortization charges were $119 per oz and $72 per oz, respectively. There were no write-downs of production inventory to net realizable value for the three months ended March 31, 2016 and 2015.

At Sao Francisco, for the three months ended March 31, 2016 and 2015, total cost of goods sold was $11,104 or $783 per oz compared to $20,217 or $1,394 per oz, respectively. For the three months ended March 31, 2016 and 2015, cash operating costs were $779 per oz and $1,385 per oz, respectively, while non-cash depletion and amortization charges were $4 per oz and $9 per oz, respectively. There were no write downs included in the cash operating costs for the three months ended March 31, 2016 to bring production inventory to net realizable value. (2015: cash operating costs included write downs of $1,593 or $110 per oz).

Aranzazu incurred $413 of care-and-maintenance costs for the three months ended March 31, 2016. Total cost of goods sold from Aranzazu for the three months ended March 31, 2015 was $7,459 or $1,745 per DMT.

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

For the three months ended March 31, 2016 and 2015, general and administrative costs include:

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

Salaries, wages and benefits increased as a result of the payment of delayed compensation amounts owing to management and employees. Professional and consulting fees decreased due to lower audit fees. Other expenses for the three months ended March 31, 2016 and 2015 include insurance premiums and software expenses.

Total finance costs for the three months ended March 31, 2016 and 2015 were $852 and $850 respectively. (See Section 7, Liquidity and Capital Resources, for further information).

Total other (losses) gains for the three months ended March 31, 2016 and 2015 were losses of $2,679 and gains of $907, respectively. For the first quarter of 2016, the loss is primarily related to unrealized losses on the outstanding gold collars of $2,385 and unrealized losses on the outstanding fixed price contracts of $597 (2015: unrealized gains on the outstanding fixed price contracts of $396).

The income tax expense for the three months ended March 31, 2016 was $888 consisting of $757 of current income tax expense and $131 of deferred tax expense related to San Andres. The income tax expense for the three months ended March 31, 2015 was $3,286 consisting of $1,655 in current income tax expense and $1,631 of deferred tax expense related to San Andres.

Other comprehensive loss

Other comprehensive loss for the three months ended March 31, 2016 and 2015 were losses of $435 and $3,151, 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 on post-employment benefits.

6. SUMMARY OF QUARTERLY RESULTS

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

Fiscal quarter ended	**March 31, 2016**	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Revenue	**$35,451**	$37,707	$41,219	$38,632	$48,205	$58,521	$76,592	$65,249
Working capital	**($1,090)**	($5,408)	($2,524)	($8,079)	($8,372)	($4,409)	$11,030	$8,080
Property, plant and equipment	**$75,031**	$78,428	$85,767	$90,911	$89,128	$91,548	$226,918	$231,415
Impairment charges[1]	**$0**	($8,367)	$0	$0	$0	($137,502)	$0	$0
(Loss) income for the period	**($18)**	($11,886)	$4,837	($1,522)	($5,908)	($138,605)	$776	$4,020
(Loss) income per share - basic and diluted	**($0.00)**	($0.04)	$0.02	($0.01)	($0.03)	($0.61)	$0.01	$0.02
Operating cash flow[2]	**$6,602**	$6,589	$4,198	$2,387	$4,099	($1,138)	$12,147	$13,149

(1) For the quarter ended December 31, 2015, the Company recorded an impairment charge on the Serrote project. For the quarter ended December 31, 2014, the Company recorded an impairment charge on the Aranzazu mine.

(2) A cautionary note regarding non-GAAP measures is included in Section 17 of this MD&A.

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

7. LIQUIDITY AND CAPITAL RESOURCES

The changes in cash and cash equivalents for the three months ended March 31, 2016 and 2015 are presented in the table below:

		For the three months ended March 31, 2016		For the three months ended March 31, 2015
Cash flow generated by operating activities	**$**	**2,474**	$	1,251
Cash flow used by investing activities		**(191)**		(4,068)
Cash flow generated (used) by financing activities		**1,013**		(3,948)
Increase (decrease) in cash and cash equivalents	**$**	**3,296**	$	(6,765)

There were no significant capital expenditures during the three months ended March 31, 2016 (2015: $4,089).

On March 2, 2016, the Company obtained a $12,325 gold loan (the "Gold Loan") from Auramet International LLC ("Auramet"). The proceeds of the Gold Loan are being used for debt consolidation and working capital requirements. The 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 Gold Loan may be repaid at any time with no early repayment penalties.

Cash flow used by financing activities for the three months ended March 31, 2016 include a $6,825 repayment on the remaining balance on the Itaú Bridge Loan, settlement of outstanding royalty liabilities of $2,537 and a margin deposit to accompany the outstanding gold collars of $1,548.

Cash flow used by financing activities for the three months ended March 31, 2015 reflect a $2,910 repayment on the previous Gold Loan and $1,539 and $679 of principal and interest payments, respectively, on the Itaú Bridge Loan. $2,160 was also drawn down on the promissory note in Honduras.

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. The Company's Aranzazu Mine filed for administrative proceedings in the first quarter of 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. 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.

8. CONTRACTUAL OBLIGATIONS

For the three months March 31, 2016 and as at the date of this MD&A, the Company has not entered into any contractual obligations that are outside of the ordinary course of business.

9. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of March 31, 2016. Refer to *Section 12, Acquisition of Ernesto / Pau-a-Pique Project*.

10. TRANSACTIONS WITH RELATED PARTIES

On January 1, 2015, the Company entered into a consulting agreement to provide 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.

11. PROPOSED TRANSACTION

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 12, Acquisition of Ernesto / Pau-a-Pique Project*.

12. 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.

13. 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 revenues 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.

14. 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.

For the three months ended March 31, 2016, the impairment indicators did not change significantly. Therefore, no reversals of previously recorded impairments have been recorded.

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 three months ended March 31, 2016, 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.

15. 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.

16. 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 March 31, 2016 and ongoing review and monitoring of these procedures, and as there were no changes in ICFR or DC&P in the three months ended March 31, 2016 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.

17. 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 ozs 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 March 31, 2016**	For the three months ended March 31, 2015
Cost of goods sold	**$ 27,922**	$ 40,666
Less: Depletion and amortization	**(2,116)**	(1,780)
Inventory movements and adjustments	**2,330**	(1,696)
Total cash cost	**$ 28,136**	$ 37,190
Gold ounces produced	**34,058**	37,949
Average cash cost per ounce of gold produced	**$ 826**	$ 980

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 March 31, 2016	For the three months ended March 31, 2015
Cost of goods sold	**$ -**	$ 7,453
Less: Depletion and amortization	**-**	-
Inventory movements and adjustments	**-**	1,960
Cash production costs	**$ -**	$ 9,413
Less: Estimated by-product credits	**-**	(2,199)
Plus: Estimated selling costs	**-**	(2,501)
Total cash costs net of by-product credits	**$ -**	$ 4,713
Contained copper pounds produced	**-**	1,205,983
Average cash cost per pound of copper produced	**$ -**	$ 3.91

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:

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Operating gain (loss)	**$ 4,401**	$ (3,660)	$ 2,683	$ (375)	$ (2,679)	$ (148,023)	$ 4,525	$ 8,491
Add back:								
Depletion and amortization	**2,162**	1,791	1,303	1,898	1,845	6,873	5,558	3,413
Write-down of inventory to net realizable value	**-**	144	114	777	4,868	2,444	1,957	1,080
Share based payments	**39**	37	85	47	65	66	107	165
Other non-cash expenses	**-**	(90)	13	40	-	-	-	-
Impairment charges	**-**	8,367	-	-	-	137,502	-	-
Operating cash flow	**$ 6,602**	$ 6,589	$ 4,198	$ 2,387	$ 4,099	$ (1,138)	$ 12,147	$ 13,149

18. 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.

19. DISCLOSURE OF SHARE DATA

As at May 10, 2016, the Company had the following outstanding: 286,195,965 common shares, 17,540,289 stock options, 4,500,000 share purchase warrants and 1,411,297 restricted share units.

20. 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.