Aura Minerals Inc.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 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 June 30, 2016 and December 31, 2015, the condensed interim consolidated statements of loss, comprehensive loss and cash flows for the three and six months ended June 30, 2016 and 2015 and the condensed interim consolidated statements of changes in equity for the six months ended June 30, 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 and six months ended June 30, 2016 and 2015.

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Loss

For the three and six months ended June 30, 2016 and 2015

Expressed in thousands of United States dollars

(Unaudited)

	Note	**For the three months ended June 30, 2016**	For the three months ended June 30, 2015	**For the six months ended June 30, 2016**	For the six months ended June 30, 2015
Revenue	10	**$ 36,415**	$ 38,632	**$ 71,865**	$ 86,837
Cost of goods sold	11	**28,338**	36,296	**56,260**	84,415
Gross margin		**8,077**	2,336	**15,605**	2,422
General and administrative expenses	12	**2,541**	2,389	**4,857**	5,007
Care and maintenance expenses		**1,816**	169	**2,535**	169
Exploration expenses		**109**	153	**203**	300
Operating income (loss)		**3,611**	**(375)**	**8,010**	(3,054)
Finance costs		**(604)**	(1,650)	**(1,454)**	(2,500)
Other (losses) gains	13	**(3,930)**	(294)	**(6,609)**	613
Loss before income taxes		**(923)**	(2,319)	**(53)**	(4,941)
Income tax (expense) recovery		**(1,125)**	797	**(2,013)**	(2,489)
Loss for the period		**$ (2,048)**	$ (1,522)	**$ (2,066)**	$ (7,430)
Loss per share:					
Basic and diluted		**$ (0.01)**	$ (0.01)	**$ (0.01)**	$ (0.03)
Weighted average number of common shares outstanding:					
Basic and diluted		**286,858,186**	241,681,308	**286,442,219**	231,805,295

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 and six months ended June 30, 2016 and 2015

Expressed in thousands of United States dollars

(Unaudited)

	For the three months ended June 30, 2016	For the three months ended June 30, 2015	**For the six months ended June 30, 2016**	For the six months ended June 30, 2015
Loss for the period	**$ (2,048)**	$ (1,522)	**$ (2,066)**	$ (7,430)
Other comprehensive loss				
(Loss) gain on foreign exchange translation of subsidiaries	**(78)**	569	**(535)**	(2,602)
Actuarial gain on post employment benefit, net of tax	**21**	34	**43**	54
Other comprehensive (loss) income, net of tax	**(57)**	603	**(492)**	(2,548)
Total comprehensive loss	**$ (2,105)**	$ (919)	**$ (2,558)**	$ (9,978)

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 and six months ended June 30, 2016 and 2015

Expressed in thousands of United States dollars

(Unaudited)

	Note	**For the three months ended June 30, 2016**	For the three months ended June 30, 2015	**For the six months ended June 30, 2016**	For the six months ended June 30, 2015
Cash flows from operating activities					
Loss for the period		**$ (2,048)**	$ (1,522)	**$ (2,066)**	$ (7,430)
Items not affecting cash	14(a)	**3,163**	3,634	**8,755**	14,924
Changes in non-cash working capital	14(b)	**6,220**	6,414	**5,171**	1,714
Taxes paid		**(1,264)**	–	**(1,264)**	–
Other assets and liabilities	14(c)	**(6,127)**	919	**(8,188)**	1,264
Net cash (used) generated by operating activities		**(56)**	9,445	**2,408**	10,472
Cash flows from investing activities					
Purchase of property, plant and equipment		**(1,012)**	(3,644)	**(1,203)**	(7,733)
Proceeds from sale of fixed assets		**–**	–	**–**	21
Net cash used in investing activities		**(1,012)**	(3,644)	**(1,203)**	(7,712)
Cash flows from financing activities					
Proceeds received from gold loan	8(b)	**–**	–	**12,325**	–
Proceeds received from private placement	9(b)	**–**	4,928	**–**	4,928
Draw down of short-term loans	8(a)(i)	**–**	1,341	**–**	3,501
Proceed from stock options exercised	9(c)	**–**	–	**19**	–
Repayment of gold loans		**(2,238)**	(6,498)	**(2,238)**	(9,408)
Repayment of short-term loans	8(a)(ii)	**(230)**	(1,414)	**(7,045)**	(2,953)
Repayment of other liabilities		**(484)**	–	**(3,021)**	(734)
Decrease in restricted cash		**1,548**	–	**–**	–
Interest paid on debt		**(65)**	(392)	**(486)**	(1,093)
Finance lease payments		**–**	(224)	**–**	(224)
Net cash used in financing activities		**(1,469)**	**(2,259)**	**(446)**	(5,983)
(Decrease) increase in cash and cash equivalents		**(2,537)**	3,542	**759**	(3,223)
Cash and cash equivalents, beginning of the period		**5,557**	1,066	**2,261**	7,831
Cash and cash equivalents, end of the period		**$ 3,020**	$ 4,608	**$ 3,020**	$ 4,608

Aura Minerals Inc.

Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2016 and December 31, 2015

Expressed in thousands of United States dollars

(Unaudited)

	Note		June 30, 2016		December 31, 2015
ASSETS					
Current					
Cash and cash equivalents		$	**3,020**	$	2,261
Trade and other receivables	4		**11,628**		14,493
Inventory	5		**37,753**		36,083
Other current assets			**3,804**		2,494
			56,205		55,331
Other long-term assets			**12,561**		9,436
Property, plant and equipment	6		**87,801**		78,428
Deferred income tax assets			**–**		128
		$	**156,567**	$	143,323
LIABILITIES					
Current					
Trade and other payables	7	$	**32,781**	$	31,954
Derivative liabilities	15		**1,114**		–
Current portion of debts	8		**12,554**		7,642
Current income tax liabilities			**9,820**		14,412
Current portion of provision for mine closure and restoration			**2,118**		2,118
Current portion of other liabilities			**1,987**		4,613
			60,374		60,739
Debts	8		**3,261**		2,751
Debt to Yamana Gold Inc.	3		**7,340**		–
Deferred income tax liabilities			**2,381**		1,720
Provision for mine closure and restoration			**21,939**		15,367
Other provisions			**6,339**		5,904
Other liabilities			**3,927**		4,162
			105,561		90,643
SHAREHOLDERS' EQUITY					
Share capital	9		**543,104**		542,649
Contributed surplus			**54,892**		54,463
Accumulated other comprehensive loss			**(7,487)**		(6,952)
Deficit			**(539,503)**		(537,480)
			51,006		52,680
		$	**156,567**	$	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 June 30, 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		–	–	–	–	(2,066)	(2,066)
Loss on translation of subsidiaries		–	–	–	(535)	–	(535)
Shares issued on the acquisition of Ernesto Pau-a-Pique	3	2,000,000	352	–	–	–	352
Warrants issued on the acquisition of Ernesto Pau-a-Pique	3	–	–	322	–	–	322
Shares issued on exercise of stock options	9(c)	209,169	29	(10)	–	–	19
Shares issued on exercise of RSUs	9(c)	924,308	74	(74)	–	–	–
Actuarial gain on severance liability, net of tax		–	–	–	–	43	43
Share-based payments	9(d)	–	–	191	–	–	191
At June 30, 2016		**289,120,273**	**$ 543,104**	**$ 54,892**	**$ (7,487)**	**$ (539,503)**	**$ 51,006**

	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		–	–	–	–	(7,430)	(7,430)
Loss on translation of subsidiaries		–	–	–	(2,602)	–	(2,602)
Private placement, net of share issuance cost	9(b)	57,009,346	4,928	–	–	–	4,928
Actuarial gain on severance liability, net of tax		–	–	–	–	54	54
Share-based payments	9(d)	–	–	152	–	–	152
At June 30, 2015		**285,534,651**	**$ 542,612**	**$ 54,314**	**$ (3,490)**	**$ (530,395)**	**$ 63,041**

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 either a 100% interest or 100% effective control over 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 produced a copper-gold-silver concentrate and is currently on care-and-maintenance;
- the development-stage copper, gold and iron ore Serrote de Laje project in Brazil (the "Serrote Project") which is currently on care-and-maintenance; and
- the Ernesto/Pau-a-Pique Project (the "EPP Project", "EPP") located in Brazil, , which is currently on care-and-maintenance. The Company is completing a feasibility study on the EPP Project. Refer to Note 3.

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 unaudited 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 $539,503 at June 30, 2016. For the three and six months ended June 30, 2016, the Company incurred a net loss of $2,048 and $2,066, respectively. Based on the Company's current cash flow forecasts, which reflect current commodity prices, the Company does not have sufficient funds or working capital for any further expansion activities without refinancing or obtaining additional financing. Aranzazu's operating company, Aranzazu Holding S.A. de C.V., has filed for administrative proceedings under the Mexican Commercial Bankruptcy Law. This filing was accepted by the Mexican Federal Court on May 4, 2015.

These factors may lend significant doubt to the Company's ability to continue as a going concern. The Company's continued operation is dependent upon its ability to generate funding internally from its operations, refinance its current funding or raise additional funding to meet its obligations. Although management is confident that the Company will be able to generate funding internally from its operations, refinance its current funding or raise additional financing, there are no assurances that the Company will be successful. These 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 unaudited condensed interim consolidated financial statements of Aura Minerals for the three and six months ended June 30, 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 statments, including IAS34, "Interim Financial Reporting."

These unaudited 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 statments of the Company for the year ended December 31, 2015. These unaudited 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 August 10, 2016.

3 ACQUISITION OF THE EPP PROJECT

On April 30, 2015, the Company announced that it entered into an Acquisition 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 and the receipt of regulatory approvals in Brazil, certain specified assets and liabilities of the EPP Project. In order to facilitate the acquisition, during the regulatory approval period, Yamana made available a working capital facility to SBMM of up to approximately $9,000 (the "Working Capital Facility") to be invested in the capital and restart requirements of the EPP.

The acquisition was completed on June 1, 2016 (the "acquisition date"), following the receipt of the relevant regulatory approvals in Brazil including both antitrust and national defense regulatory requirements.

As consideration for the EPP Project, the Company issued 2,000,000 common shares, 3,500,000 warrants of the Company at an exercise price of CAD$0.50 per warrant and 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.

The Working Capital Facility was assumed by the Company on the acquisition date and is expected to be repaid either with the cash flow from EPP upon restart or payable in full within 36 months from the date of the Acquisition Agreement. Should EPP not enter into production or 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 also agreed to assume SBMM's accounts payable and accrued liabilities at the acquisition date as part of the consideration for the EPP.

The business combination is accounted for using the acquisition method, with the Company as the acquirer of the EPP Project. The consideration paid by the Company has been allocated on a preliminary basis to assets acquired and liabilities assumed, as follows:

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

Loan payable to Yamana Gold Inc.	$	7,340
Accounts payable and accrued liabilities		1,725
Value of 2,000,000 common shares issued as consideration		352
Value of 3,500,000 share purchase warrants issued as consideration		322
Total purchase consideration	**$**	**9,739**

Inventory	$	3,764
Property, plant & equipment		13,935
Provision for mine closure and rehabilitation		(6,224)
Value added taxes liability		(1,222)
Future tax liability		(514)
Net assets acquired	**$**	**9,739**

The preliminary allocation of the purchase price was based on the information available as of June 1, 2016. The allocation of the purchase price has not been finalized and is subject to adjustments, which may be material. The Company has until June 1, 2017 to finalize the purchase price allocation.

4 TRADE AND OTHER RECEIVABLES

		June 30, 2016		December 31, 2015
Value added taxes receivable	**$**	**20,518**	$	22,070
Trade accounts receivable		**105**		137
Other receivables		**2,183**		322
Total trade and other receivables	**$**	**22,806**	$	22,529
Less: non-current portion of receivables		**(11,178)**		(8,036)
Trade and other receivables recorded as current assets	**$**	**11,628**	$	14,493

5 INVENTORY

		June 30, 2016		December 31, 2015
Finished product	**$**	**7,389**	$	8,407
Work-in-process		**11,728**		12,344
Parts and supplies		**18,636**		15,332
Total inventory	**$**	**37,753**	$	36,083

During the three and six months ended June 30, 2016 the cost of inventories recognized as an expense (note 11) was $28,338 and $56,260 (2015: $36,296 and $84,415). The cost of inventories during the three and six months ended June 30, 2016 includes write-downs of $47 (2015: $777 and $5,645) to bring finished product and work-in-process inventories to net realizable value.

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

6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment movements for the six months ended June 30, 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**
Acquisition of Ernesto / Pau-a-Pique	**–**	**$ 8,259**	**$ 438**	**$ 5,238**	**–**	**13,935**
Additions	**529**	**41**	**135**	**–**	**584**	**1,289**
Reclassifications and adjustments	**–**	**2,068**	**(22)**	**92**	**(4,298)**	**(2,160)**
Depletion and amortization	**(2,649)**	**(710)**	**(80)**	**(252)**	**–**	**(3,691)**
Net book value at June 30, 2016	**$ 52,265**	**$ 27,124**	**$ 1,175**	**$ 5,690**	**$ 1,547**	**$ 87,801**
Consisting of:						
Cost	**165,895**	**62,206**	**11,866**	**90,763**	**1,547**	**332,277**
Accumulated depletion and amortization	**(113,630)**	**(35,082)**	**(10,691)**	**(85,073)**	**–**	**(244,476)**
	$ 52,265	**$ 27,124**	**$ 1,175**	**$ 5,690**	**$ 1,547**	**$ 87,801**

	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 and six months ended June 30, 2016, depletion and amortization expenses of $1,530 and $3,646 (2015: $1,838 and $3,618) have been charged to cost of goods sold, and $17 and $63 (2015: $60 and $125) have been charged to general and administrative expenses.

For the three and six months ended June 30, 2016, the impairment indicators included in note 10 to the consolidated financial statements as of December 31, 2015, did not change significantly, and therefore no further impairments or reversals of previously recorded impairments have been recorded.

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

7 TRADE AND OTHER PAYABLES

		June 30, 2016		December 31, 2015
Trade accounts payable	**$**	**18,110**	$	19,550
Other payables		**4,333**		4,099
Accrued liabilities		**8,023**		6,500
Deferred revenue		**2,315**		1,805
	$	**32,781**	$	31,954

8 DEBTS

		June 30, 2016		December 31, 2015
Term loans (note 8(a))	**$**	**3,209**	$	10,393
Gold loan (note 8(b))		**12,606**		–
	$	**15,815**	$	10,393
Less: current portion		**(12,554)**		(7,642)
Non-current portion	**$**	**3,261**	$	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. As at June 30, 2016, the outstanding balance on the Promissory Note was $3,209 (December 31, 2015: $3,439).

During the six months ended June 30, 2016 the Company made no draw downs on the Promissory Note and repaid $230 on the Promissory Note (December 31, 2015: withdrew $4,300 and repaid $861 on the Promissory Note). For the three and six months ended June 30, 2016 the Company capitalized $nil and $21, respectively, of interest expense incurred to the power line qualifiying asset (2015: $50, and $75, respectively).

On February 1, 2016, the power line project was completed and, from that date onwards, the interest incurred on the Promissory Note has been recognized as part of finance cost in the condensed interim consolidated statements of loss. For the three and six months ended June 30, 2016, the Company recorded an interest expense of $65 and $86, respectively.

ii) Bridge Loan

On February 25, 2013, the Company, through its wholly-owned subsidiary, Mineracao Vale Verde Ltda, received an advance of approximately $20,000 (Brazilian Reais 45,000) from Banco Itau BBA S.A. (the "Itau bridge loan") to finance the development of the Serrote Project. The Itau bridge loan bears interest at the Interbank Deposit Rate plus 5.3% and originally matured on July 31, 2013. The Company has obtained a series of extensions for the repayment of the debt.

During the first quarter of 2016, the Company fully repaid the outstanding balance on the Itau Bridge Loan using the proceeds of the Third Gold Loan (note 8(b)) (December 31, 2015: $6,954).

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

For the three and six months ended June 30, 2016, the Company recorded an interest expense of $nil and $242, respectively (2015: $422 and $899, respectively).

b) Gold Loans

		June 30, 2016		December 31, 2015
Balance, beginning of period	**$**	**–**	$	16,151
Proceeds from gold loans, net of warrants issued		**12,325**		–
Repayments during the period		**(2,238)**		(17,625)
Changes in fair value		**2,519**		1,474
Balance, end of period	**$**	**12,606**	$	–
Less current portion	**$**	**(11,178)**	$	–
Non-current portion	**$**	**1,428**	$	–

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 and six months ended June 30, 2015, the Company recorded mark-to-market losses of $569 and $1,538 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 were 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 commenced 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.

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 and six months ended June 30, 2016, $18 and $179, respectively, of transaction costs in respect of the Third Gold Loan, have been included as part of the finance costs in the condensed interim consolidated statements of loss and the Company recorded mark-to-market losses of $1,551 and $2,519, respectively, 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, June 30, 2016, the Company has been in compliance with the minimum cash balance requirement.

Subsequent to June 30, 2016, the Company has delivered 1,059 ounces of gold in payment of the Third Gold Loan valued at $1,410.

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

9 SHARE CAPITAL

a) Authorized – Unlimited number of common shares

b) Private placement

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

c) Stock options and restricted share units

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	(4,706,775)	1.06
Balance, June 30, 2016	**17,540,289**	**0.38**

During the three and six months ended June 30, 2016, the Company granted 3,955,000 stock options to its employees at an exercise price of C$0.085. There were no stock options granted during the same periods in 2015.

A continuity of the Company's restricted share units ("RSU") issued and outstanding are as follows:

Balance, December 31, 2015	**1,411,297**
Granted	–
Exercised	(924,308)
Balance, June 30, 2016	**486,989**

During the three and six months ended June 30, 2015 the company issued 692,142 of RSUs at $0.10 per unit to the Company's Chief Executive Officer and Chief Financial Officer in lieu of a portion of their salaries. These RSUs were recorded as part of salaries, wages and benefits in the general and administrative expenses at a fair value of $40.

d) 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 and six months ended June 30, 2016 totaled $152 and $191 (2015: $47 and $112).

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

10 REVENUE BY NATURE

	For the three months ended June 30, 2016	For the three months ended June 30, 2015	**For the six months ended June 30, 2016**	For the six months ended June 30, 2015
Gold sales	**$ 36,415**	39,085	**$ 71,865**	$ 82,962
Copper concentrate sales, net	**–**	(453)	**–**	3,875
	$ 36,415	38,632	**$ 71,865**	$ 86,837

11 COST OF GOODS SOLD BY NATURE

	For the three months ended June 30, 2016	For the three months ended June 30, 2015	**For the six months ended June 30, 2016**	For the six months ended June 30, 2015
Direct mine and mill costs	**$ 26,761**	$ 33,681	**$ 52,567**	$ 75,152
Write-down of inventory to net realizable value	**47**	777	**47**	5,645
Depletion and amortization (note 6)	**1,530**	1,838	**3,646**	3,618
	$ 28,338	$ 36,296	**$ 56,260**	$ 84,415

12 GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended June 30, 2016	For the three months ended June 30, 2015	**For the six months ended June 30, 2016**	For the six months ended June 30, 2015
Salaries, wages and benefits	**$ 721**	$ 1,337	**$ 1,968**	$ 2,302
Professional and consulting fees	**279**	323	**817**	1,181
Penalty on overdue taxes	**591**	–	**591**	–
Directors' fees	**185**	66	**228**	140
Share-based payment expense (note 9(d))	**152**	47	**191**	112
Amortization (note 6)	**17**	60	**63**	125
Other	**596**	556	**999**	1,147
	$ 2,541	$ 2,389	**$ 4,857**	$ 5,007

13 OTHER (LOSSES) GAINS

	For the three months ended June 30, 2016	For the three months ended June 30, 2015	**For the six months ended June 30, 2016**	For the six months ended June 30, 2015
Net (loss) gain on call option and fixed price contracts	**$ (1,104)**	$ 416	**$ (5,818)**	$ 523
Change in fair value of gold loans (note 8(b))	**(1,551)**	(569)	**(2,519)**	(1,538)
Gain on disposal of assets	**–**	151	**1,533**	130
Change in estimates of net smelter royalty payable	**(123)**	68	**6**	139
Foreign exchange (loss) gain	**(1,116)**	(592)	**39**	1,096
Other items	**(36)**	232	**150**	263
	$ (3,930)	$ (294)	**$ (6,609)**	$ 613

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

14 CASH FLOW INFORMATION

a) Items not affecting cash

	For the three months ended June 30, 2016	For the three months ended June 30, 2015	**For the six months ended June 30, 2016**	For the six months ended June 30, 2015
Deferred and current income tax expense (recovery)	**$ 1,125**	$ (797)	**$ 2,013**	$ 2,489
Depletion and amortization	**1,547**	1,898	**3,709**	3,743
Write-down of inventory to net realizable value (note 5)	**47**	777	**47**	5,645
Accretion expense	**289**	603	**604**	1,176
Change in fair value of gold loans (note 8(b))	**1,551**	569	**2,519**	1,538
Periodic service, past service and finance costs on post-employment benefit	**266**	300	**532**	552
Unrealized (gain) loss on call option and fixed price contracts	**(1,868)**	294	**1,114**	(102)
Share-based payment expense (note 9(d))	**152**	47	**191**	112
Foreign exchange (gain) loss	**(70)**	(89)	**(436)**	(211)
Gain on disposal of assets	**–**	(151)	**(1,533)**	(130)
Change in other liabilities	**124**	(69)	**(5)**	(140)
Other non-cash items	**–**	252	**–**	252
	$ 3,163	$ 3,634	**$ 8,755**	$ 14,924

b) Changes in non-cash working capital

	For the three months ended June 30, 2016	For the three months ended June 30, 2015	**For the six months ended June 30, 2016**	For the six months ended June 30, 2015
Decrease (increase) in trade and other receivables	**$ 5,166**	$ (1,062)	**$ 3,823**	$ (49)
Decrease in inventory	**3,124**	2,115	**2,065**	677
(Increase) decrease in trade and other payables	**(2,070)**	5,361	**(717)**	1,086
	$ 6,220	$ 6,414	**$ 5,171**	$ 1,714

c) Supplemental cash flow information

	For the three months ended June 30, 2016	For the three months ended June 30, 2015	**For the six months ended June 30, 2016**	For the six months ended June 30, 2015
Changes in other assets and liabilities consists of:				
(Increase) decrease in prepaid expenses	**$ (656)**	$ 974	**$ (1,330)**	$ 484
(Increase) decrease in long term asset	**(840)**	(44)	**(2,084)**	864
Decrease in current income tax liabilities	**(4,578)**	–	**(4,578)**	–
Other items	**(53)**	(11)	**(196)**	(84)
	$ (6,127)	$ 919	**$ (8,188)**	$ 1,264

15 FINANCIAL INSTRUMENTS

a) Fixed price contracts

During the six months ended June 30, 2016, the Company entered into fixed price contracts to hedge 44,500 ounces of gold expiring between January 31, 2016 and August 31, 2016 at an average price of $1,193 per ounce of gold. At June 30, 2016, the Company had 13,500 ounces of outstanding fixed price contracts at an average price of $1,253 per ounce of gold. For the three and six months ended June 30, 2016, the Company has recorded a realized loss of $474 and $1,753, respectively on the expired fixed price contracts, and an unrealized loss of $318 and $915, respectively, on the outstanding fixed price contracts.

As at June 30, 2016, the Company has recorded a derivative liability on these outstanding fixed price contracts of $915 (December 31, 2015: $nil).

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

During the six months ended June 30, 2015, the Company entered into fixed price contracts to hedge an additional 20,000 ounces of gold expiring between June 30, 2015 and September 30, 2015 at an average price of $1,234 per ounce of gold. At June 30, 2015, the Company had 8,930 ounces of fixed price contracts outstanding at an average price of $1,220 per ounce of gold. For the three and six months ended June 30, 2015, the Company recorded realized gains on these fixed price contracts of $711 and $421, respectively. For the three and six months ended June 30, 2015, the Company recorded an unrealized loss of $294 and an unrealized gain of $102 on these fixed price contracts, respectively.

As at June 30, 2015, the Company recorded a derivative asset on these fixed price contracts of $441.

b) Call option contracts

During the six months ended June 30, 2016, the Company also entered into a call option program on 52,500 ounces of gold expiring between March 29, 2016 and November 28, 2016 with strike prices of between $1,140 and $1,350 per ounce of gold and advanced $2,000 to Auramet as a margin deposit. During the three and six months ended June 30, 2016, the Company recorded realized losses of $2,498 and $2,951, respectively, as a result of the call of 30,000 options and utilized the the margin deposit to settle these call options. For the three and six months ended June 30, 2016, the Company has recorded an unrealized gain of $2,186 and an unrealized loss of $199, respectively, on the outstanding 22,500 ounces of call options.

As at June 30, 2016, the Company has recorded a derivative liability of $199 on the 22,500 ounces of 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.

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair vale of the Company's financial assets and liabilities measured at fair value on a recurring basis at June 30, 2016 and December 31, 2015 are summarized in the following table:

	Level	**June 30, 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	**$1,246**	**$1,246**	$459	$459
Other assets	N/A	**2,426**	**2,426**	1,400	1,400
		$3,672	**$3,672**	$1,859	$1,859
Financial Liabilities					
At fair value through profit and loss					
Gold loan	2	**$12,606**	**$12,606**	–	–
Derivative liabilities	2	**1,114**	**1,114**	–	–
Other financial liabilities, measured at amortized cost					
Accounts payable and accrued liabilities	N/A	**$32,781**	**$32,781**	$31,954	$31,954
Short-term loans	N/A	**3,209**	**3,209**	10,393	10,393
Other provisions	3	**5,413**	**5,413**	5,904	5,904
Other liability	3	**5,914**	**5,914**	8,775	8,775
		$61,037	**$61,037**	$57,026	$57,026

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 provision and 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.

17 RELATED PARTY TRANSACTIONS

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

For the three and six months ended June 30, 2016, the Company paid consulting fees to Acumen of $41 and $221 (2015: $124 and $416). As at June 30, 2016, the Company owed $337 (December 31, 2015: $300) to Acumen.

As of May 1, 2016, the Company terminated the consulting agreement with Acumen and the Company's CEO became an employee of the Company.

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

For the three and six months ended June 30, 2016 and 2015, segmented information is as follows:

For the three months ended June 30, 2016	San Andres Mine	Sao Francisco Mine	EPP Project	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	**$ 22,269**	**$ 14,146**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 36,415**
Cost of production	**16,038**	**10,769**	**–**	**–**	**–**	**–**	**26,807**
Depletion and amortization	**1,515**	**16**	**–**	**–**	**–**	**–**	**1,531**
Gross margin	**$ 4,716**	**$ 3,361**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 8,077**
Care and maintenance expenses	**–**	**(520)**	**(586)**	**(417)**	**(293)**	**–**	**(1,816)**
Realized loss on gold collar and fixed price contracts	**(199)**	**(274)**	**–**	**–**	**–**	**(2,499)**	**(2,972)**
Other (expenses) income	**(1,822)**	**(2,235)**	**–**	**91**	**27**	**(273)**	**(4,212)**
Income (Loss) before income taxes	**$ 2,695**	**$ 332**	**$ (586)**	**$ (326)**	**$ (266)**	**$ (2,772)**	**$ (923)**
Property, plant and equipment	**$ 51,912**	**$ 2,346**	**$ 13,935**	**$ 3,939**	**$ 15,617**	**$ 52**	**$ 87,801**
Total assets	**$ 80,985**	**$ 35,143**	**$ 17,700**	**$ 5,609**	**$ 15,665**	**$ 1,465**	**$ 156,567**
Capital expenditures	**$ 352**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 352**

For the three months ended June 30, 2015	San Andres Mine	Sao Francisco Mine	EPP Project	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	$ 23,195	$ 15,890	$ –	$ (453)	$ –	$ –	$ 38,632
Cost of production	17,579	16,530	–	349	–	–	34,458
Depletion and amortization	1,707	131	–	–	–	–	1,838
Gross margin (loss)	$ 3,909	$ (771)	$ –	$ (802)	$ –	$ –	$ 2,336
Care and maintenance expenses	–	–	–	(169)	–	–	(169)
Realized gain on gold collar and fixed price contracts	419	291	–	–	–	–	710
Other (expenses) income	(689)	(1,593)	–	348	(906)	(1,646)	(4,486)
Income (Loss) before income taxes	$ 3,639	$ (2,073)	$ –	$ (623)	$ (906)	$ (1,646)	$ (2,319)
Property, plant and equipment	$ 54,880	$ 2,666	$ –	$ 3,939	$ 29,322	$ 104	$ 90,911
Total assets	$ 90,336	$ 33,698	$ –	$ 7,458	$ 29,377	$ 5,301	$ 166,170
Capital expenditures	$ 3,406	$ –	$ –	$ –	$ 290	$ –	$ 3,696

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

For the six months ended June 30, 2016	San Andres Mine	Sao Francisco Mine	EPP Project	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	**$ 41,213**	**$ 30,652**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 71,865**
Cost of production	**30,788**	**21,825**	**–**	**–**	**–**	**–**	**52,613**
Depletion and amortization	**3,583**	**64**	**–**	**–**	**–**	**–**	**3,647**
Gross margin	**$ 6,842**	**$ 8,763**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 15,605**
Care and maintenance expenses	**–**	**(520)**	**(586)**	**(830)**	**(599)**	**–**	**(2,535)**
Realized loss on gold collar and fixed price contracts	**(796)**	**(957)**	**–**	**–**	**–**	**(2,951)**	**(4,704)**
Other (expenses) income	**(1,412)**	**(2,355)**	**–**	**1,520**	**(242)**	**(5,930)**	**(8,419)**
Income (Loss) before income taxes	**$ 4,634**	**$ 4,931**	**$ (586)**	**$ 690**	**$ (841)**	**$ (8,881)**	**$ (53)**
Property, plant and equipment	**$ 51,912**	**$ 2,346**	**$ 13,935**	**$ 3,939**	**$ 15,617**	**$ 52**	**$ 87,801**
Total assets	**$ 80,985**	**$ 35,143**	**$ 17,700**	**$ 5,609**	**$ 15,665**	**$ 1,465**	**$ 156,567**
Capital expenditures	**$ 1,289**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 1,289**

For the six months ended June 30, 2015	San Andres Mine	Sao Francisco Mine	EPP Project	Aranzazu Mine	Serrote Project	Corporate	Total
Sales to external customers	$ 49,416	$ 33,546	$ –	$ 3,875	$ –	$ –	$ 86,837
Cost of production	36,378	36,611	–	7,808	–	–	80,797
Depletion and amortization	3,351	267	–	–	–	–	3,618
Gross margin (loss)	$ 9,687	$ (3,332)	$ –	$ (3,933)	$ –	$ –	$ 2,422
Care and maintenance expenses	–	–	–	(169)	–	–	(169)
Realized gain on gold collar and fixed price contracts	345	76	–	–	–	–	421
Other (expenses) income	(1,525)	45	–	49	(910)	(4,853)	(7,194)
Income (Loss) before income taxes	$ 8,162	$ (3,287)	$ –	$ (4,053)	$ (910)	$ (4,853)	$ (4,941)
Property, plant and equipment	$ 54,880	$ 2,666	$ –	$ 3,939	$ 29,322	$ 104	$ 90,911
Total assets	$ 90,336	$ 33,698	$ –	$ 7,458	$ 29,377	$ 5,301	$ 166,170
Capital expenditures	$ 7,703	$ –	$ –	$ –	$ 736	$ –	$ 8,439

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