Aura Minerals Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

Dated as of November 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 and nine months ended September 30, 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 November 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 and nine months ended September 30, 2016.

The Audit Committee, consisting of three directors (two of whom are independent) 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 any shareholder who requests it.

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

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1. BACKGROUND AND CORE BUSINESS

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

- *The San Andres Gold Mine ("San Andres")* – a 100% interest in an open-pit heap leach gold mine located in the highlands of western Honduras, in the municipality of La Union, Department of Copan, approximately 150 kilometres southwest of the city of San Pedro Sula. The mine has been in production since 1983;
- *The Sao Francisco Gold Mine ("Sao Francisco")* – a 100% effective control over an open-pit heap leach gold mine located in the southwest of the state of Mato Grosso, Brazil, approximately 560 kilometres ("Km") west of Cuiaba, the state capital. The mine has been in production since 2006.
- *The Ernesto/Pau-a-Pique Project ("EPP Project", "EPP")* – On June 23, 2016, the Company completed the acquisition of the EPP Project, located in the southwest of Mato Grosso state, near Pontes-e-Lacerda in Brazil. The EPP Project consists of the following gold deposits: the Lavrinha open pit, the Ernesto underground deposit, and the Pau-a-Pique underground mine and the near mine open pit prospects of Nosde, Japones and Pombihnas (See *Section 4, Acquisition of the EPP Project*);
- *The Aranzazu Copper Mine ("Aranzazu")* – 100% interest in an open-pit and underground mine operation in the state of Zacatecas, Mexico. In January 2015, the Company announced a suspension of operation at Aranzazu. As of the date of this MD&A, Aranzazu is on full care-and maintenance and has entered into administration proceedings in Mexico (*See Section 8, Liquidity and Capital Resources), for additional information*; and
- *The Serrote da Laje Project ("Serrote")* – 100% interest in development-stage copper-gold-iron asset located in the central-southern part of the state of Alagoas, Brazil, approximately 15 kilometres northwest of the city of Arapiraca.

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. THIRD QUARTER 2016 FINANCIAL AND OPERATING HIGHLIGHTS

- Income of $734 or $0.01 per share for the three months ended ("three months ended" or "the third quarter of") September 30, 2016 compared to income of $4,837 or $0.02 per share for the third quarter of 2015;
- Effective cash operating income[1] of $2,288 or $74 per ounce ("oz") of gold sold for the third quarter of 2016 compared to an income of $1,547 or $41 per oz of gold sold for the third quarter of 2015;
- Net sales revenue in the third quarter of 2016 decreased by 3% over the third quarter of 2015. Details are as follows:

		For the three months ended September 30, 2016		For the three months ended September 30, 2015		**For the nine months ended September 30, 2016**		For the nine months ended September 30, 2015
San Andres, *ounces ("oz")*		**18,946**		21,740		**55,105**		65,191
Sao Francisco, *oz*		**12,195**		16,203		**37,669**		44,136
Total ounces sold		**31,141**		37,943		**92,774**		109,327
Realized average gold price per oz - gross	**$**	**1,334**	$	1,128	**$**	**1,250**	$	1,179
Realized average gold price per oz - net[1]	**$**	**1,148**	$	1,010	**$**	**1,085**	$	1,060
Gold sales revenues, *net of local sales taxes*	**$**	**40,016**	$	41,349	**$**	**111,881**	$	124,311
Copper concentrate sales, net	**$**	**-**	$	(130)	**$**	**-**	$	3,745
Total net sales	**$**	**40,016**	$	41,219	**$**	**111,881**	$	128,056

- The realized average gold price per oz - gross and the realized average gold price per oz – net[1] for the three months ended September 30, 2016 and 2015 in the above table compare to the average market prices (London PM Fix) of $1,335 per oz and $1,124 per oz, respectively. There were no copper concentrate sales for the third quarter of 2015, only revaluations of unsettled shipments;
- Gold production for the third quarter of 2016 was 8% lower than in the third quarter of 2015. Gold production and cash costs[1] for the three and nine months ended September 30, 2016 and 2015 were as follows:

	For the three months ended September 30, 2016			For the three months ended September 30, 2015		
	Oz Produced		**Cash Costs[1]**	Oz Produced		Cash Costs[1]
San Andres	**21,350**	**$**	**815**	21,077	$	858
Sao Francisco	**12,106**		**997**	15,123		819
Total / Average	**33,456**	**$**	**881**	36,200	$	842

	For the nine months ended September 30, 2016			For the nine months ended September 30, 2015		
	Oz Produced		**Cash Costs[1]**	Oz Produced		Cash Costs[1]
San Andres	**56,406**	**$**	**834**	64,351	$	802
Sao Francisco	**37,209**		**928**	43,413		1,059
Total / Average	**93,615**	**$**	**871**	107,764	$	906

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

- There were no write-downs at the Sao Francisco mine for the third quarter of 2016. Cash cost per ounce produced[1] for the Sao Francisco Mine during the three months ended September 30, 2015 included a net realizable value inventory write-down of $7 per oz. There were no inventory write-downs at San Andres for the third quarters of 2016 and 2015;
- Gross margin of $11,291 for the third quarter of 2016, compared to a gross margin of $4,922 for the third quarter of 2015;
- On June 23, 2016, the Company completed the acquisition of the EPP Project. The Company has also published a NI 43-101 technical report on the EPP Project (See *Section 4, Acquisition of the EPP Project*); and
- On September 30, 2016, the Company closed a rights offering of 36,346,284 common shares at C$0.15 per common share for gross proceeds of $4,162 (C$5,451).

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

3. REVIEW OF MINING OPERATIONS AND DEVELOPMENT PROJECTS

San Andres, Honduras

The table below sets out selected operating information for San Andres for the three and nine months ended September 30, 2016 and 2015:

	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Ore mined (tonnes)	**1,678,249**	2,038,572	**4,680,324**	4,868,609
Waste mined (tonnes)	**1,608,470**	1,652,007	**3,994,830**	3,657,350
Total mined (tonnes)	**3,286,719**	3,690,579	**8,675,154**	8,525,959
Waste to ore ratio	**0.96**	0.81	**0.85**	0.75
Ore plant feed (tonnes)	**1,686,725**	1,642,224	**4,619,219**	4,790,941
Grade (g/tonne)	**0.45**	0.49	**0.45**	0.48
Production (ounces)	**21,350**	21,077	**56,406**	64,351
Sales (ounces)	**18,946**	21,740	**55,105**	65,191
Average cash cost per ounce of gold produced[1]	**$ 815**	$ 858	**$ 834**	$ 802

Total combined ore and waste mined during the third quarter of 2016 was 11% lower than in the comparable quarter. During the third quarter of 2016, ore mined was 18% lower than the comparable quarter and waste mined was 3% lower. The waste to ore ratio was 19% higher when comparing the third quarters of 2016 and 2015. The decrease in the ore and waste tonnes moved was anticipated by the mine plan.

Total plant feed during the third quarter of 2016 was 3% higher than the tonnes processed in the same quarter of 2015. The average ore plant feed grade for the third quarter of 2016 was 8% lower when compared to the third quarter of 2015. Gold recovery increased to 83% during the third quarter of 2016 from the 78% level achieved in the third quarter of 2015.

Gold production at San Andres in the third quarter of 2016 increased by 1% over the third quarter of 2015 due to the higher ore plant feed.

Average cash cost per oz of gold produced[1] in the third quarter of 2016 decreased by 5% over the third quarter of 2015 as a results of lower tonnes mined.

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

Sao Francisco, Brazil

The table below sets out selected operating information for Sao Francisco for the three and nine months ended September 30, 2016 and 2015:

	Q3 2016	Q3 2015	**YTD 2016**	YTD 2015
Ore mined (tonnes)	**502,691**	1,163,159	**1,844,471**	2,804,619
Waste mined (tonnes)	**7,986**	469,784	**202,164**	2,501,773
Total mined (tonnes)	**510,677**	1,632,943	**2,046,635**	5,306,392
Waste to ore ratio	**0.02**	0.40	**0.11**	0.89
Ore plant feed (tonnes)	**824,597**	954,670	**2,664,581**	2,953,307
Grade (g/tonne)	**0.51**	0.58	**0.54**	0.53
Production (ounces)	**12,106**	15,123	**37,209**	43,413
Sales (ounces)	**12,195**	16,203	**37,669**	44,136
Average cash cost per ounce of gold produced[1]	**$ 997**	$ 819	**$ 928**	$ 1,059

During the third quarter of 2016, ore mined, waste mined and waste to ore ratios were 57%, 98% and 95%, respectively, lower than the comparable period in 2015, due to Sao Francisco reaching the end of its mine life.

Total plant feed during the third quarter of 2016 was 14% lower than in the third quarter of 2015. The average ore plant feed grade for the third quarter of 2016 was 12% lower than in the third quarter of 2015. Gold production in the third quarter of 2016 was 20% lower than the third quarter of 2015 due to the decrease in ore plant feed and grade.

Average cash cost per oz of gold produced in the third quarter of 2016 was 22% higher than in the third quarter of 2015 due to the lower tonnes mined and grades.

Mining at Sao Francisco ceased in October 2016. The processing plant will continue through the fourth quarter of 2016 and fines recovery from tailings is expected to extend through 2017.

Development Projects

As at the date of this MDA, the Company's Aranzazu mine and Serrote project remain on care-and-maintenance (See *Section 8, Liquidity and Capital Resource*s, for further information). The Company is continuing to pursue options to maximize the value of these assets.

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

4. 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 Project.

The acquisition was completed on June 23, 2016, 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 C$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 accounting acquisition date, which coincided with the receipt of the relevant regulatory approvals in Brazil, and is expected to be repaid either with the cash flows 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 Project. Interest is charged at 4% per annum on the outstanding balance.

EPP Project highlights:

The EPP Project consists of three deposits, two of which are underground and one of which is open pit, and three additional areas which will be evaluated in 2017 and 2018;

- The Ernesto underground deposit and the Lavrinha open pit are located approximately 60 km south of the Company's Sao Francisco mine and 12 km south of the town of Pontes-e-Lacerda. These two deposits are within close proximity to the processing plant;
- The Pau-a-Pique underground mine has been on care and maintenance since 2013 and is located approximately 40 km south of the Ernesto and Lavrinha deposits and 5 km from the processing plant;
- The three additional areas (Nosde, Japones and Pombinhas) are within 20 km of the processing plant.

The processing plant is centrally located to these deposits and additional areas and has a capacity of 3,000 tonnes per day through a conventional carbon-in-leach process. The facility includes crushing, milling, gold extraction/recovery and a tailings disposal facility with power supplied from the national grid. Significant infrastructure exists around the entire EPP Project including paved roadways between all of the deposits and the town of Pontes-e-Lacerda.

The Company's primary technical focus areas for the EPP Project restart will be grade control, choice of the proper selective mining methods, geotechnical optimization to reduce dilution, improve overall gold recovery and lower cash operating costs at this relatively high grade project. The EPP Project started pre-stripping in September and continued to pre-production in October.

Mineral Resource Statement

The Company announced the results of NI 43-101 Mineral Resource estimates, which were performed in conjunction with ongoing Feasibility Studies for this Project. The Mineral Resources with an effective date of May 25, 2016 are reported as follows:

Lavrinha Deposit: Lavrinha Mineral Resource*

Resource Category	Tonnes (t)	Au (g/t)	Contained Au Oz
Measured	74,000	2.31	5,500
Indicated	1,226,000	2.25	88,700
Measured + Indicated	**1,300,000**	**2.25**	**94,200**
Inferred	283,000	2.51	22,800

Notes*:

1. *CIM Definitions were followed for Mineral Resources.*
2. *Mineral Resource estimates for the Lavrinha deposit were prepared under the supervision of Marcelo Batelochi, Ausimm (CP 205477).*
3. *Mineral Resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.*
4. *The quantities and grades of reported Inferred Resources in this estimation is uncertain in nature and there has been insufficient exploration to define these Inferred Resources as Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to the Indicated or Measured Mineral Resource category.*
5. *The mineral resource estimate is based on an optimized pit shell using US$1,300/oz gold and at a cut-off grade of 0.50 g/t gold. Mining costs were considered at US$2.44/t andUS$1.89/t for mineralized material and waste haulage, plant processing costs of US$10.24/t and G&A of US$3,800,000 per year as well as a process recovery of 93%.*
6. *A bulk density model based on rock type was used for volume to tonnes conversion with resources averaging 2.77 tonnes/m^3 .*
7. *Surface topography as of December 31, 2015.*
8. *Contained metal may not sum due to rounding.*

Ernesto Deposit: Ernesto Mineral Resource**

Resource Category	Tonnes (t)	Au (g/t)	Contained Oz
Indicated	734,000	6.70	158,200
Measured + Indicated	**734,000**	**6.70**	**158,200**
Inferred	308,000	6.30	62,400

Notes**:

1. *CIM Definitions were followed for Mineral Resources.*
2. *The Qualified Person for this Mineral Resource Estimate is: Richard Routledge M.Sc.(Applied), P.Geo.*
3. *Mineral Resources are estimated from surface and underground diamond drilling and core sampling and underground chip sampling by conventional 3D block modelling based on wireframing at a 1.5 g/t Au cut-off grade and ordinary kriging grade interpolation.*
4. *For the purpose of resource estimation, assays were capped at 40 g/t Au.*
5. *The mineral resource estimate is based on a Cut-Off Grade of 1.5 g/t Au derived from a Au price: US$1,275 /Oz, costs of US$33/t for mining, US$11/t for processing and US$10/t for G&A, as well as a 93% process recovery.*
6. *A bulk density model based on rock type was used for volume to tonnes conversion with resources averaging 2.62 tonnes/m^3 .*
7. *Mineral Resources are estimated from the 380 m EL to the 96 m EL, or from approximately 50 m depth to 150 m depth from surface.*
8. *Mineral Resources are classified as Indicated and Inferred based on drill hole spacing, interpreted geologic continuity and quality of data.*
9. *Mineral Resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.*
10. *The quantities and grades of reported Inferred Resources in this estimation is uncertain in nature and there has been insufficient exploration to define these Inferred Resources as Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to the Indicated or Measured Mineral Resource category.*

Pau-a-Pique Deposit: Pau-a-Pique Mineral Resource +

Resource Category	Tonnes (t)	Au (g/t)	Contained Oz
Indicated	519,000	4.05	67,600
Measured + Indicated	**519,000**	**4.05**	**67.600**
Inferred	117,000	4.45	16,700

Notes+:

1. *CIM Definitions were followed for Mineral Resources.*
2. *The Qualified Person for this Mineral Resource Estimate is: Richard Routledge M.Sc.(Applied), P.Geo.*
3. *Mineral Resources are estimated from surface and underground diamond drilling and core sampling and underground chip sampling by conventional 3D block modelling based on wireframing at a 1.5 g/t Au cut-off grade and ordinary kriging grade interpolation.*
4. *For the purpose of resource estimation, assays were capped at 50 g/t Au and composites >25 g/t Au were restricted to 12.5 m area of influence.*
5. *The mineral resource estimate is based on a Cut-Off Grade of 1.5 g/t Au derived from a Au price: US$1,275 /Oz, costs of US$29/t for mining, US$11/t for processing, US$10/t for G&A and US$7/t for mill feed surface transportation, as well as a 93% process recovery.*
6. *A bulk density model based on rock type was used for volume to tonnes conversion with resources averaging 2.77 tonnes/m $^{3.}$*
7. *Mineral Resources are estimated from the 410 m EL to the 65 m EL, or from approximately 30 m depth to 500 m depth from surface.*
8. *Mineral Resources are classified as Indicated and Inferred based on drill hole spacing, interpreted geologic continuity and quality of data.*
9. *Mineral Resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.*
10. *The quantities and grades of reported Inferred Resources in this estimation is uncertain in nature and there has been insufficient exploration to define these Inferred Resources as indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to the Indicated or Measured Mineral Resource category.*

The combined Mineral Resource for the Project follows:

Measured & Indicated Resource	Tonnes (t)	Au (g/t)	Contained Oz
Lavrinha	1,300,000	2.25	94,200
Ernesto	734,000	6.70	158,200
Pau-a-Pique	519,000	4.05	67,600
Total Measured & Indicated	**2,553,000**	**3.89**	**320,000**

Inferred Resource	**Tonnes (t)**	**Au (g/t)**	**Contained Oz**
Lavrinha	283,000	2.51	22,800
Ernesto	308,000	6.30	62,400
Pau-a-Pique	117,000	4.45	16,700
Total Inferred	**708,000**	**4.48**	**101,900**

Contained metal may not sum in the above tables due to rounding

The Company has filed a NI 43-101 Mineral Resource estimate on SEDAR and on the Company's website.

Cautionary Statement regarding NI 43-101 Compliance

Readers are encouraged to review the AIF and full text of the Company’s continuous disclosure documents. These documents are available on SEDAR and supply further information on the Company’s compliance with NI 43-101 requirements.

5. 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 the risks associated with commodity prices 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 has been updated as follows:

	For the nine months ended September 30, 2016 - Actuals		For the year ended December 31, 2016 - guidance	
	Oz Produced	Cash Costs[1]	Oz Produced	Cash Costs[1]
San Andres	**56,406**	**$ 834**	**75,000 - 85,000**	**$ 825 - 875**
Sao Francisco	**37,209**	**928**	**35,000 - 40,000**	**800 - 850**
Total / Average	**93,615**	**$ 871**	**110,000 - 125,000**	**$ 825 - 875**

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

For the fourth quarter of 2016, updated guidance in other material areas of expenditure is provided as follows;

- Capital expenditure of $4,600. Of this amount, $3,000 relates to San Andres and principally includes the Phase VI heap leach expansion, cemetery relocation, community and other expenditures and $1,600 relates to an acceleration of the restart of the Ernesto mine;
- Care-and-maintenance costs for Aranzazu ($700) and Serrote ($150);
- General and administration costs of $1,600;
- Taxes and royalties payable to local authorities in Brazil and Honduras and to a third party for a 1.5% NSR on Sao Francisco and San Andres of $2,000.

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

6. RESULTS OF OPERATIONS

For the three months ended September 30, 2016, the Company recorded an income of $734 compared to an income of $4,837 for the three months ended September 30, 2015.

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

(In thousands of dollars)		**For the three months ended September 30, 2016**		For the three months ended September 30, 2015
Revenues:				
San Andres	**$**	**23,926**	$	23,281
Sao Francisco		**16,090**		18,068
Aranzazu		**–**		(130)
	$	**40,016**	$	41,219
Cost of Production:				
San Andres	**$**	**15,148**	$	19,635
Sao Francisco		**11,379**		15,022
Aranzazu		**–**		387
	$	**26,527**	$	35,044
Depletion and Amortization:				
San Andres	**$**	**2,190**	$	1,130
Sao Francisco		**8**		123
	$	**2,198**	$	1,253
Gross Margin (Loss):				
San Andres	**$**	**6,588**	$	2,516
Sao Francisco		**4,703**		2,923
Aranzazu		**-**		(517)
	$	**11,291**	$	4,922

Revenues

Gold sales revenues for the three months ended September 30, 2016 decreased by 3% compared to the three months ended September 30, 2015. The decrease in gold sales revenues is primarily attributable to an 18% decrease in gold sales volumes. The decrease in gold sales volumes is mainly due to lower production at Sao Francisco as the mine reaches the end of its mine life.

There was no copper concentrate sold during the third quarter of 2016 and 2015, only revaluation of unsettled shipments.

Cost of Goods Sold

For the three months ended September 30, 2016 and 2015, total cost of goods sold from San Andres was $17,338 or $915 per oz compared to $20,765 or $955 per oz, respectively. For the three months ended September 30, 2016 and 2015, cash operating costs were $800 per oz and $903 per oz, respectively, while non-cash depletion and amortization charges were $115 per oz and $52 per oz, respectively. There were no write-downs of production inventory to net realizable value for the three months ended September 30, 2016 and 2015.

At Sao Francisco, for the three months ended September 30, 2016 and 2015, total cost of goods sold was $11,387 or $934 per oz compared to $15,145 or $935 per oz, respectively. For the three months ended September 30, 2016 and 2015, cash operating costs were $933 per oz and $927 per oz, respectively, while non-cash depletion and amortization charges were $1 per oz and $8 per oz, respectively. There were no write downs included in the cash operating costs for the three months ended September 30, 2016 to bring production inventory to net realizable value. (2015: cash operating costs included write downs of $114 or $7 per oz).

Care-and-maintenance expenses

For the three months ended September 30, 2016 and 2015, care-and-maintenance expenses include:

(In thousands of dollars)		**For the three months ended September 30, 2016**		For the three months ended September 30, 2015
EPP Project	**$**	**3,477**	$	–
Aranzazu		**450**		332
Other Brazilian projects		**493**		–
	$	**4,420**	$	332

The EPP Project incurred $3,477 for the three months ended September 30, 2016, as the project prepares for a restart in October 2016.

General and administrative costs

For the three months ended September 30, 2016 and 2015, general and administrative costs include:

(In thousands of dollars)		**For the three months ended September 30, 2016**		For the three months ended September 30, 2015
Salaries, wages and benefits	**$**	**383**	$	671
Professional and consulting fees		**462**		457
Penalties on overdue taxes		**1,008**		-
Directors' fees		**49**		39
Share-based payment expense		**39**		85
Other		**338**		423
	$	**2,279**	$	1,675

Salaries, wages and benefits decreased as a result of lower head count at the corporate office. Penalties on overdue taxes of $560 and $448 have been accrued in Honduras and Brazil, respectively, as a result of tax assessments. The Company is challenging the assessment in Honduras.

Other (losses) gains

For the three months ended September 30, 2016 and 2015, other (losses) gains include:

(In thousands of dollars)		**For the three months ended September 30, 2016**		For the three months ended September 30, 2015
Net (loss) gain on call options and fixed price contracts	**$**	**(347)**	$	623
Changes in fair value of gold loans		**(323)**		125
Gain on disposal of assets		**–**		109
Change in estimate of net smelter royalty payable		**(69)**		(20)
Foreign exchange (loss) gain		**(954)**		1,222
Other items		**1,252**		73
	$	**(441)**	$	2,132

For the third quarter of 2016, the loss is primarily related to a higher realized and unrealized losses on call options and fixed price contracts, higher revaluation loss in the fair value of the third gold loan as a result of the overall increase in the gold price and a stronger Brazilian Real against the USD resulting in higher foreign exchange losses. Other items increased significantly during the third quarter of 2016, due to an accrued interest income on tax credit of $1,184 related to Brazil.

Finance costs and income taxes

Total finance costs for the three months ended September 30, 2016 and 2015 were $658 and $1,281, respectively. The decrease in finance costs is mainly driven by lower accretion and interest expenses (See *Section 8, Liquidity and Capital Resources*, for further information).

The income tax expense for the three months ended September 30, 2016 was $2,519 consisting of $1,537 of current income tax expense and $356 of deferred tax expense related to San Andres and $626 of current income tax expense related to Sao Francisco. The income tax recovery for the three months ended September 30, 2015 was $1,303 consisting of $1,506 in current income tax recovery and $203 in deferred tax expense, related to San Andres.

Other comprehensive losses

Other comprehensive losses for the three months ended September 30, 2016 and 2015 were $235 and $4,144 respectively, related to the translation of foreign subsidiaries from their functional currencies into the Company's presentation currency and the recognition of unrealized actuarial gains and losses on post-employment benefits.

Comparing the nine months ended September 30, 2016 to the nine months ended September 30, 2015

For the nine months ended September 30, 2016, the Company recorded a loss of $1,333 which compares to a loss of $2,593 for the nine months ended September 30, 2015.

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

		For the nine months ended September 30, 2016		For the nine months ended September 30, 2015
Revenues:				
San Andres	**$**	**65,139**	$	72,697
Sao Francisco		**46,742**		51,614
Aranzazu		**–**		3,745
	$	**111,881**	$	128,056
Cost of Production:				
San Andres	**$**	**45,936**	$	56,013
Sao Francisco		**33,204**		51,633
Aranzazu		**–**		8,195
	$	**79,140**	$	115,841
Depletion and Amortization:				
San Andres	**$**	**5,773**	$	4,481
Sao Francisco		**72**		390
	$	**5,845**	$	4,871
Gross Margin (Loss):				
San Andres	**$**	**13,430**	$	12,203
Sao Francisco		**13,466**		(409)
Aranzazu		**-**		(4,450)
	$	**26,896**	$	7,344

Revenues

Revenues for the nine months ended September 30, 2016 decreased by 13% compared to the nine months ended September 30, 2015. The decrease in revenues resulted from a 15% decrease in gold sales volume and a 100% decrease in copper concentrate sales.

The decrease in copper concentrate net sales is due to the suspension of operation at the Aranzazu mine. Total copper sales revenue of $3,745 for the nine months ended September 30, 2015 at Aranzazu was related to the shipment of 4,270 dry metric tonnes (“DMT”) of copper concentrate. Total concentrate shipment revenues for the nine months ended September 30, 2015 were $877 per DMT.

Cost of Goods Sold

For the nine months ended September 30, 2016 and 2015, total cost of goods sold from San Andres was $51,709 or $938 per oz compared to $60,494 or $928 per oz, respectively. For the nine months ended September 30, 2016 and 2015, cash operating costs were $834 per oz and $859 per oz, respectively, while non-cash depletion and amortization charges were $104 per oz and $69 per oz, respectively. There were no write-downs of production inventory to net realizable value for the nine months ended September 30, 2016 and 2015.

At Sao Francisco, for the nine months ended September 30, 2016 and 2015, total cost of goods sold was $33,276 or $883 per oz compared to $52,023 or $1,179 per oz, respectively. For the nine months ended September 30, 2016 and 2015, cash operating costs were $881 per oz and $1,170 per oz, respectively, while non-cash depletion and amortization charges were $2 per oz and $9 per oz, respectively. The cash operating cost for the nine months ended September 30, 2016 included write downs of $47 or $1.25 per oz to bring production inventory to net realized value. (2015: cash operating cost included write downs of $2,485 or $56 per oz).

Total cost of goods sold from Aranzazu for the nine months ended September 30, 2015 was $8,195 or $1,919 per DMT. For the nine months ended September 30, 2015, cash operating costs were $1,919 per DMT, while non-cash depletion and amortization charges were $nil.

Care-and-maintenance expenses

For the nine months ended September 30, 2016 and 2015, care-and-maintenance expenses include:

(In thousands of dollars)		**For the nine months ended September 30, 2016**		For the nine months ended September 30, 2015
EPP Project	**$**	**4,063**	$	–
Aranzazu		**1,280**		501
Other Brazilian projects		**1,612**		–
	$	**6,955**	$	501

General and administrative costs

For the nine months ended September 30, 2016 and 2015, general and administrative costs include:

(In thousands of dollars)		**For the nine months ended September 30, 2016**		For the nine months ended September 30, 2015
Salaries, wages and benefits	**$**	**2,352**	$	2,676
Professional and consulting fees		**1,280**		1,935
Penalties on overdue taxes		**1,599**		-
Directors' fees		**277**		179
Share-based payment expense		**230**		197
Other		**1,398**		1,695
	$	**7,136**	$	6,682

Salaries, wages and benefits decreased as a result of lower head count at the corporate office. Professional and consulting fees decreased due to a discontinuation of spending on the NI 43-101 study for Aranzazu. The increase in directors' fees is attributable to the payment of deferred share units to two departing members of the board of directors. Penalties on overdue taxes of $1,151 and $448 have been accrued in Honduras and Brazil, respectively, as a result of tax assessments. The Company is challenging the assessment in Honduras. Other expenses for the nine months ended September 30, 2016 and 2015 decreased due to a non-recurring legal settlement from 2015 and lower insurance premiums.

Other (losses) gains

For the nine months ended September 30, 2016 and 2015, other (losses) gains include:

(In thousands of dollars)	**For the nine months ended September 30, 2016**	For the nine months ended September 30, 2015
Net (loss) gain on call options and fixed price contracts	**$ (6,165)**	$ 1,146
Changes in fair value of gold loans	**(2,842)**	(1,412)
Gain on disposal of assets	**1,536**	239
Change in estimate of net smelter royalty payable	**(69)**	119
Foreign exchange (loss) gain	**(915)**	2,318
Other items	**1,405**	335
	$ (7,050)	$ 2,745

The other (losses) gains decreased due to realized and unrealized losses on call options and fixed price contracts and a higher revaluation loss in the fair value of the gold loans as a result of the overall increase in the gold price, offset by gain on disposal of assets at Aranzazu. For the nine months ended September 30, 2016, the realized losses on the call options and fixed price contracts were $3,188 and $3,219, respectively while the unrealized losses on the call options were $25. The derivative losses are expected to be non-recurring. Other items increased significantly due to an accrued interest income on tax credit of $1,184, related to Brazil.

Finance costs and income taxes

Total finance costs for the nine months ended September 30, 2016 and 2015 were $2,113 and $3,781, respectively. The decrease is primarily attributable to lower accretion and interest expenses.

The income tax expense for the nine months ended September 30, 2016 was $4,532 consisting of $3,449 of current income tax expense and $457 of deferred tax expense related to San Andres and $626 of current income tax expense related to Sao Francisco. The income tax expense for the nine months ended September 30, 2015 was $1,186 consisting of $1,409 in current income tax expense, and $223 of deferred tax recovery, related to San Andres.

Other comprehensive losses

Other comprehensive losses for the nine months ended September 30, 2016 and 2015 were $727 and $6,692, respectively, related to the translation of foreign subsidiaries from their functional currencies into the Company's presentation currency and the recognition of unrealized actuarial gains and losses on post-employment benefits.

7. SUMMARY OF QUARTERLY RESULTS

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

Fiscal quarter ended	**September 30, 2016**	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Revenue	**$40,016**	$36,415	$35,451	$37,707	$41,219	$38,632	$48,205	$58,521
Working capital	**($1,442)**	($4,169)	($1,094)	($5,408)	($2,524)	($8,079)	($8,372)	($4,409)
Property, plant and equipment	**$86,565**	$87,801	$75,031	$78,428	$85,767	$90,911	$89,128	$91,548
Impairment charges[1]	**$0**	$0	$0	($8,367)	$0	$0	$0	($137,502)
Income (loss) for the period	**$734**	($2,048)	($19)	($11,886)	$4,837	($1,522)	($5,908)	($138,605)
Income (loss) per share - basic and diluted	**$0.01**	($0.01)	($0.01)	($0.04)	$0.02	($0.01)	($0.03)	($0.61)
Effective cash operating income (loss)[2]	**$2,288**	($23)	$4,785	$3,891	$1,547	$857	$625	$1,921

(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 16 of this MD&A.

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

8. LIQUIDITY AND CAPITAL RESOURCES

The changes in cash and cash equivalents for the three and nine months ended September 30, 2016 and 2015 are presented in the table below:

	For the three months ended September 30, 2016	For the three months ended September 30, 2015	**For the nine months ended September 30, 2016**	For the nine months ended September 30, 2015
Net cash flow generated by operating activities	**$ 5,965**	$ 7,280	**$ 8,242**	$ 17,752
Net cash flow used by investing activities	**(1,184)**	(2,638)	**(2,387)**	(10,350)
Net cash flow used by financing activities	**(1,833)**	(5,050)	**(2,148)**	(11,033)
Increase (decrease) in cash and cash equivalents	**$ 2,948**	$ (408)	**$ 3,707**	$ (3,631)

Capital expenditures during the three months ended September 30, 2016 and 2015 were $952 and $2,104, respectively, for the development and infrastructure at San Andres.

On September 30, 2016 the Company closed a rights offering of 36,346,284 common shares at C$0.15 per common share for gross proceeds of $4,162 (C$5,451). Prior to the quarter end, the Company was advanced, by the standby commitment, proceeds of $1,944 (net of share issue costs of $49), equal to 17,405,284 common shares. Subsequent to September 30, 2016, the Company received the remaining proceeds of $2,169.

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 were partially used for the repayment of the remaining balance of the high-interest bearing, Real-denominated Itau Bridge Loan to crystallize the exchange gains from a weaker Real in the first quarter of 2016 as well as for additional 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.

On June 9, 2015, the Company completed a non-brokered private placement of 57,009,346 common shares at a price of C$0.107 per share, representing a premium of approximately 15% to the five day volume weighted average price (VWAP) of the common shares as of May 27, 2015 (date the placement was announced). The Company received gross proceeds of $4,940 (C$6,100) from the private placement.

Cash flow used by financing activities for the three months ended September 30, 2016 include a $2,826 repayment on the Gold Loan, a $354 repayment on the short-term promissory note at San Andres, a settlement of royalty liabilities of $540 and a debt interest payment of $57, offset by proceeds of $1,944 from rights offering.

The Company has experienced recurring operating losses and has an accumulated deficit of $538,846 at September 30, 2016. For the three and nine months ended September 30, 2016, the Company recorded a net income of $734 and a net loss of $1,333, 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. 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, refinance its current funding or raise additional funding to meet its obligations. Although management is confident that the Company will be able to generate funding internally from its operations, refinance its current funding or raise additional financing, there are no assurances that the Company will be successful.

9. CONTRACTUAL OBLIGATIONS

For the three and nine months September 30, 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.

10. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of September 30, 2016 other than certain royalty obligations in respect of Aranzazu, the Serrote Project and the EPP Project. Refer to *Section 4, Acquisition of the EPP Project.*

11. 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 United States 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 nine months ended September 30, 2016, the Company paid consulting fees to Acumen of $142 and $485 (2015: $124 and $556). As at September 30, 2016, the Company owed $437 (December 31, 2015: $300) to Acumen.

12. 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 has 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.

13. 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 Mineral Resources and Mineral 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 in accordance with NI 43-101. Mineral 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 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 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.

As at September 30, 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 the Company's 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.

As at September 30, 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 in the jurisdictions, if available, 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.

14. 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. As at November 10, 2016, 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, all of whom 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 on a quarterly basis 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.

15. 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 September 30, 2016 and ongoing review and monitoring of these procedures, and as there were no changes in ICFR or DC&P as of September 30, 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.

16. 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, effective cash operating income (loss), and realized average gold price per oz - net which are non-GAAP performance measures. These non-GAAP measures do not have any standardized meanings within IFRS and therefore may not be comparable to similar measures presented by other companies. The Company believes that these measures provide investors with additional information which is useful in evaluating the Company's performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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

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

(In thousands of dollars except for ounces of gold produced and average cash cost per ounce)	**For the three months ended September 30, 2016**	For the three months ended September 30, 2015	**For the nine months ended September 30, 2016**	For the nine months ended September 30, 2015
Cost of goods sold	**$ 28,725**	$ 35,910	**$ 84,985**	$ 112,517
Less: Depletion and amortization	**(2,198)**	(1,253)	**(5,845)**	(4,871)
Inventory movements and adjustments	**2,941**	(4,190)	**2,399**	(10,013)
Total cash cost	**$ 29,468**	$ 30,467	**$ 81,539**	$ 97,633
Gold ounces produced	**33,456**	36,200	**93,615**	107,764
Average cash cost per ounce of gold produced	**$ 881**	$ 842	**$ 871**	$ 906

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 September 30, 2016**	For the three months ended September 30, 2015	**For the nine months ended September 30, 2016**	For the nine months ended September 30, 2015
Cost of goods sold	**$ -**	$ 387	**$ -**	$ 8,195
Less: Depletion and amortization	**-**	-	**-**	-
Inventory movements and adjustments	**-**	(387)	**-**	1,220
Cash production costs	**$ -**	$ -	**$ -**	$ 9,415
Less: Estimated by-product credits	**-**	-	**-**	(2,199)
Plus: Estimated selling costs	**-**	-	**-**	(2,501)
Total cash costs net of by-product credits	**$ -**	$ -	**$ -**	$ 4,715
Contained copper pounds produced	**-**	-	**-**	1,205,983
Average cash cost per pound of copper produced	**$ -**	$ -	**$ -**	$ 3.91

Effective cash operating income (loss) is the term the Company uses to describe the cash that is generated from its gold operations, net of corporate costs, local taxes and royalties and adjusted for realized losses from derivative instruments and gold loan repayments. It excludes depletion and amortization, inventory write-downs and impairment charges. Other non-cash items are deemed to be immaterial. Aranzazu's financial results have been excluded from the quarterly comparative numbers as the project is under care-and-maintenance. Capital expenditure, working capital movements and income taxes paid are also excluded from the calculation of effective cash operating (loss) income.

Realized average gold price per oz - net is the term the Company uses to describe the realized revenue per ounce of gold after determining the per oz impact of local taxes and royalties, realized losses from derivative instruments and gold loan repayments. It is calculated in the following tables.

The following tables reconcile the consolidated financial statements to the effective cash operating income (loss) for each of the eight most recently completed quarters:

	Q3 2016	**Per oz sold**	**Q2 2016**	**Per oz sold**	**Q1 2016**	**Per oz sold**	**Q4 2015**	**Per oz sold**
Ounces sold	**31,141**		**30,010**		**31,623**		**35,195**	
Revenue	$ 41,553	$ 1,334	$ 37,626	$ 1,254	$ 36,743	$ 1,162	$ 38,987	$ 1,108
Local taxes and royalties	(1,537)	(49)	(1,211)	(40)	(1,293)	(41)	(1,280)	(36)
Net revenues before realized losses and gold loan repayments	*40,016*	*1,285*	*36,415*	*1,214*	*35,450*	*1,121*	*37,707*	*1,071*
Realized (loss) gain from fixed price contracts	(1,198)	(38)	(474)	(16)	(1,279)	(40)	330	9
Realized loss from call options contracts	(238)	(8)	(2,498)	(83)	(453)	(14)	-	-
Gold loan repayments	(2,826)	(91)	(2,238)	(75)	-	-	(3,086)	(88)
Net revenues after realized losses and gold loan repayments	***$ 35,754***	***$ 1,148***	***$ 31,205***	***$ 1,040***	***$ 33,718***	***$ 1,066***	***$ 34,951***	993
Direct mine and mill costs	(26,527)	(852)	(26,760)	(892)	(25,806)	(816)	(28,931)	(822)
Depletion and amortization	(2,198)	(71)	(1,531)	(51)	(2,116)	(67)	(1,662)	(47)
Inventory write-down	-	-	(47)	(2)	-	-	(145)	(4)
Cost of goods sold	**$ (28,725)**	**$ (923)**	**$ (28,338)**	**$ (945)**	**$ (27,922)**	**$ (883)**	**$ (30,738)**	**$ (873)**
Effective gross margin	***$ 7,029***	***$ 225***	***$ 2,867***	***$ 95***	***$ 5,796***	***$ 183***	***$ 4,213***	***$ 120***
General and administrative expenses	(2,279)	(73)	(2,541)	(85)	(2,316)	(73)	(1,740)	(49)
Care and maintenance	(4,420)	(142)	(1,817)	(61)	(718)	(23)	(290)	(8)
Exploration	(240)	(7)	(109)	(3)	(94)	(3)	(99)	(3)
Impairment charges	-	-	-	-	-	-	(8,367)	(238)
Effective operating income (loss)	***$ 90***	***$ 3***	***$ (1,600)***	***$ (54)***	***$ 2,668***	***$ 84***	***$ (6,283)***	***$ (179)***
Add back:								
Depletion and amortization	2,198	71	1,531	51	2,116	67	1,662	47
Inventory write-down	-	-	47	2	-	-	145	4
Impairment charges	-	-	-	-	-	-	8,367	238
Effective cash operating income (loss)	***$ 2,288***	***$ 74***	***$ (22)***	***$ (1)***	***$ 4,784***	***$ 151***	***$ 3,891***	***$ 111***

	Q3 2015	Per oz sold	Q2 2015	Per oz sold	Q1 2015	Per oz sold	Q4 2014	Per oz sold
Ounces sold	**37,943**		**33,934**		**37,450**		**42,503**	
Revenue	$ 42,785	$ 1,128	$ 40,426	$ 1,191	$ 45,654	$ 1,219	$ 51,144	$ 1,203
Local taxes and royalties	(1,436)	(38)	(1,341)	(40)	(1,777)	(47)	(1,724)	(41)
Net revenues before realized losses and gold loan repayments	*41,349*	*1,090*	*39,085*	*1,152*	*43,877*	*1,172*	*49,420*	*1,163*
Realized (loss) gain from fixed price contracts	723	19	711	21	(290)	(8)	278	7
Realized loss from call options contracts	-	-	-	-	-	-	-	-
Gold loan repayments	(3,743)	(99)	(2,895)	(85)	(2,910)	(78)	(3,828)	(90)
Net revenues after realized losses and gold loan repayments	***$ 38,329***	***$ 1,010***	***$ 36,900***	***$ 1,087***	***$ 40,677***	***$ 1,086***	***$ 45,870***	***$ 1,079***
Direct mine and mill costs	(34,543)	(910)	(33,332)	(982)	(37,287)	(996)	(40,239)	(947)
Depletion and amortization	(1,253)	(33)	(1,838)	(54)	(1,780)	(48)	(3,881)	(91)
Inventory write-down	(114)	(3)	(777)	(23)	(1,593)	(43)	(1,161)	(27)
Cost of goods sold	**$ (35,910)**	**$ (946)**	**$ (35,947)**	**$ (1,059)**	**$ (40,660)**	**$ (1,086)**	**$ (45,281)**	**$ (1,065)**
Effective gross margin	***$ 2,419***	***$ 64***	***$ 953***	***$ 28***	***$ 17***	***$ 0***	***$ 589***	***$ 14***
General and administrative expenses	(1,675)	(44)	(2,389)	(70)	(2,618)	(70)	(3,601)	(85)
Care and maintenance	(332)	(9)	(169)	(5)	-	-	-	-
Exploration	(232)	(6)	(153)	(5)	(147)	(4)	(109)	(3)
Impairment charges	-	-	-	-	-	-	(137,502)	(3,235)
Effective operating income (loss)	***$ 180***	***$ 5***	***$ (1,758)***	***$ (52)***	***$ (2,748)***	***$ (74)***	***$(140,623)***	***$ (3,309)***
Add back:								
Depletion and amortization	1,253	33	1,838	54	1,780	48	3,881	91
Inventory write-down	114	3	777	23	1,593	43	1,161	27
Impairment charges	-	-	-	-	-	-	137,502	3,235
Effective cash operating income (loss)	***$ 1,547***	***$ 41***	***$ 857***	***$ 25***	***$ 625***	***$ 16***	***$ 1,921***	***$ 45***

The following table reconciles the consolidated financial statements to the effective cash operating income for the nine months ended September 30, 2016 and 2015:

	For the nine month ended September 30, 2016	Per oz sold	For the nine month ended September 30, 2015	Per oz sold
Ounces sold	**92,774**		**109,327**	
Revenue	$ 115,922	$ 1,250	$ 128,865	$ 1,179
Local taxes and royalties	(4,041)	(44)	(4,554)	(42)
Net revenues before realized losses and gold loan repayments	*111,881*	*1,206*	*124,311*	*1,137*
Realized (loss) gain from fixed price contracts	(2,952)	(32)	1,143	10
Realized loss from call options contracts	(3,188)	(34)	-	-
Gold loan repayments	(5,064)	(55)	(9,549)	(87)
Net revenues after realized losses and gold loan repayments	***$ 100,677***	***$ 1,085***	***$ 115,906***	***$ 1,060***
Direct mine and mill costs	(79,093)	(853)	(105,162)	(962)
Depletion and amortization	(5,845)	(63)	(4,871)	(45)
Inventory write-down	(47)	(1)	(2,484)	(23)
Cost of goods sold	**$ (84,985)**	**$ (914)**	**$ (112,517)**	**$ (1,029)**
Effective gross margin	***$ 15,692***	***$ 170***	***$ 3,389***	***$ 31***
General and administrative expenses	(7,136)	(77)	(6,682)	(61)
Care and maintenance	(6,955)	(75)	(501)	(5)
Exploration	(443)	(5)	(532)	(5)
Effective operating income (loss)	***$ 1,157***	***$ 14***	***$ (4,326)***	***$ (40)***
Add back:				
Depletion and amortization	5,845	63	4,871	45
Inventory write-down	47	1	2,484	23
Effective cash operating income (loss)	***$ 7,049***	***$ 78***	***$ 3,029***	***$ 28***

17. 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.

18. DISCLOSURE OF SHARE DATA

As at November 10, 2016, the Company had the following outstanding: 329,503,557 common shares, 11,560,431 stock options, 8,000,000 warrants and 400,000 restricted share units.

19. 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 its San Andres Mine, Sao Francisco Mine, EPP project and Aranzazu and Serrote development projects; 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.