



Aura Minerals Inc.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017**

**Dated as of August 15, 2017**

*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 six months ended June 30, 2017 and 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 Annual Information Form ("AIF") dated March 24, 2017, as well as other information relating to Aura Minerals as filed on the Company's profile on SEDAR at [www.sedar.com](http://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 August 15, 2017 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 six months ended June 30, 2017.*

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

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

*All mineral resource and mineral reserve estimates included in documents referenced in this MD&A have been prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). 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.*

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## **1. BACKGROUND AND CORE BUSINESS**

Aura Minerals is a 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 ("Km") southwest of the city of San Pedro Sula. The mine has been in production since 1983;*
- *The Ernesto/Pau-a-Pique Project ("EPP Project", "EPP") – a 100% effective control over the EPP Project located in the southwest of Mato Grosso state, near Pontes-e-Lacerda in Brazil which consists of the following gold deposits: the Lavrinha open-pit ("Lavrinha"), the Ernesto underground deposit, the Pau-a-Pique underground mine and the near mine open-pit prospects of Nosde, Japones and Pombinhas. The Company filed a NI 43-101 Feasibility Study on the EPP Project on January 13, 2017;*
- *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 Km west of Cuiaba, the state capital. The mine has been in production since 2006, however mining at Sao Francisco ceased in October 2016 with processing of fines expected to continue through 2017. The Company is evaluating options for further exploration at Sao Francisco in order to potentially re-start mining operations;*
- *The Aranzazu Copper Mine ("Aranzazu") – a 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 care-and-maintenance. In May 2015, the operating entity for Aranzazu and a wholly-owned subsidiary of the Company, Aranzazu Holding S.A.*

de C.V. (“Aranzazu Holding”), filed for administration proceedings in Mexico under the Mexican Federal Court. During the first quarter of 2017, the administration proceedings were effectively terminated; and

- *The Serrote da Laje Project (“Serrote”)* – a 100% interest in the development-stage copper-gold-iron asset located in the central-southern part of the state of Alagoas, Brazil, approximately 15 Km northwest of the city of Arapiraca. As of the date of this MD&A, Serrote is on care-and-maintenance.

Sao Francisco and EPP are collectively referred to as the “Brazilian Mines”.

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

## 2. SECOND QUARTER 2017 FINANCIAL AND OPERATING HIGHLIGHTS<sup>1</sup>

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
<b>FINANCIAL DATA</b>				
<i>IFRS Measures</i>				
Revenue	\$ 44,247	\$ 36,415	\$ 79,149	\$ 71,865
Cost of goods sold	35,200	28,338	64,789	56,260
Depreciation (included in cost of goods sold)	2,798	1,531	5,572	3,647
Gross Margin	9,048	8,077	14,360	15,605
Gross Margin (excluding depreciation)	11,846	9,608	19,932	19,252
Net (loss) Income	4,242	(2,048)	(781)	(2,066)
Income (loss) per share - Basic and diluted	0.13	(0.07)	(0.02)	(0.07)
EBITDA	7,662	5,294	\$ 11,746	\$ 11,848
<i>Non-IFRS Measures</i>				
Realized average gold price per ounce sold, gross <sup>1</sup>	\$ 1,162	\$ 1,213	\$ 1,161	\$ 1,166
Realized average gold price per ounce sold, net of local sales taxes, hedging and gold loan repayments <sup>1</sup>	\$ 1,142	\$ 1,156	\$ 1,150	\$ 1,138
Cash operating costs per ounce produced <sup>1</sup>	\$ 794	\$ 917	\$ 822	\$ 876
Cash operating costs per ounce sold <sup>1</sup>	\$ 881	\$ 893	\$ 886	\$ 854
Total capital expenditures	\$ 1,269	\$ 937	\$ 3,503	\$ 1,203
<b>OPERATING DATA</b>				
Ore processed (tonnes)	2,082,313	1,954,937	4,154,691	4,772,477
Gold produced (ounces)	37,685	26,100	69,185	60,158
Gold sold (ounces)	36,757	30,010	66,839	61,632

- Pau a Pique mine has not yet declared commercial production. Pre-commercial production achieved 2,209 ounces during the second quarter of 2017 and 3,212 ounces during the first six months of the year;
- Income of \$4,242 or \$0.13 per share for the three months ended (“three months ended” or “the second quarter of”) June 30, 2017 compared to loss of \$2,048 or \$0.07 per share for the second quarter of 2016;

- Net sales revenue in the second quarter of 2017 increased by 21.5% over the second quarter of 2016. Details are as follows:

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
San Andres, ounces	25,308	18,721	47,104	36,159
Brazilian Mines	11,449	11,289	19,735	25,474
<b>Total ounces sold</b>	<b>36,757</b>	<b>30,010</b>	<b>66,839</b>	<b>61,632</b>
Gold sales revenues, net of local sales taxes	\$ 44,247	\$ 36,415	\$ 79,149	\$ 71,865
Average gold market price per oz (London PM Fix)	\$ 1,257	\$ 1,260	\$ 1,238	\$ 1,221
Realized average gold price per ounce sold, gross	\$ 1,162	\$ 1,213	\$ 1,161	\$ 1,166
Realized average gold price per ounce sold, net of local sales taxes, hedging and gold loan repayments <sup>1</sup>	\$ 1,142	\$ 1,156	\$ 1,150	\$ 1,138

- The realized average gold price per oz - gross and the realized average gold price per oz – net<sup>1</sup> for the three months ended June 30, 2017 and 2016 in the above table compare to the average market prices (London PM Fix) of \$1,257 per oz and \$1,260 per oz, respectively.
- Gold production for the second quarter of 2017 was 44% higher than the comparable period of 2016, including the pre-commercial production of Pau a Pique. Gold production and cash operating costs per ounce produced<sup>1</sup> for the six months ended June 30, 2017 and 2016 were as follows:

	For the three months ended June 30, 2017		For the three months ended June 30, 2016	
	Oz Produced	Cash Operating Costs <sup>1</sup>	Oz Produced	Cash Operating Costs <sup>1</sup>
San Andres	22,856	\$764	14,875	\$820
Brazilian Mines	14,829	\$840	11,225	\$1,045
<b>Total / Average</b>	<b>37,685</b>	<b>\$794</b>	<b>26,100</b>	<b>\$917</b>

	For the six months ended June 30, 2017		For the six months ended June 30, 2016	
	Oz Produced	Cash Operating Costs <sup>1</sup>	Oz Produced	Cash Operating Costs <sup>1</sup>
San Andres	44,337	\$773	35,055	\$863
Brazilian Mines	24,848	\$910	25,103	\$895
<b>Total / Average</b>	<b>69,185</b>	<b>\$822</b>	<b>60,158</b>	<b>\$876</b>

- Effective January 1, 2017, Lavrinha achieved commercial production. As a result, both revenue and operating costs for Lavrinha are recognized in the condensed interim consolidated statements of loss and comprehensive loss. In addition, the mine development related to Lavrinha is reclassified to property, plant and equipment and depletion commences.
- During the second quarter of 2017, cash operating costs per ounce produced<sup>1</sup> were 13% lower, comparable with the period in 2016 due to higher production at San Andres, the ramp-up of EPP and the Sao Francisco fines project.
- During the second quarter of 2017, the Company through its wholly-owned Honduran subsidiary, Minerales de Occidente, S.A. de C.V. (“Minosa”), entered into a \$7.0 million loan agreement with Banco Atlántida for working capital requirements. During the second quarter Minosa drew down \$4.0 million. The loan bears an annual interest rate of 7.3 % with a grace period of one year and a maturity date on June 15, 2023.
- On January 27, 2017, the Company obtained a \$9.0 million loan (the “Facility”) from Auramet International LLC (“Auramet”). The proceeds from the Facility were used for the full repayment on the

remaining balance of the previous gold loan and for working capital requirements. The gold loan was repaid using ounces purchased at an average price of \$1,179 per ounce of gold. The principal payment on the Facility is equal to 30 bi-weekly installments of \$300 commencing on May 5, 2017. The Facility may be repaid at any time with no early repayment penalties. The Company is required to maintain a cash and cash equivalent balance of \$3,000;

- During the first quarter of 2017, the Company, through its wholly-owned Brazilian subsidiary, Mineracao Apoena, S.A., entered into a \$3,162 loan agreement with Banco ABC Brasil S.A. (“ABC Bank”) for working capital requirements. The loan bears an annual interest rate of 5.38%. with a grace period of one year and a maturity date on July 31, 2019.

### 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 six months ended June 30, 2017 and 2016:

	<b>For the three months ended June 30, 2017</b>	For the three months ended June 30, 2016	<b>For the six months ended June 30, 2017</b>	For the six months ended June 30, 2016
Ore mined (tonnes)	1,655,213	1,157,088	3,360,241	3,002,074
Waste mined (tonnes)	1,119,890	1,013,564	2,481,920	2,386,360
Total mined (tonnes)	2,775,103	2,170,652	5,842,161	5,388,435
Waste to ore ratio	0.68	0.88	0.74	0.74
Ore plant feed (tonnes)	1,690,838	1,067,937	3,415,341	2,932,494
Grade (g/tonne)	0.39	0.47	0.40	0.45
Recovery (%)	107.8%	91.8%	100.6%	82.6%
Production (ounces)	22,856	14,875	44,337	35,055
Sales (ounces)	25,308	18,721	47,104	36,159
Cash operating cost per ounce of gold produced <sup>1</sup>	\$ 764	\$ 820	\$ 773	\$ 863

Total ore and waste mined during the second quarter of 2017 was 28% higher than in the same quarter of 2016. During the second quarter of 2017, ore mined was 43% higher than in the second quarter of 2016 and waste mined was 10% higher. The waste to ore ratio was 23% lower when comparing the first quarters of 2017 and 2016. The increase in the ore and waste tonnes mined was a result of a labour action of 38 days experienced in the second quarter of 2016.

Total plant feed during the second quarter of 2017 was 58% higher than the tonnes processed in the same quarter of 2016 due to the impact of the labour action experienced in the second quarter of 2016. Gold recovery increased to 108% from 92% in the second quarter of 2016, due to the stacking in the firsts levels of phase VI – I A and the additional recovered ounces from the secondary leaching of previously leached areas during the first quarter of 2017.

Gold production at San Andres in the second quarter of 2017 increased by 54% over the same period of 2016 primarily due to increased recoveries. Cash operating cost per ounce of gold produced<sup>1</sup> in the second quarter of 2017 decreased by 7% over the comparable period in 2016 as a result of higher ounces produced.

### **Sao Francisco, Brazil**

The table below sets out selected operating information for Sao Francisco for the three and six months ended June 30, 2017 and 2016:

	<b>For the three months ended June 30, 2017</b>	For the three months ended June 30, 2016	<b>For the six months ended June 30, 2017</b>	For the six months ended June 30, 2016
Ore mined (tonnes)	-	764,370	-	1,341,781
Waste mined (tonnes)	-	29,020	-	194,177
Total mined (tonnes)	-	793,390	-	1,535,958
Waste to ore ratio	-	0.04	-	0.14
Ore plant feed (tonnes)	<b>115,167</b>	887,000	<b>256,778</b>	1,839,984
Grade (g/tonne)	<b>0.64</b>	0.46	<b>0.66</b>	0.53
Recovery (%)	-	<b>85.3%</b>	-	<b>79.6%</b>
Production (ounces)	<b>4,039</b>	11,225	<b>7,145</b>	25,103
Sales (ounces)	<b>4,053</b>	11,289	<b>7,339</b>	25,474
Cash operating cost per ounce of gold produced <sup>1</sup>	\$ <b>589</b>	\$ 1,045	\$ <b>758</b>	\$ 895

Mining at Sao Francisco ceased in October 2016. The processing plant continued through the fourth quarter of 2016 and fines recovery from tailings is expected to extend through 2017. As a result, total plant feed and ounces produced during the second quarter of 2017 were lower than the comparable period in 2016.

Production results for the first six months of 2017 for Sao Francisco was lower than expected due to the higher rainfall in the first three months of the year. This affected the capacity of the removal of the clayish ore deposited in the dam and thereby reducing plant throughput. However, the established process route and metallurgical recovery are within expectations.

Cash operating cost per ounce of gold produced<sup>1</sup> in the second quarter of 2017 was 44% lower than in the same period of 2016 due to the fines recovery that represents a lower cost.

The Company is evaluating options for further exploration at Sao Francisco in order to potentially re-start mining operations.

## ***EPP, Brazil***

The table below sets out selected operating information for EPP for the three and six months ended June 30, 2017 and 2016. The information below includes pre-commercial production from the Pau a Pique Mine.

	<b>For the three months ended June 30, 2017</b>	For the three months ended June 30, 2016	<b>For the six months ended June 30, 2017</b>	For the six months ended June 30, 2016
Ore mined (tonnes)	382,525	-	630,962	-
Waste mined (tonnes)	1,556,742	-	3,016,652	-
Total mined (tonnes)	1,939,267	-	3,647,615	-
Waste to ore ratio	4.07	-	4.78	-
Ore plant feed (tonnes)	276,308	-	482,571	-
Grade (g/tonne)	1.30	-	1.22	-
Recovery (%)	93.6%	-	93.3%	-
Production (ounces)	10,790	-	17,703	-
Sales (ounces)	7,396	-	12,396	-
Average cash cost per ounce of gold produced <sup>1</sup>	\$ 933	\$ -	\$ 972	\$ -

Lavrinha commenced commercial production on January 1, 2017 after achieving milestones set by management.

Pau a Pique mine is expected to enter into commercial production in the third quarter while Ernesto is expected to enter into commercial production mid-2018.

In total, EPP produced 10,790 ounces during the second quarter of 2017 and 17,703 ounces during the six months of 2017 (including pre-commercial production at Pau a Pique) at a cash cost per ounce<sup>1</sup> of \$933 and \$972, respectively. EPP was not operational in the same period of 2016.

### ***Development Projects***

As at the date of this MD&A, the Company's Aranzazu mine and Serrote project remain on care-and-maintenance. The Company is continuing to explore options to maximize the value of these assets.

## **4. OUTLOOK AND STRATEGY**

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

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

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

The Company's production and cash cost per oz<sup>1</sup> guidance for 2017 remains as previously reported:

Gold Mines	Ounces produced		Cash operating costs per ounce produced <sup>1</sup>		Capital expenditures (\$'000)	
	Low	High	Low	High	Low	High
San Andres	75,000	90,000	\$750	\$850	\$8,500	\$12,000
Sao Francisco	10,000	15,000	\$550	\$900	-	-
EPP Project	30,000	45,000	\$900	\$1,100	\$900	\$1,800
<b>Total</b>	<b>115,000</b>	<b>150,000</b>	<b>\$772</b>	<b>\$930</b>	<b>\$9,400</b>	<b>\$13,800</b>

Guidance for all-in cost per ounce sold<sup>1</sup> will be provided in the future.

## 5. RESULTS OF OPERATIONS

For the three months ended June 30, 2017, the Company recorded a net income of \$4,242 compared to a loss of \$2,048 for the three months ended June 30, 2016. Details of revenues, cost of goods sold and gross margin are presented below:

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Revenues:				
San Andres	29,997	\$ 22,269	\$ 54,979	\$ 41,213
Brazilian Mines	14,250	14,146	24,170	30,652
	\$ 44,247	\$ 36,415	\$ 79,149	\$ 71,865
Cost of Production:				
San Andres	19,295	\$ 16,038	\$ 37,286	\$ 30,788
Brazilian Mines	13,107	10,769	21,931	21,825
	\$ 32,401	\$ 26,807	\$ 59,217	\$ 52,613
Depletion and Amortization:				
San Andres	1,954	\$ 1,515	\$ 4,137	\$ 3,583
Brazilian Mines	844	16	1,435	64
	\$ 2,798	\$ 1,531	\$ 5,572	\$ 3,647
Gross Margin:				
San Andres	8,748	\$ 4,715	\$ 13,556	\$ 6,842
Brazilian Mines	299	3,361	804	8,763
	\$ 9,047	\$ 8,076	\$ 14,360	\$ 15,605
Ounces sold :				
San Andres	25,308	18,721	47,104	36,159
Brazilian Mines	11,449	11,289	19,735	25,474
	36,757	30,010	66,839	61,632
Cash operating costs per ounce sold <sup>1</sup>				
San Andres	\$ 762	\$ 857	\$ 792	\$ 851
Brazilian Mines	1,145	954	1,111	857
	\$ 881	\$ 893	\$ 886	\$ 854
Depletion and amortization per ounce sold <sup>1</sup>				
San Andres	\$ 77	\$ 81	\$ 88	\$ 99
Brazilian Mines	74	1	73	3
	\$ 76	\$ 51	\$ 83	\$ 59
Cost of goods sold per ounce sold <sup>1</sup>				
San Andres	\$ 840	\$ 938	\$ 878	\$ 951
Brazilian Mines	1,219	955	1,184	859
	\$ 958	\$ 944	\$ 969	\$ 913

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



### Revenues

Gold sales revenue for the second quarter of 2017 increased by 21.5% compared to the same period in 2016. The increase in gold sales revenue is attributable to the higher volumes of gold sold during the quarter and an increase in the realized gold price per ounce. The increase in gold sales volumes is mainly due to the higher production and sales from the San Andres mine, which was impacted with a 38-day labour action in the second quarter of 2016.

### Cost of Goods Sold

Total cost of goods sold from San Andres during the second quarter of 2017 increased by 20.3% in comparison to the same period in 2016 due to higher ounces produced. During the second quarter of 2017, cash operating cost per ounce sold<sup>1</sup> was lower by 11% than the comparable period in 2016 due to a 35.2% increase in the sales volume.

Total cost of goods sold from the Brazilian Mines during the second quarter of 2017 increased by 21.7% due to beginning of operation of EPP. Cash operating cost per ounce sold<sup>1</sup> was 45.4% higher due to a 16.3% decrease in the sales volume relating to the Sao Francisco mine.

### Gross margin

During the second quarter of 2017, gross margin for San Andres increased by 85.5% due to the impact of the labour action experienced in the second quarter of 2016. During the same period, the Brazilian Mines' gross margin decreased by 91% from the same period in 2016 as a result of lower production from Sao Francisco while EPP is still on a ramping-up stage.

### Care-and-maintenance expenses

Care-and-maintenance expenses include:

	<b>For the three months ended June 30, 2017</b>	For the three months ended June 30, 2016	<b>For the six months ended June 30, 2017</b>	For the six months ended June 30, 2016
Aranzazu Mine	\$ 634	\$ 416	\$ 1,113	\$ 830
Brazilian projects	849	1,400	1,308	1,705
	<b>\$ 1,483</b>	<b>\$ 1,816</b>	<b>\$ 2,421</b>	<b>\$ 2,535</b>

The care-and-maintenance expense for other Brazilian projects, including Serrote and Rio Alegre, and the Aranzazu project, mainly represents costs with respect to maintaining adequate provisions for security (*See Section 10, Transactions with Related Parties*).

### General and administrative costs

For the three months ended June 30, 2017 and 2016, general and administrative costs include:

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Salaries, wages and benefits	\$ 1,322	\$ 721	\$ 1,951	\$ 1,968
Professional and consulting fees	1,294	278	2,855	817
Legal provision and settlements	172	591	219	591
Insurance	85	-	180	52
Directors' fees	41	185	89	228
Occupancy cost	63	-	146	42
Share-based payment expense (note 10(d))	5	152	5	191
Other	(39)	614	360	969
	\$ 2,942	\$ 2,541	\$ 5,805	\$ 4,857

Professional and consulting fees increased significantly for the three months ended June 30, 2017 in comparison to the same period in 2016. The increase is mostly due to a non-recurring expense related to termination benefits obligation to the Company's former President and Chief Executive Officer (*See to Section 10, Transactions with Related Parties*).

Other expenses for the three months ended June 30, 2017 and 2016 include regulatory and filing fees, travel expenses and information technology expenses.

### Finance Costs

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Accretion expense	\$ 109	\$ 289	\$ 452	\$ 604
Interest expense on debts (note 9)	334	109	676	351
Finance cost on post-employment benefit	151	114	280	228
Other interest and finance costs	53	92	389	271
	\$ 647	\$ 604	\$ 1,797	\$ 1,454

The increase in interest expense on debts is related to the new debts from Auramet, Banco Atlantida and ABC Bank as well as the working capital facility payable to Yamana Gold Inc., as part of the acquisition of the EPP Project.

### Other (losses) income

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Net loss on call options and fixed price contracts	\$ 177	\$ (1,104)	\$ (1,192)	\$ (5,818)
Changes in fair value of gold loans (note 9(b))	\$ -	\$ (1,551)	\$ (427)	\$ (2,519)
Gain on disposal of assets	\$ (41)	\$ -	\$ 537	\$ 1,533
Foreign exchange (loss) gain	\$ 3,114	\$ (1,116)	\$ 469	\$ 39
Other items	\$ 124	\$ (159)	\$ 105	\$ 156
	\$ 3,374	\$ (3,930)	\$ (507)	\$ (6,609)

During the three months ended June 30, 2017, other income increased mainly due to foreign exchange gains.

## 6. SUMMARY OF QUARTERLY RESULTS

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

<i>Fiscal quarter ended</i>	<b>June 30, 2017</b>	<b>March 31, 2017</b>	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Revenue	<b>\$44,247</b>	\$34,902	\$34,328	\$40,016	\$36,415	\$35,451	\$37,707	\$41,219
Working capital	<b>\$5,332</b>	\$9,110	\$6,459	(\$1,442)	(\$4,169)	(\$1,094)	(\$5,408)	(\$2,524)
Property, plant and equipment	<b>\$100,673</b>	\$102,203	\$102,758	\$86,565	\$87,801	\$75,031	\$78,428	\$85,767
Impairment charges <sup>(1)</sup>	<b>\$0</b>	\$0	\$0	\$0	\$0	\$0	(\$8,367)	\$0
Gain on acquisition of EPP Project	<b>\$0</b>	\$0	\$19,886	\$0	\$0	\$0	\$0	\$0
(Loss) Income for the period	<b>\$4,242</b>	(\$5,023)	\$20,353	\$734	(\$2,048)	(\$18)	(\$11,886)	\$4,837
(Loss) Income per share - Basic	<b>\$0.13</b>	(\$0.15)	\$0.62	\$0.10	(\$0.10)	(\$0.01)	(\$0.42)	\$0.17
(Loss) Income per share -Diluted	<b>\$0.13</b>	(\$0.15)	\$0.60	\$0.10	(\$0.10)	(\$0.01)	(\$0.42)	\$0.17

(1) For the quarter ended December 31, 2015 impairment charge recorded is related to Serrote.

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

## 7. LIQUIDITY AND CAPITAL RESOURCES

The Company increased its cash from \$10,713 from the beginning of the first quarter of 2017 to \$15,828 at the end of second quarter of 2017. Details are as follows:

	<b>For the three months ended June 30, 2017</b>	For the three months ended June 30, 2016	<b>For the six months ended June 30, 2017</b>	For the six months ended June 30, 2016
Cash flow generated by operating activities	\$ <b>3,980</b>	\$ (56)	\$ <b>2,966</b>	\$ 2,408
Cash flow used by investing activities	<b>(1,269)</b>	(1,012)	<b>(3,503)</b>	(1,203)
Cash flow generated by financing activities	<b>1,798</b>	(1,469)	<b>5,652</b>	(446)
Increase in cash and cash equivalents	\$ <b>4,509</b>	\$ (2,537)	\$ <b>5,115</b>	\$ 759

During the three months ended June 30, 2017, the Company spent \$354 for infrastructure and development at San Andres. Cash inflow from financing activities includes the proceeds from Banco Atlantida. Cash flow used by financing activities includes a \$1,500 amortization of the Auramet loan, a \$344 repayment on the Promissory Note at San Andres, a \$428 repayment of royalty liabilities and a \$334 of debt interest payments.

Cash inflow from financing activities during the first quarter of 2016 was related to a \$12,325 gold loan from Auramet and cash flow used by financing activities includes a \$6,825 repayment on the remaining balance of the Itau bridge loan, settlement of outstanding royalty liabilities of \$2,537, a debt interest payment of \$420 and a margin deposit to accompany the outstanding gold collars of \$1,548.

## **8. CONTRACTUAL OBLIGATIONS**

For the three months June 30, 2017 and as at the date of this MD&A, the Company has not entered into any contractual obligations that are outside of the ordinary course of business.

## **9. OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements as of June 30, 2017.

## **10. TRANSACTIONS WITH RELATED PARTIES**

On January 1, 2015, the Company entered into a consulting agreement for the provision of management services to the Company, including those of the President and Chief Executive Officer, with Acumen Capital, LLC ("Acumen"), a US based company which is controlled by Jim Bannantine, the Company's former President and Chief Executive Officer. The consulting agreement was terminated on January 15, 2017. For the three months ended June 30, 2017, the Company paid consulting fees and termination benefits to Acumen of \$124(2016: \$180). As at June 30, 2017, the Company owed \$850 (December 31, 2016: \$64) to Acumen, mainly related to termination benefits.

In connection with Company's due diligence conducted on the EPP Project and subsequent acquisition of the project, the Company investigated an area known as Rio Alegre, which was not originally included in the EPP Project that was acquired from Yamana. It was the Company's intention to acquire the licenses of Rio Alegre due to the close proximity to EPP's processing plant, subject to positive due diligence. The exploration licenses for Rio Alegre was recently transferred to Apoena and were held in the name of Mineração Tarauacá Indústria e Comércio S.A. ("Tarauacá"), a company controlled by Paulo Brito, the Company's non executive Chairman and largest shareholder through his control and direction of Northwestern Enterprises Ltd. Following initial discussions with Tarauacá, and additional due diligence on Rio Alegre, the Company and Tarauacá entered into an agreement for the Company to acquire Rio Alegre at no cost to the Company. Apoena has applied to the National Department of Mineral Production for the assignment of the exploration license and the formal assignment is expected shortly. For the three months ended June 30, 2017, the Company spent \$344 maintaining the property which was primarily related to security (2016:\$Nil).

## **11. PROPOSED TRANSACTION**

Other than as disclosed in this MD&A, there are no binding asset or business acquisitions or dispositions. However, the Company continues to explore alternatives to maximize value of its assets.

As at the date of this MD&A, the Company's Aranzazu mine and Serrote project remain on care-and-maintenance. The Company is continuing to explore options to maximize the value of these assets.

## **12. CHANGES IN ACCOUNTING POLICIES**

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company reviewed the new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

*IFRS 16, Leases*

On January 13, 2016, the IASB published a new Standard, IFRS 16, Leases (“IFRS 16”). The new standard brings most leases onto the balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

#### *IFRS 15, Revenue from Contracts and Customers*

IFRS 15, Revenue from Contracts and Customers (“IFRS 15”) was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

#### *IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosure*

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.

IFRS 7 (Financial Instruments: Disclosure) addresses the disclosure of financial assets and financial liabilities in the financial statements. IFRS 7 will be amended to require additional disclosures on transition from IAS 39 to IFRS 9, effective on adoption of IFRS 9.

The Company is currently evaluating the impact of IFRS 9 and IFRS 7 on its consolidated financial statements.

#### *IFRS 2, Share-based Payment*

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment (“IFRS 2”), covering the measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings, and accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements, and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments apply for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of IFRS 12 on its consolidated financial statements.

### **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 under NI-43-101. Reserves and resources determined in this way are used in the calculation of depletion expense, assessment of impairment charges and the carrying values of assets, and for forecasting the timing of the payment of mine closure and restoration costs.

There are numerous uncertainties inherent in estimating mineral resources and reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and resources and may, ultimately, result in reserves and resources being restated.

#### **b) Impairment of assets**

In accordance with the Company's accounting policy, each asset or CGU is evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating unit ("CGU") is measured at the higher of fair value less cost of disposal ("FVLCD") or value in use ("VIU").

The determination of FVLCD and VIU requires management to make estimates and assumptions about expected production and sales volumes, metals prices, reserves, operating costs, mine closure and restoration costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the consolidated statements of income (loss).

#### **c) Valuation of work-in-process inventory**

Leach pad inventory is comprised of ore that has been extracted from the mine and placed on the heap leach pad for further processing. Costs are added to leach pad inventory based on current mining costs and are removed from leach pad inventory as gold ounces are recovered in the plant, based on the average cost per recoverable ounce on the heap leach pad. The quantity of recoverable gold in process is an engineering estimate which is based on the expected grade and recovery of gold from the ore placed on the leach pad. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. However, the

estimate of recoverable gold placed on the leach pad is reconciled to actual gold production and the engineering estimates will be refined based on actual results over time. The ultimate recovery of gold from each heap leach pad will not be known until the leaching process is concluded.

Ore in stockpiles is comprised of ore extracted from the mine and available for further processing. Costs are added to ore in stockpiles at the current mining cost and are removed at the accumulated average cost per tonne.

**d) Deferral of stripping costs**

In determining whether stripping costs incurred during the production phase of a mining property relate to mineral reserves and mineral resources that will be mined in a future period and therefore should be capitalized, the Company determines whether it is probable that the future economic benefit associated with the stripping activity will flow to the Company.

**e) Provisions for mine closure and restoration**

The amounts recorded for mine closure and restoration obligations are based on estimates prepared by third party environmental specialists, if available, in the jurisdictions in which the Company operates or by environmental specialists within the Company. These estimates are based on remediation activities that are required by environmental laws, the expected timing of cash flows, and the pre-tax risk free interest rates on which the estimated cash flows have been discounted. These estimates also include an assumption on the rate at which the costs may inflate in future periods. Actual results could differ from these estimates. The estimates on which these fair values are calculated require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices.

## **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. The current Board is comprised of five individuals, four of whom are neither executive officers nor employees of the Company and three of whom are unrelated in that they are independent of management. Mr. Barbosa is currently not considered independent due to his role as President & CEO of the Company. The Audit Committee is currently comprised of three directors who are independent of management.

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

## **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 Vice President, Legal Affairs and Business Development, 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 Vice

President, Legal Affairs and Business Development, to provide reasonable assurance that material information related to the Company is made known to the Company's certifying officers. Based on a review of the ICFR and DC&P as of December 31, 2016 and ongoing review and monitoring of these procedures, and as there were no changes in ICFR or DC&P in the three months ended March 31, 2017 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 earnings before interest and tax ("EBIT"), earnings before interest, tax, depreciation and amortization ("EBITDA"), realized average gold price per ounce sold, gross, realized average gold price per ounce sold - net of local sales taxes, hedging and gold loan repayments, cash operating cost per ounce produced, cash operating costs per ounce sold and all-in costs per ounce sold which are non-GAAP performance measures. These non-GAAP measures do not have any standardized meaning within IFRS and therefore may not be comparable to similar measures presented by other companies. The Company believes that these measures provide investors with additional information which is useful in evaluating the Company's performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

## **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 August 15, 2017, the Company had the following outstanding: 33,520,194 common shares, 897,400 stock options, 350,000 share purchase warrants, and 126,529 deferred 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 San Andres, EPP, Aranzazu, Sao Francisco and Serrote; the amount of mineral reserves and mineral resources; the amount of future production over any period; the amount of waste tonnes mined; the amount of mining and haulage costs; cash costs; operating costs; strip ratios and mining rates; expected grades and ounces of metals and minerals; expected processing recoveries; expected time frames; prices of metals and minerals; mine life; and gold hedge programs. Often, but not always, forward-looking statements may be identified by the use of words such as



“expects”, “anticipates”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives” or variations thereof or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions.

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

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

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