Aura Minerals Inc.

Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

Management's Responsibility for Financial Reporting and Report on Internal Control Over Financial Reporting

The accompanying consolidated financial statements have been prepared by and are the responsibility of the Board of Directors and management of the Company. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgments based on currently available information. The Company has developed and maintains a system of internal controls in order to ensure, on a reasonable and cost effective basis, the reliability of its financial information.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and accounted for, that transactions are authorized, and to facilitate the preparation of relevant, reliable, and timely financial information. Where appropriate, management uses its best judgement, based on currently available information, to make estimates required to ensure fair and consistent presentation of this information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee. The Audit Committee consists of three directors all of whom are independent. The functions of the Audit Committee are to review the quarterly and annual consolidated financial statements and submit them to the Board of Directors for approval; review the adequacy of the system of internal controls; review any relevant accounting, financial and security regulatory matters; recommend the appointment of external auditors; and approve the scope of the external auditors' audit and non-audit work.

"Rodrigo Barbosa"
President, Chief Executive Officer

"Ryan Goodman"
VP, Legal Affairs & Business Development

Tortola, British Virgin Island
March 26, 2018

March 26, 2018

Independent Auditor's Report

To the Shareholders of
Aura Minerals Inc.

We have audited the accompanying consolidated financial statements of Aura Minerals Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PwC Tower , 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aura Minerals Inc. and its subsidiaries as at December 31, 2017 and 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Aura Minerals Inc.

Consolidated Statements of Income

For the years ended December 31, 2017 and 2016

Expressed in thousands of United States dollars

	Note	**2017**	2016
Revenue		**$ 157,711**	$ 146,209
Cost of goods sold	19	**131,301**	115,196
Gross margin		**26,410**	31,013
General and administrative expenses	20	**14,064**	7,885
Care-and-maintenance expenses	21	**5,068**	7,999
Exploration expenses	22	**1,782**	645
Impairment reversal	31	**(10,007)**	-
Operating income		**15,503**	14,484
Gain on acquisition of Ernesto/Pau-a-Pique	6	**-**	19,886
Finance costs	23	**(3,552)**	(2,721)
Other gains (losses)	24	**3,782**	(2,956)
Income before income taxes		**15,733**	28,693
Income tax expense	14	**(5,552)**	(9,673)
Income for the year		**$ 10,181**	$ 19,020
Income per share:			
Basic		**$ 0.30**	$ 0.64
Diluted		**$ 0.30**	$ 0.62
Weighted average number of common shares outstanding:			
Basic		**33,496,797**	29,845,060
Diluted		**34,094,926**	30,643,188

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

Expressed in thousands of United States dollars

	2017	2016
Income for the year	**$ 10,181**	$ 19,020
Other comprehensive loss		
Loss on foreign exchange translation of subsidiaries	**(2,393)**	(756)
Actuarial gain on post-employment benefit, net of tax	**62**	2
Other comprehensive loss, net of tax	**(2,331)**	(754)
Total comprehensive income	**$ 7,850**	$ 18,266

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

Expressed in thousands of United States dollars

	Note	2017	2016
Cash flows from operating activities			
Income (Loss) for the period		**$ 10,181**	$ 19,020
Items not affecting cash	25(a)	**6,818**	(267)
Changes in working capital	25(b)	**(9,269)**	2,108
Taxes paid		**(3,727)**	(2,516)
Other assets and liabilities	25(c)	**2,535**	(4,931)
Net cash generated by operating activities		**6,538**	13,414
Cash flows from investing activities			
Purchase of property, plant and equipment (net)		**(8,807)**	(3,752)
Proceeds from disposal of fixed assets		**919**	-
Net cash used in investing activities		**(7,888)**	(3,752)
Cash flows from financing activities			
Proceeds received from debts	9(a)(b)	**19,162**	12,325
Proceeds received from equity financing		**-**	4,093
Draw down of short-term loans		**-**	1,800
Proceeds from exercise of warrants		**-**	372
Proceeds from exercise of stock options and restricted share units	9(b)(i)	**173**	323
Repayment of gold loan	9(a)	**(6,869)**	(7,861)
Repayment of short term loans		**(6,846)**	(7,491)
Repayment of other liabilities		**(1,756)**	(4,156)
Interest paid on debts		**(1,437)**	(615)
Net cash generated (used) in financing activities		**2,427**	(1,210)
Increase in cash and cash equivalents		**1,076**	8,452
Cash and cash equivalents, beginning of the year		**10,713**	2,261
Cash and cash equivalents, end of the year		**$ 11,789**	$ 10,713

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

Aura Minerals Inc.

Consolidated Statements of Financial Position

As at December 31, 2017 and December 31, 2016

Expressed in thousands of United States dollars

	Note	2017	2016
ASSETS			
Current			
Cash and cash equivalents		**$ 11,789**	$ 10,713
Value added taxes and other receivables	7	**13,161**	7,108
Inventory	8	**38,489**	38,847
Assets held for resale	11	**24,463**	-
Other current assets	9	**2,988**	3,345
		90,890	60,013
Other long-term assets	10	**14,685**	13,075
Property, plant and equipment	11	**80,700**	102,758
Deferred income tax assets	14	**-**	4
		$ 186,275	$ 175,850
LIABILITIES			
Current			
Trade and other payables	12	**$ 35,811**	$ 35,181
Derivative Financial Instrument	26	**$ 895**	-
Current portion of debts	13	**18,052**	7,818
Current income tax liabilities		**5,047**	8,108
Current portion of provision for mine closure and restoration	15	**-**	82
Current portion of other liabilities	17	**1,976**	2,365
		61,781	53,554
Debts	13	**7,964**	12,215
Deferred income tax liabilities	14	**1,810**	4,487
Provision for mine closure and restoration	15	**21,309**	19,662
Other provisions	16	**7,467**	6,741
Other liabilities	17	**1,362**	2,575
		101,693	99,234
SHAREHOLDERS' EQUITY			
Share capital	18	**548,217**	548,044
Contributed surplus		**54,681**	54,738
Accumulated other comprehensive loss		**(10,039)**	(7,708)
Deficit		**(508,277)**	(518,458)
		84,582	76,616
		$ 186,275	$ 175,850

Approved on behalf of the Board of Directors:

"Stephen Keith"
Stephen Keith, Director

"Rodrigo Barbosa"
Rodrigo Barbosa, President, CEO

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

Expressed in thousands of United States dollars

	Note	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
At December 31, 2016		**33,420,194**	**$ 548,044**	**$ 54,738**	**$ (7,708)**	**$ (518,458)**	**$ 76,616**
Exercise of options (note 18(c))		**145,000**	**173**	**(57)**	**-**	**-**	**116**
Income (Loss) for the period		**-**	**-**	**-**	**-**	**10,181**	**10,181**
Loss on translation of subsidiaries		**-**	**-**	**-**	**(2,393)**	**-**	**(2,393)**
Actuarial gain on severance liability, net of tax		**-**	**-**	**-**	**62**	**-**	**62**
At December 31, 2017		**33,565,194**	**$ 548,217**	**$ 54,681**	**$ (10,039)**	**$ (508,277)**	**$ 84,582**

	Note	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
At December 31, 2015		28,598,519	$ 542,649	$ 54,463	$ (6,952)	$ (537,480)	$ 52,680
Income for the period		-	-	-	-	19,020	19,020
Loss on translation of subsidiaries		-	-	-	(756)	-	(756)
Shares issued on the acquisition of Ernesto / Pau-a-Pique, net of share issuance costs	6	200,000	327	-	-	-	327
Warrants issued on the acquisition of Ernesto / Pau-a-Pique		-	-	322	-	-	322
Shares issued on exercised of warrants	13(b)	450,000	372	-	-	-	372
Shares issued from the rights offering, net of share issuance costs	18(c)	3,634,628	4,093	-	-	-	4,093
Shares issued on exercise of stock options	18(e)	415,917	501	(178)	-	-	323
Shares issued on exercise of restricted shares units	18(f)	121,130	102	(99)	-	-	3
Actuarial gain on severance liability, net of tax		-	-	-	-	2	2
Share-based payments	18(g)	-	-	230	-	-	230
At December 31, 2016		**33,420,194**	**$ 548,044**	**$ 54,738**	**$ (7,708)**	**$ (518,458)**	**$ 76,616**

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

1 NATURE OF OPERATIONS

Aura Minerals Inc. ("Aura Minerals" or the "Company") is a mining company focused on the operation and development of mining properties in the Americas.

Aura Minerals is a public company listed on the Toronto Stock Exchange. The Company is continued under the *BVI Business Companies Act* (British Virgin Islands). The Company's registered office is located at Craigmuir Chambers, PO Box 71, Road Town, Tortola VG1110, British Virgin Islands. The Company maintains a head office at 78 SW 7th street, 7115, Miami Florida 33130, United States of America.

The Company's majority shareholder is Northwestern Enterprises Ltd, a company beneficially owned by the Chairman of the Board of Directors of the Company.

2 BASIS OF PREPARATION

The consolidated financial statements of Aura Minerals for the years ended December 31, 2017 and 2016 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved for issue by the Board of Directors effective March 26, 2018.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all periods presented unless otherwise stated.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (which the Company has either a 100% interest in, or 100% effective control over), after eliminating intercompany balances and transactions. The Company's principal subsidiaries with the corresponding mining operations and projects are:

- Minerales de Occidente, S.A. (Honduras) ("Minosa")
  - the San Andres gold mine in Honduras (the "San Andres Mine")
- Mineracao Apoena Limitada (Brazil) ("Apoena")
  - the Ernesto/Pau-a-Pique Project in Brazil (refer to Note 3)
  - the Sao Francisco gold mine in Brazil (the "Sao Francisco Mine")
- Aranzazu Holding S.A. de C.V. (Mexico)
  - the Aranzazu mine in Mexico (the "Aranzazu Mine"), which produced a copper-gold-silver concentrate and is currently on care-and-maintenance (refer to note 4)
- Mineracao Vale Verde Limitada (Brazil) ("MVV")
  - Serrote de Laje project in Brazil (the "Serrote Project"). On March 22, 2018 the Company completed the sale of the Serrote Project through the sale of MVV

On March 2, 2018 the Company completed the merger of Rio Novo Gold Inc. The consolidated statements do not include the assets acquired in the merger. Refer to Note 32.

Subsidiaries

Subsidiaries are all the entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases.

The Company uses the acquisition method of accounting to account for business combinations. The fair value of the acquisition of a subsidiary is based on the fair value of the assets acquired, the liabilities assumed, and the fair value of the consideration. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. The excess, if any, of the consideration over the fair value of the identifiable net assets acquired is recorded as goodwill. In the case of a bargain purchase, where the total consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of income (loss).

Foreign currency translation

Functional and presentation currency

Items included in the accounts of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in United States dollars, which is the Company's functional currency and the Company's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income (loss).

Translation of subsidiary results into the presentation currency

The results and statements of financial position of all the Company's subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each statement of income are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognized in a separate component of equity. When a foreign operation is sold, such exchange differences are recognized in the statement of income (loss) as part of the gain or loss on sale.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less.

Trade and other receivables

Trade and other receivables are amounts due from customers and others in the normal course of business. If collection is expected in one year or less, they are classified as current assets; if not, they are presented as noncurrent assets and discounted accordingly.

Inventory

Finished product inventory and work-in-process inventory, which includes leach pad and ore stockpile inventory, are valued at the lower of average cost and net realizable value. Finished product inventory consists of finished gold products and metals in concentrate. Work-in-process inventory represents inventory in-circuit at the Company's process plants and leach pads. Stockpile inventory represents ore stacked on leach pads and in stockpiles. The cost of work-in-process and finished product inventories includes mining costs, direct labor, operating materials and supplies, applicable haulage and transportation charges, and an applicable portion of operating overhead, including amortization and depletion. Net realizable value is the expected selling price for the finished product less the estimated costs to get the product into saleable form and to the selling location.
Parts and supplies inventory consists of consumables and is valued at weighted average cost after provision for slow moving and obsolete items.

For inventory which has been written down to net realizable value, if subsequent assessments conclude that the circumstances causing the write down no longer exist or when there is clear evidence of an increase in net realizable value due to a change in economic circumstances, the write down is reversed appropriately.

Mining interests

Mining interests represent capitalized expenditures related to the development of mining properties, expenditures arising from property acquisitions and related plant and equipment. Upon disposal or abandonment, the carrying amounts of mining interests are derecognized and any associated gains or losses are recognized in net income (loss).

Mineral properties

Mineral properties acquired through business combinations are recognized at fair value on the acquisition date. Expenditures for mine construction and development are capitalized once the Company can conclude that it will receive future economic benefits from an exploration property, which is generally when a feasibility study is completed and economically recoverable mineral resources for the project are determined. Development expenditures consist primarily of direct expenditures incurred to establish productive capacity and are included as part of assets under construction until the commissioning stage is completed.

When further development expenditures are incurred in respect of a mine already in production, such expenditures are capitalized when the Company can conclude that additional future economic benefits associated with the expenditure will flow to the Company. Otherwise, such expenditures are classified as a cost of production in the periods they are incurred.

Once development projects are completed, they are transferred to the appropriate classifications within mining interest and are depleted commencing on the date that the commissioning stage is completed.

Plant and equipment

Plant and equipment is originally recorded at cost at the time of construction, purchase, or acquisition, and is subsequently measured at cost less accumulated amortization and impairment. Cost includes all costs required to bring the item into its intended use by the Company.

Costs incurred for major overhauls of existing equipment are capitalized as plant and equipment and are subject to amortization once they are commissioned. The costs of routine maintenance and repairs are expensed as incurred.

Leased assets

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under financial leases are recognized at the lower of the fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Amortization and depletion

Plant and equipment is amortized using the straight line or units of production methods over the life of the mine, or over the remaining useful life of the asset, if shorter. Land is not amortized. The following amortization rates are used by the Company:

Major class of assets	Depreciation Method	Depreciation Rate
Vehicles	Straight-line	3-5 years
Machinery and equipment	Straight-line	2-10 years
Mobile mining equipment	Straight-line	4-8 years
Furniture and fixtures	Straight-line	4-10 years
Computer equipment and software	Straight-line	2-5 years
Leasehold improvements	Straight-line	Lease term
Buildings	Straight-line	4-10 years
Plant	Straight-line	4-10 years

Residual values and useful lives are reviewed on an annual basis and adjusted, if necessary, on a prospective basis.

Once a mining operation has achieved commercial production, capitalized mineral property expenditures are depleted on unit-of-production basis using proven and probable mineral reserves and a portion of measured and indicated mineral resources that are reasonably expected to be converted into proven and probable mineral reserves.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or whenever other indicators exist. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of assets is the greater of their fair value less costs of disposal ("FVLCD") and value in use ("VIU").

FVLCD is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's length basis. FVLCD for mineral properties is generally determined as the present value of estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, and discounted by an appropriate post-tax discount rate to arrive at a net present value. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

VIU is determined by applying assumptions specific to the Company's continued use and does not take into account future development discounted by an appropriate pre-tax discount rate. As such, these assumptions differ from those used in calculating FVLCD. The Company's cash generating units ("CGUs") are the lowest level of identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the CGUs carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Reversal of impairment of assets

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the CGU's recoverable amount since the last impairment loss was recognized. This reversal is recognized in the consolidated statements of income and is limited to the carrying value that would have been determined, net of any depreciation where applicable, had no impairment charge been recognized in prior years. When an impairment reversal is undertaken, the recoverable amount is assessed by reference to the higher of VIU and FVLCD. We have determined that the FVLCD is greater than the VIU amounts and therefore used as recoverable amount for impairment testing purposes.

Deferred stripping costs

At the Company's mining operations, it is necessary to remove overburden and other waste in order to access the ore body (stripping). During the pre-production phase and during the production period, stripping costs are deferred as part of the mineral property to the extent that the costs relate to anticipated future benefits and represent a betterment. Deferred stripping costs are depleted using the units of production method as the ore body accessed by the stripping activities is mined. Waste removal which relates to current production activities and does not give rise to a future benefit is accounted for as a production cost in the period in which it is incurred and is included in the cost of inventory.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statements of financial position.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss; loans and receivables; available-for-sale; and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. Where the Company expects to realize the asset or discharge the liability within twelve months, it is recorded as a current asset or liability; otherwise, it is recorded as a long-term asset or liability.

Financial assets and liabilities at fair value through profit and loss ("FVTPL")

A financial asset or liability at FVTPL is classified in this category if acquired principally for the purpose of selling or redeeming in the short-term. Derivatives are included in this category unless they are designated as hedges.

Financial assets and liabilities carried at FVTPL are initially recognized at fair value and are subsequently remeasured to their fair value at each statement of financial position date. Realized and unrealized gains and losses arising from changes in the fair value of these financial assets or liabilities are included in the consolidated statements of loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or noncurrent assets based on their maturity date. The Company classifies its trade and other receivables, other assets and cash and cash equivalents in the consolidated statements of financial position, as loans and receivables. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are those non-derivatives financial assets that are designated as such or are not classified in any of the other categories.

AFS financial assets are initially recorded at fair value upon initial recognition and at each period end, with unrealized gains and losses being recognized as a separate component of equity in other comprehensive loss until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in net income (loss).

Other financial liabilities

Other financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net loss when the liabilities are derecognized as well as through the amortization process.

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments such as fixed price and gold collar contracts to manage its gold price exposure of its forecasted revenues. Derivative financial instruments are initially recognized at fair value on the date the contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The method of recognizing the resulting gain or loss on the changes in fair value of derivative financial instruments depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. For derivatives that do not qualify for hedge accounting, any resulting gains or losses are recognized in the consolidated statements of income (loss) for the period.

Fair value of financial instruments

The fair values of quoted investments are determined by reference to market prices at the close of business on the consolidated statements of financial position date. Where there is no active market, the Company determines fair value by using valuation techniques. These include using recent arm's-length market transactions, referenced to the current market value of other instruments that are substantially the same, discounted cash flow analysis, and pricing models.

Financial instruments that are measured subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

Level 1 - fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e., actual prices) or indirectly (i.e., derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

Financial assets, other than those recorded at FVTPL, are assessed for indicators of impairment at each period end. A financial asset is considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investments have been impacted.

Derecognition of financial assets and liabilities

Financial assets are derecognized when the investments mature or are sold and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized within interest and other income and finance costs respectively.

Provisions

Provisions are recognized when the Company or its subsidiaries has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are recognized in the consolidated financial statements, if estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote.

Contingent assets are not recognized in the consolidated financial statements, but are disclosed in the notes if their recovery is deemed probable.

Mine closure and restoration

Provisions for mine closure and restoration are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include such costs as dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate and the accretion is included in finance costs. At the time of establishing the provision, the net present value of the obligation is capitalized as part of the cost of mineral properties. The provision is reviewed on an annual basis for changes in cost estimates, discount rates, inflation and operating lives. The net present value of changes in cost estimates of the mine closure and restoration obligations are capitalized to mineral properties.

Restoration activities will occur primarily upon closure of a mine, but can occur from time to time throughout the life of the mine. As restoration projects are undertaken, their costs are charged against the provision as the costs are incurred.

Long-term employee benefits

Certain long-term employee benefits are specifically payable when employment is terminated. The expected costs of these benefits are accrued in the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive loss in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

Leases

Assets held under financial leases are recognized as discussed in mining interest. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are recognized as an expense in the consolidated statements of income (loss).

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Share capital

Common shares issued by the Company are classified as equity. Incremental costs directly attributable to the issuance of common from treasury shares are recognized in equity, net of tax, as a deduction from the share proceeds.

Share-based payments

The fair value of the employee services received in exchange for the grant of stock options or other share-based payments plans is recognized as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by calculating the fair value of the options or other share-based payment plans at the date of grant. The Company uses the Black-Scholes option pricing model to calculate the fair value of options granted.

The total amount to be expensed is determined with reference to the fair value of the options granted:
- Including any market performance conditions; and
- Excluding the impact of any service and non-market performance vesting conditions, such as profitability, sales growth targets, and remaining an employee of the entity over a specific time period.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. This estimate is revised at each statement of financial position date and the difference is charged or credited to the consolidated statements of income (loss) with the corresponding adjustment to equity.

When the options are duly exercised, the Company issues common shares from treasury. The fair value and any proceeds received, net of any directly attributable transaction costs, are credited to equity.

Taxation

Tax expense comprises both current and deferred tax expense for the period. Tax expense is recognized in the consolidated statements of income (loss), except to the extent that it relates to items recognized in other comprehensive loss or directly in equity.

Current income tax expense is the tax expected to be payable on the taxable income for the year calculated using rates (and laws) that have been enacted or substantively enacted at the consolidated statements of financial position date in the countries where the Company operates. It includes adjustments for tax expected to be payable or recoverable in respect of previous periods.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated statements of financial position date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that they will be realized in the future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to become ready for its intended use) are capitalized as part of the cost of the asset. Capitalization of borrowing costs begins when costs are incurred and activities are undertaken to prepare the asset for its intended use and ceases when the asset is substantially complete or commissioned for use. Once the identified asset is substantially complete, the attributable borrowing costs are amortized over the useful life of the related asset. All other borrowing costs are expensed in the period they occur.

Revenue recognition

The Company recognizes revenue when: (i) the product has been delivered in accordance with the terms of the contract; (ii) the significant risks and rewards of ownership have been transferred to the buyer; (iii) the amount of revenue can be reliably measured; (iv) and the collection of the sales price is reasonably assured. The Company's gold sales are recognized at the date that title passes to the buyer, which is generally when gold is settled from the refinery. However, title could pass at any stage during the refining process for certain of the Company's gold sales. Gold revenues are shown net of local taxes calculated on gross revenues.

Exploration expenses

Exploration activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration expenditures, which include costs associated with researching and analyzing historical data, gathering data, exploration drilling and sampling, determining infrastructural requirements and preparing financial viability studies, are expensed until the Company concludes that it is more likely than not that economically recoverable mineral resources exist.

Income per share

Basic income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported, all outstanding options are excluded from the calculation of diluted loss per share, as they are anti-dilutive.

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and include items that are not included in net profits such as foreign currency exchange gains or losses related to foreign subsidiaries whose functional currency is different from the functional currency of the Company and actuarial gains and losses of postemployment benefits.

The Company's comprehensive income (loss) is presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (iii) for which discrete financial information is available. The Company's operating segments are identified as the San Andres Mine, the Sao Francisco Mine, the EPP Project, the Aranzazu Mine, the Serrote Project and Corporate. EPP and the Sao Francisco Mine are referred to as the "Brazilian Mines".

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

Purchase price allocation

Business combinations require judgement and estimates to be made at the date of acquisition in relation to identifying the acquirer, determining assets and liability fair values. The estimate of reserves and resources is subject to assumptions relating to life of the mine and may change when new information becomes available.

Changes in reserves and resources as a result of factors such as production costs, recovery rates, grade or reserves or commodity prices could impact depreciation rates, asset carrying values and decommissioning provision. Changes in assumptions over long-term commodity prices, market demand and supply, and economic and regulatory climates could also impact the carrying value of assets.

Determination of ore reserves

The Company determines mineral resources and reserves under the principles incorporated in the Canadian Institute of Mining, Metallurgy and Petroleum standards for mineral reserves and resources, known as the CIM Standards. The information is regularly compiled by Qualified Persons and reported under National Instrument 43-101, Standards of Disclosure for Mineral Projects ("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.

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 CGU is measured at the higher of FVLCD or 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).

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 are 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.

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 may 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.

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.

5 CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following new and revised standards, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions.

IAS 7 Statement of cash flows - Disclosures related to financing activities was amended to require disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. As a result of the adoption of IAS 7, the Company has included additional disclosure on non-cash changes of debt amounts in Note 25.

IAS 12 Income taxes - Deferred tax was amended to clarify (i) the requirements for recognizing deferred tax assets on unrealized losses; (ii) deferred tax where an asset is measured at a fair value below the asset's tax base, and (iii) certain other aspects of accounting for deferred tax assets. The adoption of this amendment did not result in any impact to the Company's financial statements.

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 Financial Instruments was issued in July 2014 and includes (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking "expected loss" impairment model; and (iii) a mandatory effective date of annual periods beginning on or after January 1, 2018. There will be no material impact to the financial statements on adoption of this standard.

IFRS 15 Revenue from Contracts with Customers was amended to clarify how to (i) identify a performance obligation in a contract; (ii) determine whether a company is a principal or an agent; and (iii) determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard. The amendments have the same effective date as the standard, which is January 1, 2018. The Company has reviewed its contracts with customers with respect to the applications to IFRS 15 has assessed that it does not have any material impact on the consolidated financial statements.

IFRS 2 Share-based payments was amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a "net settlement" feature in respect of employee withholding taxes effective for years beginning on or after January 1, 2018. There will be no impact to the financial statements on adoption of this standard.

IFRS 16 Leases specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January

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

2016 and applies to annual reporting periods beginning on or after January 1, 2019. The Company is still assessing the impact of this standard.

IFRIC 23 Uncertainty over income tax treatments clarifies how the recognition and measurement requirements of IAS 12, Income Taxes, are applied where there is uncertainty over income tax treatments effective for years beginning on or after January 1, 2019. The Company is still assessing the impact of this standard.

6 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 1, 2016 (the "acquisition date"), following the receipt of the relevant regulatory approvals in Brazil including both antitrust and national defense regulatory requirements.

As consideration for the EPP Project, the Company issued 200,000 common shares, 350,000 warrants of the Company at an exercise price of C$5.00 per warrant and a 2% net smelter return royalty ("NSR Royalty") on the first 1,000,000 gold ounces produced from the EPP Project, and thereafter, a 1% NSR Royalty on gold ounces produced from the EPP Project.

The Working Capital Facility was assumed by the Company on the acquisition date and is expected to be repaid either with the cash flow from EPP upon restart or payable in full within 36 months from the date of the Acquisition Agreement. Should EPP not enter into production or the Company not have sufficient funds to repay the Working Capital Facility on the due date, such amount outstanding will, at the option of Yamana, be converted into common shares of the Company at a 10% discount rate over the 20 day VWAP of the Company's common share based on the period prior to the due date. 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 and is included within finance costs. For the year ended December 31, 2017, the Company recorded an interest expense of $129 (2016: $204).

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

Loan payable to Yamana	$	8,923
Value of 200,000 common shares issued as consideration		352
Value of 350,000 share purchase warrants issued as consideration		322
Total purchase consideration	**$**	**9,597**
Inventory	$	3,102
Property, plant & equipment		30,752
Provision for mine closure and rehabilitation		(3,724)
Other liabilities		(646)
Deferred income tax liabilities		(2,767)
Total net assets acquired	**$**	**26,717**
Gain on acquisition, net of tax	**$**	**17,120**

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

The identified assets and liabilities, which included inventory, property, plant and equipment, accrued payables and asset retirement obligation, were recorded at their estimated fair values, which exceeded the fair value of the purchase price of the business. Accordingly, the acquisition has been accounted for as a bargain purchase, and as a result, the Company recognized a gain of approximately $19,886 (before tax) associated with the acquisition. The gain on acquisition is included in the consolidated statements of income (loss).
The preliminary allocation of the purchase price was based on the information available as at June 1, 2016. The allocation of the purchase price has not been finalized and is subject to adjustments, which may be material. The Company has until June 1, 2017 to finalize the purchase price allocation.

Pre-stripping activities at the EPP Project commenced in September 2016 and continued to pre-production in the fourth quarter of 2016. Total pre-production revenue and pre-production costs were $4,407 and $3,129, respectively. For the year ended December 31, 2017, total pre-production revenue and pre-production cost related to the PPQ Mine were $3,015 and $2,460, respectively.

On January 1, 2017, the Company declared commercial production at the Lavrinha Mine. On August 1, 2017, the Company declared commercial production at the PPQ Mine. As a result, revenue and operating costs were no longer capitalized and instead are included in the consolidated income statement. In addition, the Company commenced depreciation on property, plant and equipment of each mine.

7 VALUE ADDED TAXES AND OTHER RECEIVABLES

	2017	2016
Value added taxes receivable	**$ 25,364**	$ 15,922
Other receivables	**2,482**	4,261
Total trade and other receivables	**27,846**	20,183
Less: non-current portion of receivables	**(14,685)**	(13,075)
Trade and other receivables recorded as current assets	**$ 13,161**	$ 7,108

Due to their short-term maturities, the fair value of trade and other receivables approximate their carrying value. As of December 31, 2017, there is no allowance for doubtful accounts.

8 INVENTORY

	2017	**2016**
Finished product	**$ 14,693**	$ 10,093
Work-in-process	**7,845**	11,326
Parts and supplies	**15,951**	17,428
Total inventory	**$ 38,489**	$ 38,847

During the year ended December 31, 2017 the cost of inventories recognized as an expense (note 19) was $131,301 (2016: $115,196). The cost of inventories during the year ended December 31, 2017 includes write-downs of $-0- (2016: $413) to bring finished product and work-in-process inventories to net realizable value.

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

9 OTHER CURRENT ASSETS

	2017	2016
Prepaid expenses, advances and deposits	**$ 2,988**	$ 3,345
	$ 2,988	$ 3,345

10 OTHER LONG TERM ASSETS

	2017	2016
Long-term receivables and deposits	**$ 895**	$ 1,615
Value added taxes receivable	**13,790**	11,460
	$ 14,685	$ 13,075

11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment movements for the twelve months ended December 31, 2017 and for the year ended December 31, 2016 are as follows:

	Mineral properties	Land and buildings	Furniture, fixtures and equipment	Plant and machinery	Assets under construction	Total
Net book value at January 1, 2017	$ 58,118	$ 31,305	$ 1,142	$ 10,764	$ 1,429	$ 102,758
Additions	4,890	270	622	349	2,676	8,807
Disposals	-	-	(83)	-	(63)	(147)
Reversal of impairment	4,123	5,537	-	-	-	9,660
Asset held for sale (note 31)	(15,286)	(9,177)	-	-	-	(24,463)
Reclassifications and adjustments	(770)	-	-	-	-	(770)
Depletion and amortization	(9,831)	(2,479)	(726)	(2,109)	-	(15,145)
Net book value at December 31, 2017	$ 41,244	$ 25,456	$ 955	$ 9,004	$ 4,042	$ 80,700
Consisting of:						
Cost	$ 169,313	$ 64,022	$ 12,417	$ 96,397	$ 4,042	$ 346,191
Accumulated depletion and amortization	(128,070)	(38,566)	(11,462)	(87,393)	-	(265,491)
	$ 41,244	$ 25,456	$ 955	$ 9,004	$ 4,042	$ 80,700

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

As at December 31, 2016	Mineral properties	Land and buildings	Furniture, fixtures and equipment	Plant and machinery	Assets under construction	Total
Net book value at January 1, 2016	$ 54,385	$ 17,466	$ 704	$ 612	$ 5,261	$ 78,428
Acquisition of EPP Project	14,126	5,738	416	10,472	-	30,752
Asset under pre-commercial production	-	-	-	-	576	576
Additions	2,634	69	138	76	2,079	4,996
Change in provision for mine closure and restoration	(226)	-	-	-	-	(226)
Reclassifications and adjustments	(5,543)	9,747	9	67	(6,487)	(2,207)
Depletion and amortization	(7,258)	(1,715)	(125)	(463)	-	(9,561)
Net book value at December 31, 2016	$ 58,118	$ 31,305	$ 1,142	$ 10,764	$ 1,429	$ 102,758
Consisting of:						
Cost	$ 176,357	$ 67,392	$ 11,878	$ 96,048	$ 1,429	$ 353,104
Accumulated depletion and amortization	(118,239)	(36,087)	(10,736)	(85,284)	-	(250,346)
	$ 58,118	$ 31,305	$ 1,142	$ 10,764	$ 1,429	$ 102,758

For the years ended December 31, 2017 and 2016, depletion and amortization expenses of $15,138 and $9,078 respectively, have been charged to cost of goods sold, and $7 and $74 respectively, have been charged to general and administrative expenses.

Effective January 1, 2017 and August 1, 2017, the Company commenced commercial production at its Lavrinha Mine and PPQ Mine respectively. As a result depreciation expense related to the mines are no longer capitalized and are recognized in the consolidated statement of income (loss).

For the year ended December 31, 2017, the Company has not identified any impairment indicators related with the assets detailed above.

On December 1, the Company announced that it had entered into a purchase and sale agreement with a purchaser group being advised by Appain Capital Advisroy LLP pursuant to which the Company agreed to sell MVV which owns the Serrote Project for an aggregate consideration of $40 million (see note 31). As a results of this transaction, the Company recorded a reversal of the impairment charge previously recorded on the Serrote Project back in 2015, which resulted in an increase of $9.6 million of which $4.1 million was recorded as an increased to mineral property and $5.5 million as an increase to land and building. After the impairment reversal the book value of Serrote Project amounted to $24.5 million and is reflected as an asset held for sale in the balance sheet as of December 31, 2017. The transaction was completed on March 2nd, 2018 (see also note 31).

12 TRADE AND OTHER PAYABLES

	2017	**2016**
Trade accounts payable	**$ 20,592**	$ 19,326
Other payables	**7,662**	4,305
Accrued liabilities	**4,528**	6,137
Deferred revenue	**3,029**	5,413
	$ 35,811	$ 35,181

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

13 DEBTS

Term loans (note 13(a),(b)(ii))	**$ 16,637**	$ 4,321
Working capital facility payable to Yamana (note 6)	**9,379**	9,270
Gold loan (note 13(b)(i))	**-**	6,442
	26,016	20,033
Less: current portion	**(18,052)**	(7,818)
Non-current portion	**$ 7,964**	$ 12,215

a) Term loans

i) Banco de Occidente, S.A. ("Banco Occidente")

On December 4, 2014, the Company, through Minosa received approval for a $4,300 short-term promissory note (the "First Promissory Note") from Banco Occidente to finance the development of a power line project. The power line project was fully completed in 2016. The First Promissory Note bears an annual interest rate of 7.5% with a maturity date of December 4, 2016. During the year ended December 31, 2015, Banco Occidente approved a twelve month grace period on principal payments from November 2015 to April 2016, and extended the maturity date of the First Promissory Note to October 2, 2018. As at December 31, 2017, the outstanding balance on the First Promissory Note was $1,145 (December 31, 2016: $2,521).

For the year ended December 31, 2017 the company incurred $136 of interest expense (December 2016 – $111) which recorded as a finance cost. Prior to the completion of the power line project in February 2016, interest for the twelve months ended December 31, 2016 of $21, was capitalized to power line qualifiying asset.

On November 18, 2016, the Company, through Minosa received another approval for a $1,800 short-term promissory note (the "Second Promissory Note") from Banco Occidente for working capital requirements. The Second Promissory Note bears an annual interest rate of 7.0% with a grace period of one year and a maturity date on November 17, 2019. As at December 31, 2017, the outstanding balance on the Second Promissory Note was $1,730 (December 31, 2016: $1,800).

For the year ended December 31, 2017, the Company incurred $126 of interest expense (December 2016 – $11) which was recorded as a finance cost.

ii) Banco ABC Brasil S.A. ("ABC Bank")

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 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 15, 2019. As at December 31, 2017, the outstanding balance of the loan from ABC Bank was $3,162.

For the year ended December 31, 2017, the Company inccurred $165 of interest expense which was recorded as a finance cost.

iii) Banco Atlántida

During the second quarter of 2017, the Company Minosa entered into a $7,000 loan agreement with Banco Atlántida for investment capital for the development of the phase 6 heap leach project and drew down $4,000 on the loan agreement. In May 2017, the Company drew down a balance of $4,000 and later on in October 2017, drew down the remaining balance of $3,000. The loan bears an annual interest rate of 7.3% with a grace period of one year and a maturity date on July 15, 2023. As at December 31, 2017, the outstanding balance of the loan from Banco Atlantida was $7,000.

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

For the year ended December 31, 2017, the Company inccurred $183 of interest expense which was recorded as a finance cost.

b) Debts with Auramet International LLC ("Auramet")

i) Gold Loan

	2017	2016
Balance, beginning of period	**$ 6,442**	-
Proceeds from gold loans, net of warrants issued	**-**	12,325
Repayments during the period	**(6,869)**	(7,861)
Changes in fair value	**427**	1,978
Balance, end of period	**$ 0**	$ 6,442

During the year ended December 31, 2016, $179 of transaction costs, in respect of the Gold Loan, were included as part of the finance costs in the consolidated statements of loss and the Company recorded a mark-to-market loss of $1,978 on the Gold Loan. On January 27, 2017, the Company obtained a $9,000 loan (the "Facility") from Auramet. The proceeds from the Facility were to be used for the full repayment on the remaining balance of the Gold Loan and for working capital requirements.

ii) Auramet Loan (the "Facility")

On January 27, 2017, the Company obtained a $9,000 loan (the "Facility") from Auramet. The proceeds from the Facility were to be used for the full repayment on the remaining balance of the Gold Loan and for working capital requirements. The Facility bears a monthly interest payment of $72 commenced in February 2017. The principal payment is equal to 30 bi-weekly installments (26 installments per calendar year) of $300 commencing on May 5, 2017. Total transaction costs in respect to the Facility were $324 and is included as part of the finance costs in the consolidated statement of loss. For the twelve months ended December 31, 2017, the Company recorded an interest expense related to the Auramet Facility of $792. 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. As at December 31, 2017, the Company has been in compliance with the minimum cash balance requirement and the outstanding balance of the was $3,600.

14 INCOME TAXES

a) Income tax expenses

Income tax expense included in the consolidated statements of income (loss) and comprehensive income (loss) for the years ended December 31, 2017 and 2016 are as follows:

		2017		2016
Current income tax expense in respect of the current year	**$**	**8,668**	$	7,198
Adjustment to current income tax expense in respect of prior per		**-**		-
Current income tax expense		**8,668**		7,198
Deferred income tax (recovery)/expense		**(3,116)**		2,475
Income tax expense	**$**	**5,552**	$	9,673

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

The reconciliation of income taxes calculated at the applicable statutory tax rate to the income tax expense shown in these financial statements is as follows:

		2017		2016
Loss before income taxes	**$**	**(15,733)**	$	(28,694)
Income tax expense (recovery) at the statutory income tax rate		**-**		7,604
Difference in statutory tax rates in foreign jurisdictions		**6,539**		(3,420)
Non-deductible expenses		**1,981**		2,149
Deferred tax assets not recognized		**(17,370)**		(2,430)
Decrease of attributes on migration		**19,206**		-
Effect of foreign exchange on income taxes		**(203)**		5,462
Withholdings taxes on distribution		**1,365**		994
Indexation of losses and other		**(5,966)**		(685)
Income tax expense	**$**	**5,552**	$	9,673

The statutory tax rate in 2017 reflects the rate in the British Virgin Islands of 0% (2016 - Canada 26.5%).

b) Deferred income tax assets and liabilities

Deferred tax liabilities on the consolidated statements of financial position consist of:

		2017		2016
Deferred income tax assets	**$**	**-**	$	4
Deferred income tax liabilities		**(1,810)**		(4,487)
	$	**(1,810)**	$	(4,483)

The movement in the net deferred income tax liability account was as follows:

		2017		2016
Balance, January 1	**$**	**(4,479)**	$	(1,592)
Recovered from (charged to) the statement of income		**3,116**		(2,475)
Recorded through other comprehensive income		**(20)**		(1)
Exchange differences		**(427)**		(411)
Balance, December 31	**$**	**(1,810)**	$	(4,479)

The following temporary differences and tax losses give rise to deferred income tax assets and liabilities as at:

		2017		2016
Property, plant and equipment	**$**	**(1,114)**	$	(3,880)
Other deductible (taxable) temporary differences		**(696)**		(603)
Net deferred income tax assets (liabilities)	**$**	**(1,810)**	$	(4,483)

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

Temporary differences and tax losses arising in Canada and Brazil and Mexico have not been recognized as deferred tax assets due to the fact that management has determined it is not probable that sufficient future taxable profits will be earned in these jurisdictions to recover such assets. The unrecognized deferred tax assets are summarized as follows:

		2017		2016
Tax losses carried forward	**$**	**43,838**	$	57,333
Provision for mine closure and restoration	**$**	**4,303**		3,846
Property, plant and equipment	**$**	**11,228**		12,549
Other deductible (taxable) temporary differences	**$**	**16,753**		20,053
Unrecognized deferred income tax assets	**$**	**76,122**	$	93,781

Management assesses these temporary differences regularly and adjusts the unrecognized deferred tax asset in the period when management determines it is probable that some portion of the assets will be realized.

15 PROVISION FOR MINE CLOSURE AND RESTORATION

	2017	2016
Balance, beginning of year	**$ 19,744**	$ 17,485
Reclamation obligation assumed on the acquisition of EPP Project (note 6)	**-**	3,724
Capitalization of accretion expense and currency translation to mineral property	**-**	834
Accretion expense	**1,105**	892
Change in estimate	**355**	(3,608)
Provision utilized	**-**	(195)
Impact of currency translation	**105**	612
Balance, end of period	**21,309**	19,744
Less: current portion	**-**	(82)
	$ 21,309	$ 19,662

Provision for mine closure and restoration is related to the closure costs and environmental restoration associated with mining operations. The provisions have been recorded at their net present values, using discount rates of between 7.3% to 9.5% (2015: 6.5% to 13.0%). The provisions have been re-measured at each reporting date, with the accretion expense being recorded as a finance cost.

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

16 OTHER PROVISIONS

	Long-term employee benefits	Provision for judicial contingencies	Total
At December 31, 2015	**$ 5,143**	**$ 761**	**$ 5,904**
Periodic service and finance cost	1,053	-	1,053
Additional provision for the year	-	498	498
Settlement during the year	(287)	(304)	(591)
Actuarial gain	(4)	-	(4)
Impact of currency translation	(268)	149	(119)
At December 31, 2016	**5,637**	**1,104**	**6,741**
Periodic service and finance cost	575	-	575
Additional provision for the year	-	384	384
Settlement during the year	(135)	-	(135)
Actuarial gain	(82)	-	(82)
Impact of currency translation	14	(31)	(17)
At December 31, 2017	**$ 6,009**	**$ 1,457**	**$ 7,467**

Long term employee benefits liability exists as a result of a legal requirement in Honduras that the Company is obligated to pay a severance payment based on the years of service provided by an employee without regard to the cause of the termination.

The most recent actuarial valuation for the long-term employee benefits provision was performed at December 31, 2017. The principal assumptions used for the purpose of the actuarial valuation were as follows:

	2017	2016
Discount rates	**9.75%**	9.50%
Salary increase rate (administrative)	**7.50%**	7.00%
Salary increase rate (operation)	**7.50%**	7.00%
Long term inflation	**5.50%**	5.50%

17 OTHER LIABILITIES

	2017	2016
Balance, beginning of year	**$ 4,940**	$ 8,775
Accretion expense	**196**	291
Royalty payments	**(1,756)**	(4,156)
Change in estimate	**(42)**	30
Balance, end of year	**3,338**	4,940
Less: current portion	**(1,976)**	(2,365)
	$ 1,362	$ 2,575

In 2011, the Company completed a restructuring of its contractual obligations, which resulted in the settlement of the deferred purchase consideration and the granting of a NSR Royalty equal to 1.5% on the net sales from the San Andres

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

Mine,the Sao Francisco Mine, and the Company's former Sao Vincente Mine, commencing on March 1, 2013 and up to a cumulative royalty amount of $16,000. The liability has been recorded at its net present value using a discount rate of 5% (2015: 5%). The liability is re-measured at each reporting date, with the accretion expense and change in estimate being recorded within finance costs and other gains, respectively. The total undiscounted amount of the estimated obligation at December 31, 2017 is approximately $3,497 and is expected to be incurred through 2019 (2016: $5,254).

For the year ended December 31, 2017, the Company recorded accretion expenses of $196 (2016: $291) within finance costs and a change in estimate gain of $42 (2016: a change in estimate loss of $30), within other (losses) gains on the consolidated statements of income (loss).

Subsequent to December 31, 2017, the Company made a royalty payment of $343.

18 SHARE CAPITAL

a) Authorized – Unlimited number of common shares

b) Share consolidation

On December 31, 2016, the Company completed the consolidation of the issued and outstanding common shares of the Company on the basis of one (1) post-consolidation share for each ten (10) pre-consolidation shares. The total outstanding common shares after the share consolidation was 33,420,354. On March 2, 2018, the company completed the merger with Rio Novo (see note 32). The total outstanding common shares after the merger was 43,372,336.

c) Stock options

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

	Number of options	Weighted average price C$
Balance, December 31, 2015	**1,850,124**	**6.17**
Granted	395,500	0.85
Exercised	(415,917)	1.01
Forfeited / Expired	(693,663)	11.51
Balance, December 31, 2016	**1,136,044**	**$ 2.94**
Exercised	(145,000)	1.00
Forfeited / Expired	(277,144)	7.11
Balance, December 31, 2017	**713,900**	**$ 1.71**

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

As at December 31, 2017, the company had 713,900 options issued and outstanding as follows:

Exercise price C$	Options outstanding	Options exercisable	Remaining contractual life (years)	Expiry dates
0.85	155,500	155,500	3.09	February 2, 2021
1.00	40,000	40,000	2.50	June 1, 2020
1.00	121,000	121,000	2.00	January 1, 2020
1.50	10,000	10,000	1.39	May 20, 2019
1.20	130,100	130,100	1.06	January 22, 2019
2.00	15,000	15,000	0.68	August 13, 2018
3.50	2,500	2,500	0.10	February, 7, 2018
3.00	239,800	239,800	0.01	January 2, 2018
	713,900	713,900		

As at the date of these financial statements, the company had 553,300 options issued and oustanding.

d) Share-based payment expense

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. For the twelve months ended December 31, 2017, share-based payment expense recognized in general and administrative expense was $5 related to a 2016 unrecognized balance (2016: $230).

There were no stock options granted during the twelve months ended December 31, 2017 (2016: the Company granted 395,500 stock options to its employees at an exercise price of C$0.85).

19 COST OF GOODS SOLD BY NATURE

	2017	2016
Direct mine and mill costs	**$ 117,330**	$ 105,705
Write-down of inventory to net realizable value	**-**	413
Depletion and amortization (note 11)	**13,971**	9,078
	$ 131,301	$ 115,196

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

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
Salaries, wages and benefits	**$ 3,501**	$ 2,962
Professional and consulting fees	**5,151**	2,129
Legal provision and settlements	**978**	585
Insurance	**314**	355
Directors' fees	**256**	325
Occupancy cost	**288**	279
Merger and acquisition	**1,666**	1
Travel expenses	**336**	108
Other	**1,574**	1,142
	$ 14,064	$ 7,885

In 2017, general and administration expenses included, among other items, additional professional and consulting fees related to technical work used to support the proposed restart of mining at Aranzazu (see also note 33) and merger and acquisition fees connected with the proposed transaction with Rio Novo Gold (see also note 32) and the sale of Serrote (see also note 31).

21 CARE AND MAINTENANCE EXPENSES

	2017	2016
Aranzazu Mine	**$ 2,125**	$ 1,946
Brazilian projects	**2,943**	6,053
	$ 5,068	$ 7,999

22 EXPLORATION EXPENSES

	2017	2016
San Andres Mine	**$ 1,043**	$ 553
Brazilian projects	**739**	92
	$ 1,782	**$ 645**

23 FINANCE COSTS

	2017	2016
Accretion expense	**$ 1,301**	$ 1,184
Interest expense on debts (note 13)	**1,437**	652
Finance cost on post-employment benefit	**60**	451
Other interest and finance costs	**754**	434
	$ 3,552	$ 2,721

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

24 OTHER GAIN & (LOSS)

	2017	2016
Net loss on call options and fixed price contracts	**$ (2,679)**	$ (5,137)
Changes in fair value of gold loans (note 9(b))	**(427)**	(1,978)
Change in estimate of provision for mine closure and restoration	**(513)**	2,738
VAT and other taxes recoveries	**8,678**	
Gain on disposal of assets	**771**	1,509
Foreign exchange (loss) gain	**(111)**	(866)
Other items	**(1,937)**	778
	$ 3,782	$ (2,956)

During the twelve months ended December 31, 2017, the Company recovered taxes in Brazil and Honduras of $3,939 and $4,753, respectively. The recovery of the taxes was through the application of existing and new tax programs (VAT, PIS COFINS and similar) offered by the Honduran and Brazilian governments.

25 CASH FLOW INFORMATION

a) Items not affecting cash

	2017	2016
Deferred and current income tax expense	**$ 5,552**	$ 9,673
Impairment charges reversal (Serrote note 11)	**$ (9,660)**	-
Depletion and amortization	**15,915**	9,396
Change in fair value of gold loans (note 9(b))	**427**	1,978
Accretion expense	**1,301**	1,184
Periodic service, past service and finance costs on post-employment benefit	**575**	1,053
Write-down of inventory to net realizable value (note 20)	**-**	413
Share-based payment expense (note 10(d))	**(57)**	230
Gain on acquisition of EPP Project, net of tax	**-**	(17,120)
Change in estimate of provision for mine closure and restoration	**460**	(2,738)
Foreign exchange loss (gain)	**82**	(3,528)
(Gain) on disposal of assets	**(771)**	(1,509)
Unrealized loss on call option and fixed price contracts	**895**	-
VAT and other taxes recoveries	**(8,692)**	-
Other non-cash items	**792**	701
	$ 6,818	$ (267)

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

b) Changes in working capital

	2017	2016
(Increase) decrease in trade and other receivables	**$ (6,055)**	$ (97)
(Increase) decrease in inventory	**358**	(99)
(Decrease) in trade and other payables	**(3,572)**	2,304
	$ (9,269)	$ 2,108

c) Supplementary cash flow information

	2017	2016
Changes in other assets and liabilities consists of:		
Increase in long term asset	**$ 2,333**	$ (3,294)
(Increase) decrease in prepaid expenses	**357**	(851)
Other items	**(154)**	(786)
	$ 2,535	$ (4,931)

d) Non-cash investing and financing activities consist of:

	2017	2016
Non-cash addition to property, plant and equipment	**$ –**	$ (1,417)

e) Debt reconciliation

	Terms Loans	**Working Capital Facility Payable**	**Gold Loan**	**Total**
Balance as at January 1, 2017	**$ 4,321**	**$ 9,270**	**$ 6,442**	**$ 20,033**
Changes from Financing cash flows:				
Proceeds received from debt	19,162	-	-	19,162
Repayment of gold loan	-	-	(6,869)	(6,869)
Repayment of short terms loans	(6,846)	-	-	(6,846)
Interest paid on debts	(1,308)	(129)	-	(1,437)
	15,329	**9,141**	**(427)**	**24,043**
Other Changes:				
Interest Expenses on Debts	1,308	129	-	1,437
Other Non-Cash Movements	-	109	427	536
Balance as at December 31, 2017	**$ 16,637**	**$ 9,379**	**$ 0**	**$ 26,016**

26 FINANCIAL INSTRUMENTS

a) Fixed price contracts

During the twelve months ended December 31, 2017, the Company entered into fixed price contracts to hedge 144,300 ounces of gold expiring between January 31, 2017 and December 31, 2017 at an average price of $1,220 per ounce of gold. For the twelve months ended December 31, 2017, the Company has recorded a realized losses of $1,784.

At December 31, 2017, the Company had 30,542 ounces of outstanding fixed price contracts at an average price of $1,274 per ounce of gold. As at December 31, 2017, the Company recorded a derivative liability on these outstanding fixed price contracts of $895 (December 31, 2016: $nil).

During the twelve months ended December 31, 2016, the Company entered into fixed price contracts to hedge 46,277 ounces of gold expiring between January 31, 2016 and August 31, 2016 at an average price of $1,192 per ounce of gold. For the twelve months ended December 31, 2016, the Company has recorded a realized loss of $2,951 on the expired fixed price contracts.

During the last quarter of 2016, the Company hedged a total of 12,000 ounces of gold expiring between January 30, 2017 and December 31, 2017. The derivative instruments entered into were in the form of zero-cost put/call collars with a floor price of $1,255 per ounce of gold and a ceiling price of $1,350 per ounce of gold. During the same quarter, the Company closed out the floor on these zero-cost put/call collars for a realized gain of $1,002

At December 31, 2016, there were no fixed price contracts outstanding.

b) Call option contracts

During the year ended December 31, 2017, the Company entered into a zero cost put/call collars on 25,000 ounces of gold with a floor price between $1,200 and $1,210 and ceiling price between $1,255 and $1,315 per ounce of gold expiring between April 26, 2017 to December 27, 2017. As at December 31, 2017, there was no derivative liability related to the outstanding call options.

Under the Facility agreement (note 9 (b)(ii)), the Company entered into a call option program on 8,000 ounces of gold expiring between December 27, 2017 to June 29, 2018 with a strike price of $1,325. As at December 31, 2017, there were no call options contract outstanding.

During the year ended December 31, 2016, the Company entered into call option contracts on 52,500 ounces of gold expiring between March 29, 2016 and November 28, 2016 with strike prices of between $1,140 and $1,350 per ounce of gold and advanced $2,000 to Auramet as a margin deposit. The Company recorded realized losses of $3,188 as a result of the calls being exercised on 40,000 of these contracts and utilized the margin deposit and available cash resources to settle these call options. The remaining call option contracts on 12,500 ounces expired unexercised. At December 31, 2016, there were no call option contracts outstanding.

c) Credit risk

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial contract. The Company's credit risk is limited to trade receivables and derivative contracts in the ordinary course of business. As of December 31, 2017, the Company considers the credit risk with these financial contracts to be low.

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

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (refer to note 1). The Company manages its liquidity risk through a rigorous planning and budgeting process, which is reviewed and updated on a regular basis, to help determine the funding requirements to support the Company's current operations and expansion and development plans and by managing its capital structure as described in note 27.

The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. In the normal course of business, the Company enters into contracts that give rise to commitments for future payments as disclosed in the following table:

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	**Total**
Trade and other payables	$ 35,811	$ –	$ –	$ –	**$ 35,811**
Short-term loans and gold loan repayment	18,052	12,073	–	–	**30,125**
Provision for mine closure and restoration	–	–	–	21,309	**21,309**
Other liabilities	1,976	2,574	–	–	**4,550**
	$ 55,839	**$ 14,647**	**$ -**	**$ 21,309**	**$ 91,794**

e) Currency

The Company's operations are located in Honduras, Brazil, and Mexico; therefore foreign exchange risk exposures arise from transactions denominated in foreign currencies. Although the Company's sales are denominated in United States dollars, certain of the Company's operating expenses are denominated in foreign currencies, primarily the Honduran lempira, Brazilian real, Mexican peso and Canadian dollar.

Financial instruments that impact the Company's net losses or other comprehensive losses due to currency fluctuations include: cash and cash equivalents, accounts receivable, other long-term assets, accounts payable and accrued liabilities, short term loans and other provisions denominated in foreign currencies.

At December 31, 2017, the Company had cash and cash equivalents of $11,788, of which, $4,828 in United States dollars, $2,809 in Brazilian reais, $4,096 in Honduran lempiras, and $55 in Mexican pesos. An increase or decrease of 10% in the United States dollar exchange rate to the currencies listed above would have increased or decreased the Company's loss for the year by $696, respectively.

f) Interest rate risk

The Company is exposed to interest rate risk on its cash and cash equivalents. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk. For the year ended December 31, 2017, an increase or decrease in interest rates of 100 basis points (1 percent) would have increased consolidated income and comprehensive loss for the year by $260 and a decrease in interest rates of 100 basis points (1 percent) would have decreased the income and comprehensive loss for the year by $260.

g) Commodity price risk

The Company is subject to price risk from fluctuations in market prices of gold, copper and other metals. Gold, copper and other metal prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control.

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

The profitability of the Company's operations is highly correlated to the market prices of these metals, as is the ability of the Company to develop its other properties.

A 10% change in the average commodity price for gold for the year, with all other variables held constant, would result in an impact on the Company's 2017 consolidated loss and comprehensive loss of $17,612.

h) Fair value of financial instruments

The fair value of the Company's financial assets and liabilities measured at fair value on a recurring basis at December 31, 2017 and 2016 are summarized in the following table:

	Level	**2017**		2016	
Financial Assets		**Carrying value**	**Fair value**	Carrying value	Fair value
Loans and receivables, measured at amortized cost					
Other receivable	N/A	**$ 2,482**	**$ 2,482**	$ 2,300	$ 2,300
Other assets	N/A	**895**	**895**	1,614	1,614
		$ 3,377	**$ 3,377**	$ 3,914	$ 3,914
Financial Liabilities					
At fair value through profit and loss					
Gold loan	2	**-**	**-**	$ 6,442	$ 6,442
Derivative liabilities	2	**895**	**895**	-	-
Other financial liabilities, measured at amortized cost					
Accounts payable and accrued liabilities	N/A	**$ 35,811**	**$ 35,811**	$ 34,677	$ 34,677
Short-term loans	N/A	**16,637**	**16,637**	4,321	4,321
Working capital facility payable to Yamana	N/A	**9,379**	**9,379**	9,270	9,270
Other provisions	3	**6,010**	**6,010**	5,637	5,637
Other liability	3	**3,338**	**3,338**	4,940	4,940
		$ 72,071	**$ 72,071**	$ 65,287	$ 65,287

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

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

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

27 CAPITAL MANAGEMENT

The Company's objectives in managing capital are to ensure sufficient liquidity is maintained in order to properly develop and operate its current projects and to pursue strategic growth initiatives, to ensure that externally imposed capital requirements related to any debt obligations are complied with, and to provide returns for shareholders and benefits to other stakeholders. In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity and long-term debt. The Company manages its capital structure considering changes in economic conditions, the risk characteristics of the underlying assets, and the Company's liquidity requirements. To maintain or adjust the capital structure, the Company may be required to issue common shares or debt, re-pay existing debt, acquire or dispose of assets, or adjust amounts of certain investments.

In order to facilitate management of capital, the Company prepares annual budgets which are updated periodically if changes in the Company's business are considered to be significant. The Company's board of directors reviews and approves all operating and capital budgets as well as the entering into of any material debt obligations, and any material transactions out of the ordinary course of business, including dispositions, acquisitions and other investments or divestitures. In order to maximize ongoing development efforts, the Company does not pay out dividends.

28 RELATED PARTY TRANSACTIONS

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 year ended December 31, 2017, the Company paid consulting fees and termination benefits to Acumen of $455 (2016: $1,097). As at December 31, 2017, the Company owed $579 (December 31, 2016: $64) to Acumen, mainly related to termination benefits.

Total compensation paid to key management personnel, remuneration of directors and other members of key executive management personnel for the year ended December 31, 2017 and 2016 are as follows:

	2017	2016
Salaries and short-term employee benefits	**$ 1,768**	$ 1,731
Share-based payments	**–**	423
Termination benefits	**1,035**	90
	$ 2,802	$ 2,244

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 the EPP's processing plant, subject to positive due diligence. The exploration licenses for Rio Alegre are 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. Tarauacá 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 year ended December 31, 2017, the Company spent $576 (2016: $nil) maintaining the property which was primarily related to security.

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

29 SEGMENTED INFORMATION

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

For the year ended December 31, 2017 and 2016, segmented information is as follows:

For the year ended December 31, 2017	**San Andres Mine**	**Brazilian Mines**	**Aranzazu Mine**	**Serrote Project**	**Corporate**	**Total**
Sales to external customers	**$ 96,889**	**$ 60,822**	**$ –**	**$ –**	**$ –**	**$ 157,711**
Cost of production	**69,183**	**48,147**	**-**	**-**	**-**	**117,330**
Depletion and amortization	**8,386**	**5,585**	**-**	**-**	**-**	**13,971**
Gross margin	**19,320**	**7,090**	**-**	**-**	**-**	**26,410**
Care-and-maintenance expenses	**-**	**(1,663)**	**(2,125)**	**(1,280)**	**-**	**(5,068)**
Realized loss on fixed price contracts	**(1,317)**	**(467)**	**-**	**-**	**-**	**(1,784)**
Other expenses	**(1,128)**	**(3,019)**	**950**	**10,108**	**(10,736)**	**(3,825)**
Income (Loss) before income taxes	**$ 16,875**	**$ 1,941**	**$ (1,175)**	**$ 8,828**	**$ (10,736)**	**$ 15,733**
Property, plant and equipment	**$ 45,867**	**$ 30,257**	**$ 4,246**	**-**	**$ 330**	**$ 80,700**
Total assets	**$ 81,713**	**$ 95,598**	**$ 5,933**	**$ 26**	**$ 3,005**	**$ 186,275**
Capital expenditures	**$ 5,805**	**$ 2,725**	**$ 276**	**-**	**-**	**$ 8,806**

For the year ended December 31, 2016	**San Andres Mine**	**Brazilian Mines**	**Aranzazu Mine**	**Serrote Project**	**Corporate**	**Total**
Sales to external customers	$ 89,467	$ 56,742	**$ –**	**$ –**	**$ –**	$ 146,209
Cost of production	61,875	44,243	-	-	-	106,118
Depletion and amortization	9,002	76	-	-	-	9,078
Gross margin	18,590	12,423	-	-	-	31,013
Gain on acquisition of EPP Project	-	19,886	-	-	-	19,886
Care-and-maintenance expenses	-	(5,385)	(1,946)	(668)	-	(7,999)
Realized loss on gold collar and fixed price contracts	(1,557)	(1,394)	-	-	(2,186)	(5,137)
Other expenses	(2,805)	(1,858)	(1,516)	(1,242)	(1,649)	(9,070)
Income (Loss) before income taxes	$ 14,228	$ 23,673	($3,462)	($1,910)	($3,835)	$ 28,694
Property, plant and equipment	$ 49,287	$ 33,623	$ 3,939	$ 15,617	$ 293	$ 102,758
Total assets	$ 81,441	$ 67,314	$ 5,834	$ 15,718	$ 5,544	$ 175,850
Capital expenditures	$ 4,574	$ 422	-	-	-	$ 4,996

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

Revenues for the San Andres Mine and the Brazilian mines relate to the sale of refined gold.

30 COMMITMENTS AND CONTINGENCIES

a) Operating commitments

The Company has the following commitments for future minimum payments under operating leases:

	2017	2016
Within one year	**$ 271**	193
Two to Four Years	**166**	143
	$ 437	336

b) Contingencies

Certain conditions may exist as of the date of these financial statements which may result in a loss to the Company in the future when certain events occur or fail to occur. The Company assesses at each reporting date its loss contingencies related to ongoing legal proceedings by evaluating the likelihood of such proceedings, as well as the amounts claimed or expected to be claimed.

Included in other provisions as of December 31, 2017 is a provision of $1,457 (2016: $1,104) for loss contingencies related to ongoing legal claims.

31 SERROTE

On December 1, 2017, the Company announced that it had entered into a purchase and sale agreement with a purchaser group being advised by Appain Capital Advisroy LLP pursuant to which the Company agreed to sell MVV which owns the Serrote Project for an aggregate consideration of $40 million. BNP Paribas Securities Corp. acted as financial advisor to Aura Minerals.

The transaction closed on March 2nd, 2018.The total consideration of $40 million is made up of a cash payment of $30 million (paid), as well the delivery by the purchasers of a subordinated unsecured note in the principal amount of $10 million. The note will bear interest at a rate equivalent to the average borrowing rate of the purchaser's initial project funding. The note will be repaid from 75% of excess cash from the project after the project has repaid project financing and operating cash requirements.

In accordance with IFRS 5, the asset held for sale must be measured at the lower of carrying amount or fair value less cost to sell. As the carrying amount of the net assets in Serrote was $ 14.8 million and well below the fair value less selling costs, management recognized a reversal of the non-current asset impairment recorded in 2015 for $9.6 million (BRL $31.9 million). The total asset held for sale is $24.5 million after the reversal of the impairment.

As a results of this transaction, the company recorded on MVV a reversal of the impairment charge previously made to Serrote Project back in December 31, 2015 resulting in an increase of the property value by $9.6 million (mineral property value $4.1 million and land and building $5.5 million). After the impairment reversal the book value of Serrote Project $25 million and is reflected as an asset held for sale in the balance sheet as of December 31, 2017.

32 RIO NOVO

On December 18, 2017 the Company and Rio Novo Gold Inc. (“Rio Novo”) entered into an agreement to combine and create a portfolio of mining properties with a long-term production life.

On February 22, 2018 the Company and Rio Novo announced, in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”), that the proposed merger (the **“**Merger**”**) of the Company and Rio Novo was approved by their respective shareholders at Special Meetings of the respective shareholders. On March 2, 2018, the Company and Rio Novo announced the completion of the Merger under section 170 of the BVI Business Companies Act, 2004 under which the Company merged with Rio Novo and the separate corporate existence of Rio Novo has ceased.

Upon consummation of the Merger, all of the shares in Rio Novo were automatically converted into the relevant number of shares of the Company where holders of Rio Novo Shares received 0.053 of the Company’s common share for every Rio Novo Share held (for each registered Rio Novo shareholder, the number of Company shares resulting from such conversion was rounded down to the nearest whole Company share). As part of the Merger, the Company is issued (i) 314,186 common shares to holders of Rio Novo deferred share units outstanding as of December 18, 2017 and (ii) options to acquire 154,230 Company common shares to holders of Rio Novo options (which were cancelled).

The common shares being issued under the Merger in exchange for Rio Novo Shares represent approximately 22.0% of the post-Merger issued and outstanding common shares of the Company.

The approval of the Merger was conducted in accordance with MI 61-101 because of Northwestern Enterprises Ltd.’s (“Northwestern”) shareholdings in each of the Company and Rio Novo. Northwestern is beneficially owned, controlled or directed by Paulo Brito, the Company’s Chairman of the Board.

33 SUBSEQUENT EVENT

a) Aranzazu

On march 08, 2018 the company announced that, after a competitive bid process, it had entered into a US$20,000,000 loan facility (the “Facility”) and an off-take agreement (the “Off-Take Agreement”) with Louis Dreyfus Company Metals (“LDC Metals”) for the re-start of operations and copper concentrates to be produced from its wholly-owned Aranzazu mine (the “Project”) located within the Municipality of Concepción del Oro in the north eastern region of the State of Zacatecas, Mexico.

The Facility includes a 12-month grace period and is subject to customary conditions, including but not limited to, the repayment of the Company’s outstanding loan with Auramet International LLC. The Facility will be guaranteed by the Company and its interests in the Project and the San Andres mine. The Off-Take Agreement covers 100% of the copper concentrates to be produced from the Project.