



Aura Minerals Inc.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THREE AND SIX MONTHS ENDED JUNE 30, 2018**

**Dated as of August 14, 2018**

**AURA MINERALS INC.**  
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This management's discussion and analysis ("MD&A") should be read in conjunction with Aura Minerals Inc.'s (the "Company" or "Aura Minerals") unaudited condensed consolidated financial statements for the three and six months ended June 30, 2018 and 2017 and related notes thereto (the "Financial Statements") which have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"). In addition, this MD&A should be read in conjunction with the most recent Annual Information Form ("AIF") dated March 26, 2018 as well as other information relating to Aura Minerals as filed on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A has been prepared as at the date written on the cover page and provides information that management believes is relevant to assessing and understanding the financial condition of the Company and the results of operations and cash flows for the three and six months ended June 30, 2018.

Unless otherwise noted, references herein to "\$" are to thousands of United States dollars. References to "C\$" are to thousands of Canadian dollars. Tables are expressed in thousands of United States dollars, except where otherwise noted.

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

All mineral resource and mineral reserve estimates included in documents referenced in this MD&A have been prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). Readers are encouraged to review the AIF and full text of the Company's continuous disclosure documents. These documents are available on SEDAR and supply further information on the Company's compliance with NI 43-101 requirements.

Additional information relating to the Company, including the AIF, is available on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com)

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## 1. BACKGROUND AND CORE BUSINESS

Aura Minerals is a mid-tier gold and copper production company focused on the operation and development of gold and base metal projects in the Americas. The Company is listed on the Toronto Stock Exchange under the symbol ORA. Aura Minerals is focused on responsible, sustainable growth and strives to operate to the highest environmental and safety standards and in a socially responsible manner at all of its operations.

The Company has the following mineral properties (with either a 100% interest in, or 100% effective control over):

- *The San Andres Gold Mine (“San Andres”)* – an open-pit heap leach gold mine located in the highlands of western Honduras, in the municipality of La Union, Department of Copan, approximately 150 km southwest of the city of San Pedro Sula.
- *The Ernesto/Pau-a-Pique Project (“EPP Project”, “EPP”)* – located in the southwest of Mato Grosso state, near Pontes e Lacerda in Brazil which consists of the following gold deposits: the Lavrinha open-pit (“Lavrinha”), the Ernesto underground deposit, the Pau-a-Pique underground mine (“Pau-a-Pique” or “PPQ”) and the near mine open-pit prospects of Nosde, Japones and Pombinhas.
- *The Aranzazu Copper Mine (“Aranzazu”)* – an open-pit and underground mine operation in the state of Zacatecas, Mexico. On July 16, 2018, the Company announced the results of the NI 43-101 Feasibility Study for the restart of operations. The Feasibility Study will be filed on SEDAR and the Company’s website in compliance with NI 43-101.
- *The Sao Francisco Gold Mine (“Sao Francisco”)* – an open-pit heap leach gold mine located in the southwest of the state of Mato Grosso, Brazil, approximately 560 km west of Cuiaba, the state capital. Mining at Sao Francisco was suspended in October 2016 and from January to September of 2017, the mine operated a fines recovery project to recovery the remaining gold from the heap leach piles. In 2018 the Company conducted a drill program at Sao Francisco and is considering its further options.
- *The Almas Gold Project (“Almas”)* – a permitted for construction gold project located in the state of Tocantins, Brazil. The Almas Gold Project consists of three deposits (Paiol, Vira Saia and Cata Funda) and several exploration targets including: Nova Prata/Espinheiro, Jacobina and Morro do Carneiro. Of these, only the three deposits have seen significant exploration work.
- *The Matupa Gold Project (“Matupa”)* – a gold project located in the state of Mato Grosso, Brazil. The Matupa Gold Project consists of one deposit (the X1 deposit) and several exploration targets (the Matupa, Guaranta Ridge, V4, V5, V6, and Fucao targets).
- *The Tolda Fria Gold Project (“Tolda Fria”)* – located in Caldas State, Colombia.

## 2. SECOND QUARTER 2018 FINANCIAL AND OPERATING HIGHLIGHTS<sup>1</sup>

- Income of \$(5,330) or \$(0.12) per share for the three months ended June 30, 2018 (second quarter) compared to income of \$4,242 or \$0.13 per share for the second quarter of 2017. The decrease is primarily attributable a deferred tax liability that arose because of the foreign exchange rate of the Brazilian Reis to the US Dollar post-merger with Rio Novo Gold Inc. and increased capital expenditures.

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
<b>FINANCIAL DATA</b>				
<i>IFRS Measures</i>				
Revenue	\$ 45,338	\$ 44,247	\$ 90,361	\$ 79,149
Cost of goods sold	37,932	35,200	75,143	64,790
Depreciation (included in cost of goods sold)	4,064	2,798	8,126	5,572
Gross Margin	7,406	9,047	15,218	14,360
Gross Margin (excluding depreciation)	11,470	11,845	23,344	19,932
Net income (loss)	\$ (5,330)	\$ 4,242	\$ 5,950	\$ (781)
Income (loss) per share - Basic and diluted	\$ (0.12)	\$ 0.13	\$ 0.14	\$ (0.02)
<i>Non-IFRS Measures</i>				
EBITDA	5,919	7,284	12,782	11,308
Realized average gold price per ounce <sup>1</sup>	1,269	1,204	1,280	1,184
Net realized average gold price per ounce <sup>1</sup>	1,286	1,212	1,282	1,140
Cash operating costs per ounce produced <sup>1</sup>	\$ 916	794	890	822
Cash operating costs per ounce sold <sup>1</sup>	\$ 948	882	949	886
All-in costs per ounce sold <sup>1</sup>	1,292	1,043	1,271	1,074
Total capital expenditures	6,546	1,269	11,735	3,503
<b>OPERATING DATA</b>				
Ore processed (tonnes)	1,940,867	2,082,313	4,010,202	4,154,690
Gold produced (ounces)	32,483	37,685	66,458	69,186
Gold sold (ounces)	35,738	36,757	70,583	66,839

- Net sales revenue in the second quarter of 2018 increased by 2.5% over the second quarter of 2017. Details are as follows:

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
<b>Ounces sold</b>				
San Andres	21,121	25,308	40,746	47,104
Brazilian Mines	14,617	11,449	29,837	19,735
<b>Total ounces sold</b>	<b>35,738</b>	<b>36,757</b>	<b>70,583</b>	<b>66,839</b>
Gold sales revenues, net of local sales taxes	\$ 45,338	\$ 44,247	\$ 90,361	\$ 79,149
Average gold market price per oz (London PM Fix)	\$ 1,306	\$ 1,257	\$ 1,310	\$ 1,238
Realized average gold price per ounce <sup>1</sup>	\$ 1,269	\$ 1,204	\$ 1,280	\$ 1,184
Net realized average gold price per ounce <sup>1</sup>	\$ 1,286	\$ 1,212	\$ 1,282	\$ 1,140

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

- Gold production for the second quarter of 2018 was 13.8% lower than the comparable period of 2017, including the production from Pau-a-Pique (however there was no production from Sao Francisco). Gold production at San Andres was 19.5% higher in 2017 than 2018 primarily due to recovered ounces from the secondary leaching of previously leached areas and the stacking of the first levels of Phase VI-IA in 2016 which resulted in gold recovery of 100.7% and lower tonnage in 2018 from limited access to areas of the mine.
- Gold production and cash operating costs per ounce produced<sup>1</sup> for the three months ended June 30, 2018 and 2017 were as follows:

Six months ended	2018		2017	
	Cash Operating		Cash Operating	
	Oz Produced	Costs <sup>1</sup>	Oz Produced	Costs <sup>1</sup>
San Andres	38,743	\$ 903	44,337	\$ 774
Brazilian Mines	27,715	\$ 872	24,849	\$ 908
<b>Total / Average</b>	<b>66,458</b>	<b>\$ 890</b>	<b>69,186</b>	<b>\$ 822</b>

Three months ended	2018		2017	
	Cash Operating		Cash Operating	
	Oz Produced	Costs <sup>1</sup>	Oz Produced	Costs <sup>1</sup>
San Andres	18,395	\$ 975	22,856	\$ 764
Brazilian Mines	14,088	\$ 839	14,829	\$ 840
<b>Total / Average</b>	<b>32,483</b>	<b>\$ 916</b>	<b>37,685</b>	<b>\$ 794</b>

- During the second quarter of 2018, cash operating costs per ounce produced<sup>1</sup> were 15.4% higher, compared to the same period in 2017, primarily from San Andres due to the higher costs per ounces produced (lower ounces produced).

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### 3. OUTLOOK AND STRATEGY

On July 13, 2018, the Company announced updated guidance at San Andres. The Company's gold production and cash cost per ounce<sup>1</sup> guidance for 2018 is detailed below:

Gold Mines	Ounces produced		Cash operating costs per ounce produced <sup>1</sup>			Capital expenditures (\$'000)	
	Low	High	Low	High	Low	High	
San Andres	65,000	75,000	\$ 750	\$ 925	\$ 7,000	\$ 10,000	
Brazilian Mines	55,000	70,000	\$ 781	\$ 934	\$ 4,200	\$ 6,500	
<b>Total</b>	<b>120,000</b>	<b>145,000</b>	<b>\$ 764</b>	<b>\$ 929</b>	<b>\$ 11,200</b>	<b>\$ 16,500</b>	

#### ***Aranzazu***

On July 16, 2018, the Company announced the results of the NI 43-101 Feasibility Study for the restart of operations. The Feasibility Study will be filed on SEDAR and the Company's website in compliance with NI 43-101.

On March 8, 2018, Aranzazu Holding entered into the Facility and Off-Take Agreement with IXM S.A. (formerly Louis Dreyfus). As at the date of this MD&A, \$14,000 has been drawdown on the Facility. The Facility includes a 12-month grace period and is guaranteed by the Company and its interests in Aranzazu and the San Andres mine. The Off-Take Agreement covers 100% of the copper concentrates to be produced from Aranzazu.

#### ***Strategy***

The Company's strategy is to generate value through a reduction of cash costs, a continuous performance improvement of our operating assets to gain efficiencies and unlocking value from projects and care-and-maintenance assets. The Company has taken considerable steps to following through on the Company's strategy including but not limited to: (i) obtaining in-country debt in the areas that we operate to reduce cost and gain efficiencies; (ii) focusing on continual improvement; and (iii) ensuring that each operating entity is self-funded and not reliant on any other entity (other than with respect to a start-up / pre-commercial production phase).

#### ***Key Factors***

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

To decrease risks associated with commodity prices and currency volatility, the Company will continue to evaluate and implement available protection programs. For additional information on this, please refer to the AIF.

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

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#### 4. REVIEW OF MINING OPERATIONS

##### *San Andres, Honduras*

The table below sets out selected operating information for San Andres for the three and six months ended June 30, 2018 and 2017:

	<b>For the three months ended June 30, 2018</b>	For the three months ended June 30, 2017	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Ore mined (tonnes)	<b>1,583,416</b>	1,655,213	<b>3,372,109</b>	3,360,241
Waste mined (tonnes)	<b>1,049,132</b>	1,119,890	<b>2,211,520</b>	2,481,920
Total mined (tonnes)	<b>2,632,549</b>	2,775,103	<b>5,583,629</b>	5,842,161
Waste to ore ratio	<b>0.66</b>	0.68	<b>0.66</b>	0.74
Ore plant feed (tonnes)	<b>1,594,000</b>	1,690,838	<b>3,380,620</b>	3,415,341
Grade (g/tonne)	<b>0.42</b>	0.39	<b>0.44</b>	0.40
Recovery (%)	<b>94.5%</b>	108.8%	<b>80.3%</b>	100.7%
Production (ounces)	<b>18,395</b>	22,856	<b>38,743</b>	44,337
Sales (ounces)	<b>21,121</b>	25,308	<b>41,074</b>	47,104
Average cash cost per ounce of gold produced <sup>1</sup>	<b>\$ 975</b>	\$ 764	<b>\$ 903</b>	\$ 774

The San Andres mine is 100% owned through the Company's wholly-owned subsidiary, Minerales de Occidente S.A. de C.V. ("Minosa"). Since 2012, Minosa and the local communities have engaged in successful negotiations for the relocation of an old and unsafe cemetery which benefits each of the communities and Minosa. Minosa and the communities have established multi-party dialog round tables in which conflicts have been resolved and the relocation has advanced.

In August 2016 Minosa announced that it had entered into a social license agreement with the community of Azacualpa, which provides for, among other matters, relocation of the cemetery. Since entering into the agreement, Minosa has completed its promises as has the majority of the community members. Notwithstanding, there have been instances where individuals have unlawfully entered the mine site and caused disturbances to normal mining operations. On July 13, 2018, the Company announced a decrease in its gold guidance for 2018 which was directly attributable to this type of unlawful occupation.

Minosa and the Company are working with the local community leaders, Honduran law enforcement and the governmental authorities to cease this type of situation permanently. As of the date of this MD&A, there remains a number of individuals unlawfully occupying the mine. This company has however accessed additional areas of the mine outside of the mine sequence plan and continue limited operations.

During the second quarter of 2018 compared to the same period of 2017, summarized results for San Andres are as follows:

- total ore and waste mined was 5% lower:
  - ore mined was 4% lower due to a lack of ore because of delays in entering into new areas of the concession according to the mine plan due to the issues noted above
  - waste mined was 6% lower due to the issues noted above.

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

- ore grade was 8% higher due to the areas mined versus the mine plan. Because of the issues noted above, San Andres mined areas that would eventually be mined but in a different sequence.
- gold production decreased by 20% due to lower mine production combined with lower-recovery ore that was mined due to the issues noted above.
- cash operating cost per ounce of gold produced<sup>1</sup> increased by 28% due to lower ounces produced and higher energy costs.

### ***EPP Project: Lavrinha, Brazil***

The table below sets out selected operating information for Lavrinha for the three and six months ended June 30, 2018 and 2017.

	<b>For the three months ended June 30, 2018</b>	For the three months ended June 30, 2017	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Ore mined (tonnes)	<b>323,892</b>	348,238	<b>629,426</b>	572,598
Waste mined (tonnes)	<b>2,328,718</b>	1,550,767	<b>4,603,561</b>	2,998,690
Total mined (tonnes)	<b>2,652,610</b>	1,899,005	<b>5,232,987</b>	3,571,288
Waste to ore ratio	<b>7.19</b>	4.45	<b>7.31</b>	5.24
Ore plant feed (tonnes)	<b>295,552</b>	242,548	<b>562,346</b>	427,526
Grade (g/tonne)	<b>1.05</b>	1.18	<b>1.13</b>	1.13
Recovery (%)	<b>93.6%</b>	93.5%	<b>96.7%</b>	92.9%
Production (ounces)	<b>9,993</b>	8,581	<b>19,700</b>	14,492
Sales (ounces)	<b>10,453</b>	7,396	<b>20,920</b>	12,396
Average cash cost per ounce of gold produced <sup>1</sup>	<b>\$ 817</b>	\$ 766	<b>\$ 856</b>	\$ 860

Total mined per month:

- was approximately 860,000 tons with a strip ratio of 7.45:1 for the first quarter of 2018
- increased during the second quarter of 2018 to 880,000 with 108,000 tons and a strip ratio of 8.14:1

For the first six months of 2018 compared with 2017:

- plant feed increased by 22%, however ounces produced was only 8% higher due to an 11% decrease in grade
- accumulated processed ore increased 32% with an increase of production of 31% due to ore grade (1.13 g/t) and recovery (93.2%)

Average cash cost per ounce of gold produced<sup>1</sup>:

- for the second quarter of 2018 compared to 2017, increased 15% due to a 40% increase in total ore moved and a 11% decrease in ore grade

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



- for the first six months of 2018 compared to 2017, increased 6%, despite a 47% increase in ore moved

On January 1, 2017, the Company declared commercial production at Lavrinha. As a result, both revenue and operating costs for Lavrinha are recognized in the condensed interim consolidated statements of loss and comprehensive loss. In addition, the mine development related to Lavrinha was reclassified to property, plant and equipment and depletion commences.

#### **EPP Project: Pau-a-Pique Mine**

The table below sets out selected operating information for Pau-a-Pique for the three and six months ended June 30, 2018 and 2017.

	<b>For the three months ended June 30, 2018</b>	For the three months ended June 30, 2017	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Ore mined (tonnes)	<b>51,427</b>	34,288	<b>93,329</b>	58,365
Waste mined (tonnes)	<b>19,656</b>	5,974	<b>52,652</b>	17,962
Total mined (tonnes)	<b>71,083</b>	40,262	<b>145,981</b>	76,327
Waste to ore ratio	<b>0.38</b>	0.17	<b>0.56</b>	0.31
Ore plant feed (tonnes)	<b>51,316</b>	33,760	<b>92,969</b>	55,045
Grade (g/tonne)	<b>2.49</b>	2.17	<b>2.78</b>	1.94
Recovery (%)	<b>93.6%</b>	93.7%	<b>96.6%</b>	93.7%
Production (ounces)	<b>4,095</b>	2,209	<b>8,015</b>	3,212
Sales (ounces)	<b>4,164</b>	2,436	<b>8,917</b>	2,436
Average cash cost per ounce of gold produced <sup>1</sup>	<b>\$ 892</b>	\$ 1,548	<b>\$ 913</b>	\$ 1,955

Total tonnes mined at PPQ and plant feed increased due to the stabilization of production at project levels:

- ore tonnes mined increased by 50% for the second quarter of 2018 and 60% for the first six months of 2018 compared to 2017
- total tonnes mined increased 76% for the first quarter of 2018 and 90% for the first six months of 2018 compared to 2017
- plant feed increased by 52% in total ore with a 14% increase in ore grade for the second quarter of 2018 compared to 2017

Gold ounces produced increased by 72% for the second quarter of 2018 and 139% for the first six months of 2018 compared to 2017.

Average cash costs per ounce of gold produced<sup>1</sup> decreased by 37% in the second quarter of 2018 and 52% for the first six months of 2018 compared to 2017. For the first six months of 2017 the costs were due to:

- loading and hauling, auxiliary equipment and maintenance costs increased by 42% (while moving 91% more ore)
- mine ventilation and reinforcement cost decreased by 27%

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

- general and administration costs, including mine planning and geology, increased by 18%

On August 1, 2017, the Company declared commercial production at the Pau-a-Pique mine. As a result, both revenue and operating costs for PPQ were recognized in the condensed interim consolidated statements of loss and comprehensive loss for period of first quarter of 2017. In addition, the mine development related to PPQ was reclassified to property, plant and equipment and depletion commences

The tables above sets out consolidated selected operating information for the EPP Project (Pau-a-Pique and Lavrinha) for the three and six months ended June 30, 2018 and 2017.

## 5. RESULTS OF OPERATIONS

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

	<b>For the three months ended June 30, 2018</b>	For the three months ended June 30, 2017	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
<b>Revenues:</b>				
San Andres	\$ 26,578	\$ 29,997	\$ 51,700	\$ 54,979
Brazilian Mines	18,760	14,250	38,661	24,170
	<b>\$ 45,338</b>	<b>\$ 44,247</b>	<b>\$ 90,361</b>	<b>\$ 79,149</b>
<b>Cost of Production:</b>				
San Andres	\$ 20,030	\$ 19,295	\$ 38,638	\$ 37,286
Brazilian Mines	13,838	13,107	28,379	21,931
	<b>\$ 33,868</b>	<b>\$ 32,402</b>	<b>\$ 67,017</b>	<b>\$ 59,217</b>
<b>Depletion and Amortization:</b>				
San Andres	\$ 2,217	\$ 1,954	\$ 4,347	\$ 4,137
Brazilian Mines	1,847	844	3,779	1,435
	<b>\$ 4,064</b>	<b>\$ 2,798</b>	<b>\$ 8,126</b>	<b>\$ 5,572</b>
<b>Gross Margin:</b>				
San Andres	\$ 4,331	\$ 8,748	\$ 8,715	\$ 13,556
Brazilian Mines	3,075	299	6,503	804
	<b>\$ 7,406</b>	<b>\$ 9,047</b>	<b>\$ 15,218</b>	<b>\$ 14,360</b>
<b>Ounces sold :</b>				
San Andres	\$ 21,121	\$ 25,308	\$ 40,746	\$ 47,104
Brazilian Mines	14,617	11,449	29,837	19,735
	<b>\$ 35,738</b>	<b>\$ 36,757</b>	<b>\$ 70,583</b>	<b>\$ 66,839</b>
<b>Cash operating costs per ounce sold<sup>1</sup></b>				
San Andres	\$ 948	\$ 762	\$ 948	\$ 792
Brazilian Mines	947	1,145	951	1,111
	<b>\$ 948</b>	<b>\$ 882</b>	<b>\$ 949</b>	<b>\$ 886</b>
<b>Depletion and amortization per ounce sold<sup>1</sup></b>				
San Andres	\$ 105	\$ 77	\$ 107	\$ 88
Brazilian Mines	126	74	127	73
	<b>\$ 114</b>	<b>\$ 76</b>	<b>\$ 115</b>	<b>\$ 83</b>
<b>Cost of goods sold per ounce sold<sup>1</sup></b>				
San Andres	\$ 1,053	\$ 840	\$ 1,055	\$ 879
Brazilian Mines	1,073	1,219	1,078	1,184
	<b>\$ 1,061</b>	<b>\$ 958</b>	<b>\$ 1,065</b>	<b>\$ 969</b>

The increase in revenue is primarily attributable to a 5.4% increase in the net realized average gold price per ounce<sup>1</sup> (\$1,269 in 2018 vs \$1,204 in 2017). The increase in the cost of production is primarily attributable to a decrease in costs from Lavrinha and EPP following their ramp-up stages and declaring commercial production and an increase in costs over 2017 at San Andres primarily due to recovered ounces from the secondary leaching of previously leached areas and the stacking of the first levels of Phase VI-IA in 2016 which resulted in gold recovery 100.7%.

### **Care-and-maintenance expenses**

Care-and-maintenance expenses include:

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

	<b>For the three months ended June 30, 2018</b>	For the three months ended June 30, 2017	<b>For the six months ended June 30, 2018</b>	For the six months ended June 30, 2017
Aranzazu Mine	\$ 262	\$ 634	\$ 721	\$ 1,113
Serrote project	-	320	421	543
Rio Novo projects	158	-	158	-
Brazilian projects	470	529	590	765
	<b>\$ 890</b>	<b>\$ 1,483</b>	<b>\$ 1,890</b>	<b>\$ 2,421</b>

The care-and-maintenance expense for other Brazilian projects, including Sao Francisco and Rio Alegre, and the Aranzazu Mine, mainly represents costs with respect to maintaining adequate provisions for security (*See Section 9, Transactions with Related Parties*).

### **General and administrative costs**

For the three months ended June 30, 2018 and 2017, general and administrative costs include:

	<b>For the three months ended June 30, 2018</b>	<b>For the three months ended June 30, 2017</b>	<b>For the six months ended June 30, 2018</b>	<b>For the six months ended June 30, 2017</b>
Salaries, wages and benefits	\$ 1,652	\$ 1,322	\$ 2,333	\$ 1,951
Professional and consulting fees	1,188	1,294	2,750	2,855
Legal, Filing, listing and transfer agent fees	6	172	118	219
Insurance	222	85	392	180
Directors' fees	47	41	90	89
Occupancy cost	64	63	131	146
Travel expenses	74	91	159	135
Other	145	(125)	434	230
	<b>\$ 3,398</b>	<b>\$ 2,942</b>	<b>\$ 6,407</b>	<b>\$ 5,805</b>

General and administrative costs include the following and comparing the second quarter of 2018 to 2017 primarily relate to the following items:

- Salaries, wages and benefits increased due to additional employees at Aranzazu
- Insurance fees increased due to additional coverage at Aranzazu and increased coverage at EPP
- Travel costs increased comparing the six months 2017 to 2018 due to additional travelling of the Company's officers and consultants to EPP and Aranzazu (all flights are booked in economy class subject to limited exceptions).

### **Finance Costs**

The increase in interest expense on debts is related to the new debts (refer to Section 7, Liquidity and Capital Resources):

	<b>For the three months ended June 30, 2018</b>	<b>For the three months ended June 30, 2017</b>	<b>For the six months ended June 30, 2018</b>	<b>For the six months ended June 30, 2017</b>
Accretion expense	\$ 198	\$ 109	\$ 387	\$ 452
Interest expense on debts (note 11)	465	334	1,132	676
Finance cost on post-employment benefit	-	151	116	280
Other interest and finance costs	60	53	73	389
	<b>\$ 723</b>	<b>\$ 647</b>	<b>\$ 1,708</b>	<b>\$ 1,797</b>

## Other (losses) income

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Net loss on call options and fixed price contracts	\$ 562	\$ 177	\$ (423)	\$ (1,192)
Changes in fair value of gold loans (note 11(b))	-	-	-	(427)
Change in estimate of provision for mine closure and res:	-	-	-	-
VAT and other taxes recoveries	-	-	-	-
Gain on disposal of assets	(2)	(42)	742	537
Foreign exchange (loss) gain	(2,783)	3,114	(1,414)	469
Other items	(372)	125	(1,021)	106
	\$ (2,595)	\$ 3,374	\$ (2,116)	\$ (507)

## 6. SUMMARY OF QUARTERLY RESULTS

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

<i>Fiscal quarter ended</i>	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Revenue	\$ 45,338	\$ 45,023	\$ 38,734	\$ 39,828	\$ 44,247	\$ 34,902	\$ 34,328	\$ 40,016	\$ 36,415
Working capital	32,718	26,882	29,109	11,970	5,332	9,110	6,459	(1,442)	(4,169)
Property, plant and equipment	134,768	132,299	80,700	102,689	100,673	102,203	102,758	86,565	87,801
Impairment recovery <sup>(1)</sup>	-	-	10,007	-	-	-	-	-	-
Gain on acquisition of EPP Project	-	21,898	-	-	-	-	19,886	-	-
(Loss) Income for the period	(5,330)	11,280	6,368	4,594	4,242	(5,023)	20,353	734	(2,048)
(Loss) Income per share									
Basic	\$ (0.12)	\$ 0.31	\$ 0.19	\$ 0.14	\$ 0.13	\$ (0.15)	\$ 0.62	\$ 0.10	\$ (0.10)
Diluted	\$ (0.12)	\$ 0.31	\$ 0.19	\$ 0.14	\$ 0.13	\$ (0.15)	\$ 0.60	\$ 0.10	\$ (0.10)

\*For the quarter ended December 31, 2017 impairment recovery recorded is related to the sale of MVV and the Serrote Project.

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

## 7. LIQUIDITY AND CAPITAL RESOURCES

Management of the Company believes that our ongoing operations and associated cash flows, will provide sufficient liquidity to continue financing our planned growth in the near term, and that we will have access to additional debt as we grow to support further expansion.

As at June 30, 2018, the financial resources available to the Company in meeting its financial obligations include its positive working capital as well as its other assets including as cash on hand. The Company will, from time to time, repay balances outstanding on its revolving credit with operating cash flow and cash flow from other sources.

The company increased its cash from \$11,789 from the beginning of the first quarter of 2018 to \$37,625 at the end of the second quarter of 2018. Details are as follows:

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Cash flow generated by operating activities	\$ 1,957	\$ 3,979	\$ 7,696	\$ 2,966
Cash flow used by investing activities	(6,548)	(1,269)	19,007	(3,503)
Cash flow generated by financing activities	9,786	1,798	(867)	5,652
(Decrease) increase in cash and cash equivalents	\$ 5,195	\$ 4,508	\$ 25,836	\$ 5,115

The increase in cash position, \$5,195 during the three months ended June 30, 2018, was made up of:

- Cash flow from operating activities of \$1,957 made up of - net loss of \$(5,330); items not affecting cash of \$6,446 (see note 22(a) of the Financial Statements); changes in working capital of \$1,072 (see note 22(b) of the Financial Statements) and changes in other assets and liabilities \$(231);
- Cash used in investing activities of \$(6,546) related to purchases of property, plant and equipment
- Cash flow from financing activities of \$9,598, mainly due to withdrawals from IXM S.A. Facility \$14,000 and repayment of short term loans of \$(3,380) (see note 11 of the Financial Statements).

As of June 30 2018, the Company has the following debt obligations:

Financial debt	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Banco Occidente	\$ 1,758	\$ 1,758	\$ -	\$ -	\$ -
Banco Atlántida	6,920	1,400	5,520	-	-
Banco ABC Brasil S.A.	2,163	1,997	166	-	-
Yamana Loan	3,704	3,704	-	-	-
Northwestern	2,146	2,146	-	-	-
IXM S.A.	14,000	1,666	10,000	2,334	-
	\$ 30,691	\$ 12,671	\$ 15,686	\$ 2,334	\$ -

Note 1. On July 13, 2018 the Company paid down \$729 of the Northwestern loan.

For a detailed discussion of the above noted debts, please see Note 11 in the Financial Statements. In the ordinary course of business, the Company has trade and other payables owing and for mine closure and restoration which are discussed in the Financial Statements.

On completion of the merger with Rio Novo, the Company assumed the obligations of the demand promissory notes issued by Rio Novo in favor of Northwestern Enterprises Ltd. ("Northwestern") which, as at March 31, 2018, totaled \$3,576. On April 16, 2018, the Company entered into a payment schedule with Northwestern pursuant to which the

Company agreed to repay the notes of \$3,576. Pursuant to the agreement, quarterly repayment terms are as follows: (i) \$1,430 on April 16, 2018 (paid); (ii) \$729 on July 13, 2018 (paid); (iii) \$743 on October 13, 2018 and (iv) \$758 on January 13, 2019. The quarterly repayment terms are inclusive of 8% interest.

On March 28, 2018, the Company and the Company's subsidiary, Apoena, entered into an agreement with Yamana and SBMM, with respect to the repayment of the working capital facility provided to Apoena in connection with the acquisition of the EPP project. Pursuant to the agreement, the Company acknowledged debt of \$9,638 with repayment terms as follows: (i) \$5,000 on March 28, 2018 (paid); (ii) \$1,000 on each of June 30, 2018 (paid) and September 30, 2018; (iii) \$1,400 on December 31, 2018; and (iv) \$1,461 on March 30, 2019.

## **8. CONTRACTUAL OBLIGATIONS**

Except as set forth in this MD&A, for the three months ended June 30, 2018 and as at the date of this MD&A, the Company has not entered into any contractual obligations that are outside of the ordinary course of business.

## **9. TRANSACTIONS WITH RELATED PARTIES**

On December 18, 2017 the Company and 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 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 (being an aggregate of 9,473,956 common shares of the Company). As part of the Merger, the Company also 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 approval of the Merger was conducted in accordance with MI 61-101 because of 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.

As part consideration for the acquisition of the EPP Project, the Company granted to SBMM pursuant to a royalty agreement a net smelter return royalty ("NSR Royalty") as to 2% 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 Company has been provided notice that pursuant to the royalty agreement, a company beneficially owned by Paulo de Brito has acquired the NSR Royalty from SBMM. The Company was not a party to the negotiations between the entities and the transaction is not a related party however the Company is providing disclosure in the MD&A with respect to the royalty payments to be made.

On January 1, 2015, the Company entered into a consulting agreement for the provision of management services to the Company, including those of the President and Chief Executive Officer, with Acumen Capital, LLC ("Acumen"), a US based company which is controlled by Jim Bannantine, the Company's former President and Chief Executive Officer. The consulting agreement was terminated on January 15, 2017. For the three months ended March 31, 2018, the Company paid consulting fees and termination benefits to Acumen of \$103 (2017: \$124). As at June 30, 2018, the Company owed \$352 (June 30, 2017: \$850) to Acumen, mainly related to termination benefits.

In connection with Company's acquisition of the EPP Project from Yamana it acquired the mining rights to Rio Alegre. Although part of the EPP Project, the mining rights for Rio Alegre were held in the name of Mineração Tarauacá Indústria e Comércio S.A. ("Tarauacá"), a company controlled by Paulo Brito, the Company's non-executive Chairman and largest shareholder through his control and direction of Northwestern Enterprises Ltd. The mining rights have

been transferred (at no cost) to the Company and a Permit for Use (guia de utilização) was granted in 2017. The company continues to develop the exploration in the area.

## **10. PROPOSED TRANSACTION**

Other than as disclosed in this MD&A, the Company has not entered into a binding agreement for an asset or business acquisition or disposition. Management is committed to further analyzing and where applicable, negotiating, one or more transactions to maximize the value of its assets and increasing shareholder value.

## **11. CHANGES IN ACCOUNTING POLICIES**

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

### *IFRS 16, Leases*

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

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

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

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

The final version of IFRS 9, Financial Instruments (“IFRS 9”), was issued by the IASB in July 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit and loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however it is available for early adoption. In addition, the own credit risk changes can be early adopted in isolation without otherwise changing the accounting for the financial instruments.

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



The Company is currently evaluating the impact of IFRS 9 and IFRS 7 on its consolidated financial statements.  
*IFRS 2, Share-based Payment*

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

## **12. CRITICAL ACCOUNTING ESTIMATES**

The preparation of the consolidated financial statements requires management to make estimates and judgements and to form assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities. Management’s estimates and judgements are continually evaluated and are based on historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates.

The Company has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company’s consolidated statements of financial position reported in future periods.

### **a) Determination of Mineral Resources and Mineral Reserves**

The Company determines mineral resources and reserves under the principles incorporated in the Canadian Institute of Mining, Metallurgy and Petroleum standards for mineral reserves and resources, known as the CIM Standards. The information is regularly compiled by Qualified Persons and reported under NI-43-101. Reserves and resources determined in this way are used in the calculation of depletion expense, assessment of impairment charges and the carrying values of assets, and for forecasting the timing of the payment of mine closure and restoration costs.

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

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

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

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

of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the consolidated statements of income (loss).

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

Leach pad inventory is comprised of ore that has been extracted from the mine and placed on the heap leach pad for further processing. Costs are added to leach pad inventory based on current mining costs and are removed from leach pad inventory as gold ounces are recovered in the plant, based on the average cost per recoverable ounce on the heap leach pad. The quantity of recoverable gold in process is an engineering estimate which is based on the expected grade and recovery of gold from the ore placed on the leach pad. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. However, the estimate of recoverable gold placed on the leach pad is reconciled to actual gold production and the engineering estimates will be refined based on actual results over time. The ultimate recovery of gold from each heap leach pad will not be known until the leaching process is concluded.

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

**d) Deferral of stripping costs**

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

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

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

### **13. CORPORATE GOVERNANCE**

The Company's Board and its committees substantially follow the recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The current Board is comprised of four individuals, three of whom are neither executive officers nor employees of the Company and two of whom are unrelated in that they are independent of management. Mr. Barbosa is currently not considered independent due to his role as President & CEO of the Company. The Audit Committee is currently comprised of two directors who are independent of management.

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

The Audit Committee has reviewed this MD&A pursuant to its charter and the Board has approved the disclosure contained herein. A copy of this MD&A will be provided to anyone who requests it.

### **14. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company's management is responsible for designing and maintaining adequate internal controls over financial reporting ("ICFR"), under the supervision of the CEO and Vice President, Legal Affairs and Business Development, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with IFRS. Management is also responsible for the design and effectiveness of disclosure controls and procedures ("DC&P"), under the supervision of the CEO and Vice President, Legal Affairs and Business Development, to provide reasonable assurance that material information related to the Company is made known to the Company's certifying officers. Based on a review of the ICFR and DC&P as of December 31, 2017 and ongoing review and monitoring of these procedures, and as there were no changes in ICFR or DC&P in the three months ended June 30, 2018 which have materially affected or are reasonably likely to materially affect ICFR or DC&P, management of the Company believes its internal controls and procedures are appropriately designed and effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner, and that material information relating to the Company is made known to them.

## 15. NON-GAAP PERFORMANCE MEASURES

In this MD&A, the Company has included earnings before interest and tax (“EBIT”), earnings before interest, tax, depreciation and amortization (“EBITDA”), realized average gold price per ounce sold, gross, realized average gold price per ounce sold - net of local sales taxes, hedging and gold loan repayments, cash operating cost per ounce produced, cash operating costs per ounce sold and all-in costs per ounce sold which are non-GAAP performance measures. These non-GAAP measures do not have any standardized meaning within IFRS and therefore may not be comparable to similar measures presented by other companies. The Company believes that these measures provide investors with additional information which is useful in evaluating the Company’s performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

### A. Reconciliation from revenue to EBITDA:

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Revenue	\$ 45,338	\$ 44,247	\$ 90,361	\$ 79,149
Cost of goods sold	(37,932)	(35,200)	(75,143)	(64,790)
Care-and-maintenance expenses	(890)	(1,483)	(1,890)	(2,421)
General and administrative expenses	(3,398)	(2,942)	(6,407)	(5,805)
Exploration expenses	(1,263)	(136)	(2,265)	(398)
Impairment reversal	-	-	-	-
<b>EBIT</b>	<b>1,855</b>	<b>4,486</b>	<b>4,656</b>	<b>5,736</b>
Depreciation and amortization	<b>4,064</b>	<b>2,798</b>	<b>8,126</b>	<b>5,572</b>
<b>EBITDA</b>	<b>5,919</b>	<b>7,284</b>	<b>12,782</b>	<b>11,308</b>
<b><i>Non-cash and/or non-recurring</i></b>				
Gain on disposal of assets	(2)	(42)	742	537
Other items in other (losses) gains	(372)	125	(1,021)	106
Depreciation and amortization	(4,064)	(2,798)	(8,126)	(5,572)
Net loss on call options and fixed price contracts	562	177	(423)	(1,192)
Change in estimate of provision for mine closure and res	-	-	-	-
VAT and other taxes recoveries	-	-	-	-
Finance costs	(723)	(647)	(1,708)	(1,797)
Changes in fair value of gold loans	-	-	-	(427)
Foreign exchange (loss) gain	(2,783)	3,114	(1,414)	469
Gain on acquisition of Rio Novo Gols Inc	(40)	-	21,858	-
Currency translation adjustment reversal	-	-	(15,827)	-
Gain on Sale of Mineração Vale Verde Ltda (Serrote)	-	-	3,945	-
<b>(Loss) income before taxes</b>	<b>(1,503)</b>	<b>7,213</b>	<b>10,808</b>	<b>3,432</b>
Taxes	(3,827)	(2,971)	(4,858)	(4,213)
<b>Net income (loss)</b>	<b>\$ (5,330)</b>	<b>\$ 4,242</b>	<b>\$ 5,950</b>	<b>\$ (781)</b>

**B. Reconciliation from the consolidated financial statements to cash operating costs per ounce of gold produced:**

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Cost of goods sold	\$ 37,932	\$ 35,200	\$ 75,143	\$ 64,790
Depreciation	(4,064)	(2,798)	(8,126)	(5,572)
Cost of production	33,868	32,402	67,017	59,217
Change in inventory	(3,177)	(3,044)	(4,528)	(1,817)
Other adjustments	(939)	565	(3,343)	(529)
<b>Total operating cost of gold produced</b>	<b>\$ 29,752</b>	<b>\$ 29,922</b>	<b>\$ 59,146</b>	<b>\$ 56,871</b>
Ounces of gold produced	32,483	37,685	66,458	69,186
<b>Cash operating costs per ounce produced</b>	<b>\$ 916</b>	<b>\$ 794</b>	<b>\$ 890</b>	<b>\$ 822</b>

**C. Reconciliation from the consolidated financial statements to realized gold price per ounce sold:**

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Revenue per consolidation	\$ 45,338	\$ 44,247	\$ 90,361	\$ 79,149
Local sales taxes	1,446	1,743	3,094	3,212
Processing fees	(675)	0	(1,328)	-
Realized loss from fixed price contracts	(152)	(1,198)	(1,651)	(2,952)
Realized loss from call options contracts	-	(238)	-	(3,188)
<b>Net realized revenue</b>	<b>45,957</b>	<b>44,554</b>	<b>90,476</b>	<b>76,221</b>
Ounces of gold sold	\$ 35,738	\$ 36,757	\$ 70,583	\$ 66,839

**D. Reconciliation from the consolidated financial statements to cash operating costs per ounce sold and all-in costs per ounce sold:**

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Cost of production	\$ 33,868	\$ 32,402	\$ 67,017	\$ 59,217
Care and maintenance	890	1,483	1,890	2,421
General & administration expenses	3,398	2,942	6,407	5,805
Capital expenditures	6,546	1,269	11,735	3,503
Accretion expense	198	109	387	452
Exploration expenses	1,263	136	2,265	398
<b>Total all-in costs</b>	<b>\$ 46,163</b>	<b>\$ 38,341</b>	<b>\$ 89,701</b>	<b>\$ 71,796</b>
Ounces of gold sold	35,738	36,757	70,583	66,839
<b>Cash operating costs per ounce sold</b>	<b>\$ 948</b>	<b>\$ 882</b>	<b>\$ 949</b>	<b>\$ 886</b>
<b>All-in costs per ounce sold</b>	<b>\$ 1,292</b>	<b>\$ 1,043</b>	<b>\$ 1,271</b>	<b>\$ 1,074</b>

## 16. RISK FACTORS

The operations of the Company contain significant risk due to the nature of mining, exploration and development activities. For details of these risks, please refer to the risk factors set forth in the Company's AIF which could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

## 17. DISCLOSURE OF SHARE DATA

As at June 30, 2018, the Company had the following outstanding: 43,372,336 common shares, 1,961,905 stock options, 350,000 share purchase warrants, and 126,529 deferred share units.

## 18. CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A, and the documents incorporated by reference, contain certain "forward-looking information" and "forward-looking statements", as defined in applicable securities laws (collectively, "forward-looking statements"). All statements other than statements of historical fact are forward-looking statements. Forward-looking statements relate to future events or future performance and reflect the Company's current estimates, predictions, expectations or beliefs regarding future events and include, without limitation, statements with respect to: the economic viability of a project; strategic plans, including the Company's plans with respect to its properties; the amount of mineral reserves and mineral resources; the amount of future production over any period; the amount of waste tonnes mined; the amount of mining and haulage costs; cash costs; operating costs; strip ratios and mining rates; expected grades and ounces of metals and minerals; expected processing recoveries; expected time frames; prices of metals and minerals; mine life; and gold hedge programs. Often, but not always, forward-looking statements may be identified by the use of words such as "expects", "anticipates", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions.

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

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

All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or

otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements.