



Aura Minerals Inc.

# **ANNUAL INFORMATION FORM**

**For the year ended December 31, 2015**

**Dated as of March 24, 2016**

Aura Minerals Inc.  
155 University Avenue – Suite 1240  
Toronto, Ontario M5H 3B7

Phone: 416.649.1033  
Fax: 416.649.1044

Email: [info@auraminerals.com](mailto:info@auraminerals.com)  
Website: [www.auraminerals.com](http://www.auraminerals.com)

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## INTRODUCTORY NOTES

### **Date of Information**

In this Annual Information Form (“AIF”), Aura Minerals Inc., together with its subsidiaries, as the context requires, is referred to as “Aura Minerals” or the “Company”. All information contained herein is as at December 31, 2015, unless otherwise stated.

### **Financial Information**

Reference is made in this AIF to the consolidated audited financial statements of the Company for the year ended December 31, 2015, a copy of which may be obtained online at [www.sedar.com](http://www.sedar.com). All financial information in this AIF is prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

### **Cautionary Note Regarding Forward-Looking Information**

This AIF, and the documents incorporated by reference, contain certain “forward-looking information” and “forward-looking statements”, as defined in applicable securities laws (collectively, “forward-looking statements”). All statements other than statements of historical fact are forward-looking statements. Forward-looking statements relate to future events or future performance and reflect the Company’s current estimates, predictions, expectations or beliefs regarding future events and include, without limitation, statements with respect to: the economic viability of a project; strategic plans, including the Company’s plans with respect to its San Andres, Sao Francisco and Aranzazu Mines (including but not limited to, when the Aranzazu mine may restart production) and the Serrote da Laje project and the Ernesto Pau a Pique project; 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 AIF 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; 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 section entitled "*Risk Factors*" in this 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.

#### **Currency Presentation and Exchange Rate Information**

This AIF contains references to both United States dollars and Canadian dollars. Unless otherwise stated, references herein to "\$" are to the United States dollar. References to "C\$" are to the Canadian dollar. For Canadian dollars to U.S. dollars, the average exchange rate for 2015 and the exchange rate at December 31, 2015 were one Canadian dollar per 0.78 and 0.72 U.S. dollars, respectively.

### **CORPORATE STRUCTURE AND DESCRIPTION OF CAPITAL STRUCTURE**

The Company's head office and registered office is located at 1240 – 155 University Ave, Toronto, Ontario M5H 3B7.

The Company was originally incorporated under the name, "Baldwin Consolidated Mines Limited" by Letters Patent dated July 12, 1946. By Articles of Amendment dated July 11, 1989, the Company changed its name to "Canadian Baldwin Holdings Limited" and consolidated its common shares ("Common Shares") on a 5:1 basis. By Articles of Amendment dated July 27, 2005, the Company changed its name to "Canadian Baldwin Resources Limited" and further consolidated its Common Shares on a 1.75:1 basis. By Articles of Amendment dated March 22, 2006, the Company changed its name to "Aura Gold Inc." and by Articles of Continuance dated April 20, 2006, the Company was continued from the *Business Corporations Act* (Ontario) to the *Canada Business Corporations Act*. By Articles of Amendment dated July 20, 2007, the Company changed its name to "Aura Minerals Inc.". By Articles of Amendment dated July 23, 2009, the Company consolidated all of its issued and outstanding Common Shares on the basis of one new Common Share for five previously issued and outstanding Common Shares.

The Company is authorized to issue an unlimited number of Common Shares. All references to securities of the Company included in this AIF are set out on a post-consolidation basis. As of the date of this AIF, 228,977,439 Common Shares were issued and outstanding.

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Company, to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares are also entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefore and upon the liquidation, dissolution or winding up of the Company are entitled to receive on a pro-rata basis the net assets of the Company after payment of debts and other liabilities. The Common Shares do not carry any pre-emptive or conversion rights.

The following are the Company's principal subsidiaries (collectively, the "Subsidiaries"), together with the governing law of each company. Each Subsidiary is 100% beneficially owned, controlled or directed, directly or indirectly, by the Company.

**Name and Jurisdiction of Incorporation**

Aura Minerals (Ontario) Inc. – ON, Canada  
Aura Minerals (British Columbia) Inc. – BC, Canada  
Apoena Minerals (B.V.I.) Inc. – B.V.I.  
Pontes resources (B.V.I.) Inc. – B.V.I.  
Aura Mineraias Participacoes Ltda. - Brazil  
San Andres (B.V.I.) Inc. – B.V.I.  
RNC (Honduras) Limited – Belize  
San Andres (Belize) Limited - Belize

**Name and Jurisdiction of Incorporation**

Azacualpa (B.V.I.) Inc. – B.V.I.  
Copan (B.V.I.) Inc. – B.V.I.  
Minerales de Occidente, S.A. de C.V. – Honduras  
Arapiraca (B.V.I.) Inc. – B.V.I.  
Clearwater Holdings Fund LLC – USA  
Mineracao Vale Verde Ltd. - Brazil  
Newington Corporation S.L. – Spain  
Aranzazu Holding S.A. de C.V. - Mexico

## DESCRIPTION OF THE BUSINESS

Aura Minerals is a Canadian mid-tier gold and copper production company focused on the development and operation of gold and base metal projects in the Americas. The Company's shares are traded on the TSX under the symbol ORA. The Company's assets include the San Andres (Honduras) and the Sao Francisco (Brazil) producing gold mines and the copper-gold-silver Aranzazu (Mexico) mine (currently on care-and-maintenance). The Company's core development asset is the copper-gold-iron Serrote project in Brazil.

On April 30, 2015 the Company announced that it entered into an agreement with Serra da Borda Mineração e Metalurgia S.A., a company affiliated with Yamana Gold Inc., to acquire, upon completion of certain conditions, the assets and liabilities of the Ernesto/Pau-a-Pique Project located in the southwest of Mato Grosso state, near Pontes e Lacerda in Brazil. Please see General Development of the Business below for additional information on the Ernesto/Pau-a-Pique Project.

**Special Skill and Knowledge.** The Company's business requires specialized skills and knowledge. Such skills and knowledge include the areas of mining, environmental permitting, engineering, geology, drilling, metallurgy, logistical planning and implementation of exploration programs as well as legal compliance, finance and accounting. The Company competes with numerous other companies for the recruitment and retention of qualified employees and consultants in such fields.

**Business Cycles.** The mining business is subject to global economic cycles which affect the marketability of products derived from mining.

**Competitive Conditions.** The precious and base mineral exploration and mining business is competitive. The Company competes with numerous other companies and individuals in the search for and the acquisition of mineral properties. The ability of the Company to acquire mineral properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for development or mineral exploration.

**Employees.** As at December 31, 2015, the Company had 7 employees in Canada, 654 employees in Honduras (303 employees and 341 contractors), 568 employees in Brazil (197 employees and 371 contractors) and 39 employees in Mexico.

**Environmental Protection.** The Company's exploration, development and mining activities are subject to various levels of federal, state and municipal laws and regulations relating to the protection of the environment, including requirements for closure and reclamation of mining properties.

In all jurisdictions where Aura Minerals operates, specific statutory and regulatory requirements and standards must be met throughout the exploration, development and mining stages of a property with regard to air quality, water quality, fisheries, wildlife and forestry management and protection, solid and hazardous waste management and disposal, noise, land use and reclamation. Details and qualification of Aura Minerals' mine closure and restoration obligations are set out in Note 14 of the Company's audited consolidated financial statements for the year ended December 31, 2015.

The financial and operating effect of environmental protection requirements on the capital expenditures and earnings of each mineral property are not significantly different than those of similar sized mines and therefore do not and will not impact Aura Minerals' competitive position in the current or future financial years.

***Social or Environmental Policies.*** In order to better serve the Company's corporate sustainability obligations and reporting, the Board of Directors of the Company moved the functions of the Company's former Corporate Sustainability Committee directly to a function of the Board to ensure that the Company conducts its activities in such a manner as to ensure the health and safety of its employees, contractors and host communities; promote sustainable development; preserve the environment and contribute on the development of the communities in which it operates. The steps that the Board, with the assistance of on-site environmental managers, health and safety technicians and environmental consultants, takes to meet these objectives include:

- identifying, assessing and managing risks to employees, consultants, contractors, the environment and the host communities;
- reviewing and monitoring the health, safety, environmental and social responsibility policies and procedures of the Company;
- promoting and supporting improvements to the Company's health, safety and environmental performance. Reviewing material incidents relating to health, safety and environmental;
- as it may deem necessary, arranging, implementing and overseeing environmental and safety audits, with respect to any operations within the Company;
- ensuring that employees, consultants and contractors are provided with the training and resources necessary to meet the Company's objectives under the health, safety, environmental and social responsibility policies;
- ensuring that the Company continually consults stakeholders in matters that affect them and develops partnerships that foster the sustainable development of the host communities and enhance economic benefits from the Company's operations;
- ensuring that social, economic and cultural rights of the local people are respected; and
- ensuring that the Company upholds ethical business practices and meeting, or where possible, exceeding applicable legal and other regulatory requirements.

The Company, with the assistance of on-site environmental managers, health and safety technicians and environmental consultants, continues to develop and implement environmental education programs for the Company's employees and host communities. The Company has implemented an integrated management system at all its operations based on OHSAS 1800, ISO 14000 norms and the International Cyanide Management Code. On September 16, 2010 Aura Minerals became a signatory of the International Cyanide Management Code with each of the San Andres (2016) and Sao Francisco (2015) Mines successfully completing the recertification.

On March 17, 2014, the Sao Francisco Mine achieved 1,000 days without a lost time accident and on July 30, 2015 it achieved 10,000,000 man hours without a lost time accident.

On December 10, 2015, the San Andres Mine achieved 4,000,000 man hours without a lost time accident.

The Company permanently engages the communities and other stakeholders to maintain its 'Social Licence' to operate. Several meetings have been held with communities local to each of the Company's properties to discuss and answer questions regarding the Company's policies, practices and operations, and also to discuss and agree on local projects and initiatives where the Company could support both technically and financially. The Company is also in the practice of purchasing supplies and hiring personnel from the host communities and encourages its consultants and suppliers to do the same.

***2015 Gold and Copper Sales.*** For the year ended December 31, 2015, except for interest income from its cash and cash equivalents, the Company's sole source of revenue was the sale of gold doré from the San Andres Mine and the Brazilian Mines and the sale of copper concentrate from the Aranzazu Mine. In 2015, the Company sold a total of 144,523 gold ounces (2014: 180,402) at an average realized price of \$1,161 per gold ounce (2014: \$1,266). The Company sold a total of 4,270 dry metric tonnes of copper concentrate (2014: 28,058) containing approximately 1,205,983 pounds of payable copper (2014: 14,593,460) and total concentrate shipment revenues per DMT for the year ended December 31, 2015 were \$877 per

DMT (2014: \$1,566). There are worldwide gold and copper concentrate markets into which the Company can sell and, as a result, the Company is not dependent on a particular purchaser with regard to the sale of the gold and copper concentrate which it produces.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **2013**

In February 2013 the Company relocated its corporate head office from Vancouver, British Columbia to Toronto, Ontario.

On February 25, 2013 the Company announced that Mineracao Vale Verde Ltda., the Company's wholly-owned subsidiary developing the Serrote project, had received a bridge loan from Banco Itaú BBA S.A. in the amount of R\$20 million which was subsequently increased to R\$45 million (approximately \$20 million).

On May 10, 2012, the Company amended the \$25,000,000 revolving credit facility (the "Credit Facility") entered into on March 18, 2011 with Barclays Capital, the investment banking division of Barclays Bank PLC. The Credit Facility was amended by increasing the credit available from \$25,000,000 to \$45,000,000 (reduced by \$3,750,000 per quarter from June 30, 2013 to March 31, 2014), extending the maturity date from June 30, 2013 to June 30, 2014 and adding a second bank as a lender to the Company. All other terms and conditions remained unchanged except for the interest margin which increased from 2.75% over LIBOR to 3.25% over LIBOR, the arrangement fee increased to 1.75% from 1.5%, and the standby fee on undrawn funds increased from 1.0% to 1.5% per annum. The Credit Facility was further amended on November 13, 2012 as the Company was not in compliance with a financial covenant contained in the Credit Facility and a number of forbearance agreements were entered into. On August 14, 2013 the Credit Facility was further amended to include, amongst other items, an amendment fee of 1% and payment-in-kind interest which would be capitalized to the outstanding principal amount owed under the Credit Facility at a rate of 1.75% commencing on the effective date of the amendment, 3.75% for the period between September 30, 2013 and December 31, 2013 and 8.75% thereafter. During 2013 the Company entered into a number of forbearance agreements pursuant to the Credit Facility.

During the year ended December 31, 2013, the Company's wholly-owned subsidiary Mineração Vale Verde Ltda. ("MVV") received Brazilian Reais 45,000 (approximately \$20,000,000) (the "Bridge Loan") from Banco Itaú BBA S.A. ("Itaú"). The Bridge Loan has been utilized by the Company for community resettlement, engineering, long-lead equipment procurement and early site improvements. The Company is continuing to pursue options to maximize the value of Serrote. The Company fully repaid the Bridge Loan in 2016 from the proceeds of the Third Gold Loan as described below.

### **2014**

On March 17, 2014 the Company fully repaid the Credit Facility from the proceeds of a \$22,500,000 gold loan (the "Gold Loan") entered into with Auramet International LLC, a subsidiary of Auramet Trading LLC ("Auramet"). The Gold Loan consisted of 40 weekly installments of 458 ounces of gold commencing on April 7, 2014. In addition to fixing the price of the 18,320 ounces of gold deliverable under the Gold Loan, the Company hedged 10,000 ounces of gold at an average fixed price of \$1,373 per ounce as well as 15,000 ounces of gold with a \$1,300 floor price and \$1,423 ceiling price. In partial consideration of the Gold Loan, the Company issued 4,500,000 non-transferable common share purchase warrants to Auramet, with each warrant entitling Auramet to acquire one common share in the capital of the Company until March 17, 2015 at a price of C\$0.36 per share.

On May 27, 2014 the Company announced an updated NI 43-101 compliant Mineral Reserve and Mineral Resource estimates for the San Andres mine and on July 3, 2014 the Company filed the NI 43-101 compliant technical.

On December 2, 2014 the Company obtained a further US\$15,500,000 (the "Second Gold Loan") Gold Loan from Auramet. The Second Gold Loan will be repaid in 50 weekly installments of 305 ounces of gold which commenced on February 13, 2015. The Second Gold Loan may be repaid at any time with no prepayment penalties. In addition to fixing the price of the 15,250 ounces of gold deliverable under the Second Gold Loan the Company hedged a further 35,300 ounces of gold at an average fixed price of \$1,207.46 per ounce. In partial consideration for the Second Gold Loan, the Company issued 4,500,000 non-transferable common share purchase warrants to Auramet, with each Warrant entitling Auramet to acquire one

common share of the Company at an exercise price of C\$0.11 until December 2, 2016. The 4,500,000 warrants previously issued to Auramet pursuant to the Gold Loan were cancelled.

During the year ended December 31, 2014, the Company disposed of the assets and liabilities of the Sao Vicente gold mine in Brazil.

## **2015**

On January 15, 2015, the Company announced that all mining activities at the Aranzazu mine would be temporarily suspended and that all capital projects, including underground development work would also be deferred. Processing of copper concentrate would continue until the economic stockpiles were depleted.

On June 9, 2015, the Company completed a private placement financing with a private company. The Company raised gross proceeds of \$4,940,000 (approximately C\$6,100,000) through the issuance of 57,009,346 common shares of the Company at a price of C\$0.107 per common share.

On October 1, 2015, Serrote's installation license was granted renewal until August 2018.

On December 1, 2015, the Company repaid to Auramet the final gold ounce installment pursuant to the Second Gold Loan.

### *Ernesto/Pau-a-Pique Project*

On April 30, 2015 the Company announced that it entered into an 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, the assets and liabilities of the Ernesto/Pau-a-Pique Project (the "Project") located in the southwest of Mato Grosso state, near Pontes e Lacerda in Brazil.

The Project consists of both open-pit and underground targets. The Ernesto open-pit deposit is located approximately 60 km south of the Company's Sao Francisco mine and 12 km south of the town of Pontes e Lacerda. The Pau-a-Pique underground deposit is located approximately 100 km south of the Sao Francisco mine and 40 km south of the Ernesto deposit. Centrally located to these mines is a new 130 tonnes per hour carbon-in-leach processing plant, which includes crushing, milling and tailing facilities with power supplied from the national grid. Significant infrastructure exists around the entire Project including paved roadways between the deposits and the town of Pontes e Lacerda.

The completion of the acquisition is subject to the receipt of regulatory approvals in Brazil including both antitrust and national defense regulatory requirements (the "regulatory approval period"). During the regulatory approval period, additional feasibility work has been completed on the Project including infill drilling and metallurgical test work to better define the mineral resources and refine both the mine design and planning. Pursuant to the acquisition agreement dated April 30, 2015 (the "EPP Agreement") and upon receipt of the appropriate consents, as consideration for the Project, the Company will issue or provide to Yamana: (i) 2,000,000 common shares of the Company at a deemed value equal to the closing price of the common shares of the Company on the day prior to closing; (ii) 3,500,000 common share purchase warrants of the Company at an exercise price equal to a 100% premium over the 20 day VWAP of the Company's common shares based on the period prior to closing and exercisable for 36 months from the date of issuance; and (iii) a 2% net smelter returns royalty on gold ounces produced from the Project with respect to up to 1,000,000 collective ounces of gold, and thereafter, a 1% net smelter returns royalty on gold ounces produced from the Project.

In order to facilitate the acquisition, during the regulatory approval period, Yamana will make available a working capital facility to SBMM of up to approximately USD\$9,000,000 (the "Working Capital Facility") to be invested in the capital requirements of the Project. The Working Capital Facility is expected to be repaid with the initial free cash flow from the Project or will be payable in full within 36 months from the date of the EPP Agreement and will be assumed by the Company upon completion of the acquisition. Should the Project not enter into production and 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 over the 20 day VWAP of the Company's common shares based on

the period prior to the due date. At no point in time may Yamana own, beneficially or otherwise, greater than 19.9% of the issued and outstanding common shares of the Company, which calculation is to include the warrants issuable to Yamana.

The acquisition is expected to close shortly.

## 2016

On March 2, 2016 the Company obtained a further US\$12,325,000 (the “Third Gold Loan”) Gold Loan from Auramet. The Third Gold Loan will be repaid in 68 weekly installments of 176.5 ounces of gold commencing on May 3, 2016 and ending on August 15, 2017. The Third Gold Loan was used for corporate debt consolidation and working capital and may be repaid at any time with no prepayment penalties.

## MINERAL PROJECTS

The Company’s portfolio of mineral properties includes the San Andres gold mine in Honduras, the Sao Francisco gold mine in Brazil, the copper-gold-silver Aranzazu mine in Mexico (currently on care-and-maintenance) and the copper-gold-iron Serrote Project in Brazil. During the year ended December 31, 2015, the Company disposed of the assets and liabilities of the Sao Vicente gold mine in Brazil.

For the purposes of this AIF, the Company has identified the San Andres and Sao Francisco gold mines as material properties and are discussed below.

### SAN ANDRES MINE

Readers are encouraged to read the technical report dated July 2, 2014, with an effective date of December 31, 2013, and entitled “Mineral Resource and Mineral Reserve Estimates on the San Andres Mine in the Municipality of La Union, in the Department of Copan, Honduras” prepared for Aura Minerals by Bruce Butcher, P.Eng., former Vice President, Technical Services, Ben Bartlett, FAusimm, former Manager Mineral Resources and Persio Rosario, P. Eng., former Principal Metallurgist (the “San Andres Technical Report”) from which the disclosure in this AIF has been derived. The San Andres Technical Report is subject to the assumptions, qualifications and procedures described in the report, as applicable, and readers are encouraged to read the report in its entirety. A copy of the report may be found on the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com)

**Mineral Resources.** The Company estimates Mineral Resources at the San Andres mine, as at December 31, 2015 are as follows:

Resources Category	Oxide			Mixed			Total		
	Tonne (t)'000	Au (g/t)	Oz' 000	Tonne (t)'000	Au (g/t)	Oz' 000	Tonne (t)'000	Au (g/t)	Oz' 000
Measured	22,859	0.477	351	3,632	0.588	69	26,491	0.492	419
Indicated	54,055	0.452	785	26,684	0.555	477	80,739	0.486	1,261
<b>Measured + Indicated</b>	<b>76,914</b>	<b>0.459</b>	<b>1,135</b>	<b>30,136</b>	<b>0.559</b>	<b>545</b>	<b>107,230</b>	<b>0.509</b>	<b>1,755</b>
Inferred	10,570	0.624	212	6,731	0.782	169	17,301	0.685	381

Notes\*:

1. The Mineral Resources estimate is based on optimized shell using \$1,600/oz gold.
2. The cut-off grade used was 0.23 g/t for oxide material and 0.30 g/t for mixed material.
3. Contained metal figures may not add due to rounding.
4. Surface topography as of December 31, 2015, and a 200m river offset restrictions have been imposed.
5. Mineral Resources are inclusive of Mineral Reserves.
6. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues.

7. Mineral Resource estimates for San Andres Mine were prepared under the supervision of Farshid Ghazanfari, P.Geo. as a Qualified Person as that term is defined in NI 43-101.

**Mineral Reserves.** The Company estimates Mineral Reserves at the San Andres mine, as at December 31, 2015 are as follows:

Reserves Category	Oxide			Mixed			Total		
	Tonne (t)'000	Au (g/t)	Oz' 000	Tonne (t)'000	Au (g/t)	Oz' 000	Tonne (t)'000	Au (g/t)	Oz '000
Proven	18,978	0.508	310	2,226	0.690	49	21,204	0.527	359
Probable	32,856	0.503	531	9,886	0.689	212	42,742	0.546	750
<b>Proven + Probable</b>	<b>51,934</b>	<b>0.505</b>	<b>841</b>	<b>12,112</b>	<b>0.689</b>	<b>268</b>	<b>63,946</b>	<b>0.540</b>	<b>1,110</b>

**Notes\*:**

1. The Mineral Reserves estimate is based on a designed pit, which has been made operational using \$1,250/oz gold.
2. The cut-off grade used was 0.28 g/t for oxide material and 0.37 g/t for mixed material.
3. Contained metal figures may not add due to rounding.
4. Surface topography as of December 31, 2015, and a 200m river offset restrictions have been imposed.
5. Mineral Reserve estimates for San Andres Mine were prepared under the supervision of Farshid Ghazanfari, P.Geo. as Qualified Person as that term is defined in NI 43-101.

The following description of the San Andres Mine is the Executive Summary contained in the San Andres Technical Report which has been updated and conformed to be consistent with other disclosure within this AIF. The entire San Andres Technical Report is incorporated by reference into this AIF and should be consulted for details beyond those incorporated herein.

**Introduction**

The Company has prepared a technical report (the “Report”) compliant with National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”) on the updated Mineral Resources and Mineral Reserves pertaining to its San Andrés mine (the “Mine” or the “Project”).

**Project Description and Location**

The Mine is an open pit, heap-leach operation located in the highlands of western Honduras, in the municipality of La Unión, Department of Copán approximately 210 km southwest of the city of San Pedro Sula. The Mine’s surface and mineral rights are owned by Minerales de Occidente, S.A. de C.V. (“Minosa”), a wholly-owned indirect subsidiary of Aura existing under the laws of Honduras.

**Accessibility, Climate, Local Resources, Infrastructure and Physiography**

Access to the Mine is via paved highways and gravel roads approximately 210 km from San Pedro Sula or 360 km from the capital city of Tegucigalpa. Both cities are serviced by international airports with daily flights to the United States of America and cities in Latin America.

The Mine is located approximately 18 km due west of the town of Santa Rosa de Copán, the capital of the Department of Copán. The town site and property of San Andrés is reached via a 28 km paved highway from Santa Rosa de Copán, and then by a 22 km gravel road from the turn-off at the town of Cucuyagua. The gravel road is public, but Minosa assists local authorities with the maintenance of this road.

The climate of San Andrés is temperate, with a distinct rainy season locally called winter from May to November. Although parts of Honduras lie within the hurricane belt, the western Interior Highlands are generally unaffected by these storms.

Temperature decreases with increased elevation and as the Mine site is situated at an elevation of 1,200 m, the climate is quite temperate. Typically, December and January are the coolest months, with average daily temperatures of 17.9°C and 17.8°C, respectively. April and May are typically the warmest months, with average temperatures of about 22°C.

There are a number of mines operating in Honduras and throughout Central America. These mining operations are supplied and serviced by branch offices and facilities of international contractors and suppliers and by domestic contractors and suppliers. Cement and fuel are provided locally by Honduran companies. Spare parts and supplies from major centers in North or South America can be readily delivered to the site within a reasonable time.

Labour is sourced locally from the many communities located near the Mine. Educational, medical, recreational, and shopping facilities are established. Management and technical staff are available within Central America and from North or South America as is required. Aura also maintains a corporate office in Canada of experienced geologists and engineers to provide technical support and oversight for all of its projects, including the Mine.

The Mine has been in operation since 1983, and has a well-developed infrastructure which includes power and water supply, warehouses, maintenance facilities, assay lab and on-site camp facilities for management, staff and contractors. On-site communication includes radio, telephone, internet and satellite television services. Process water is supplied by rainwater run-off collected in a surge pond and by direct pumping from a water well pump station in the perennial Río Lara adjacent to the carbon-in-column adsorption, desorption and recovery plant (“CIC-ADR”). Chlorinated potable water for the town of San Andrés and camp facilities is supplied from a source originating upstream from San Andrés along the Río Lara, near the village of La Arena. Purified water for drinking and cooking is purchased from local suppliers.

## **History**

The San Andrés property was explored in the 1930s and 1940s by numerous companies including Gold Mines of America and the New York and Honduras based Rosario Mining Company (“Rosario”). In 1945, the property was acquired by the San Andrés Mining Company and then purchased by the New Idria Company (“New Idria”) (Malouf, 1985). A 200 short tons-per-day cyanide circuit was installed in 1948. Approximately 300,000 short tons of surface and 100,000 short tons of underground ore averaging 5.8 g/t Au were mined and milled by New Idria. In 1949, San Andrés became the first operation to use a carbon-in-pulp plant to recover gold and silver by adsorption using granular carbon, however, numerous problems including poor air travel support logistics and high underground mining costs caused the operation to close in 1954 (Marsden and House 2006). The area remained inactive until it was reopened in 1974 (Malouf, 1985).

In 1974, an exploration permit was granted to Minerale, S.A. de C.V. (“MINSA”), a Noranda Inc. subsidiary. MINSA then joint-ventured the property with Rosario and exploration efforts consisted of soil sampling, mapping and trenching with the purpose of identifying a large, disseminated, open pit gold deposit. Changes in the Honduran tax law forced MINSA to drop the concession in 1976. Compañía Minerale de Copán, S.A. de C.V. (“Minerale de Copán”) acquired the property in January 1983 following changes in the Honduran tax laws. A 60 short tons-per-day heap leach operation was installed and 170 local residents were employed on a basic, shovel-and-wheel-barrow operation.

In 1993, Fischer-Watt Gold Company Inc. (“Fischer-Watt”) acquired an option from Minerale de Copán to further explore the property. Fischer-Watt conducted additional mapping and sampling programs with encouraging results.

In 1994, Greenstone Resources Ltd. (“Greenstone”) acquired the option from Fischer-Watt. The option was exercised in 1996 and Greenstone subsequently acquired in excess of 99% of Minerale de Copán. Feasibility studies began in 1996, and in 1997 Greenstone completed a feasibility study that evaluated mining the Water Tank Hill deposit. Proposed production was 2.1 million tonnes per annum (“Mtpa”), with the mine life estimated at seven years. The facilities were constructed to handle in excess of 3.5 Mtpa of ore and waste.

Following review and approval of the Environmental Impact Assessment (“EIA”) for the mine, Greenstone Minera de Honduras, S.A. de C.V., Greenstone’s wholly-owned Honduran subsidiary company, received the mining permit on December 9, 1998 and began mining in early 1999. Their first shipment of gold was on March 30, 1999. Due to cash flow problems within Greenstone, mining and crushing operations ceased at the Mine in mid-December 1999.

Greenstone subsequently defaulted of its obligations to its secured creditor, the Honduran Bank, Banco Atlántida, and the property rights and obligations associated with the mine were transferred to Banco Atlántida. Banco Atlántida formed Minosa to own and operate the Mine and on June 26, 2000 Banco Atlántida's real estate branch provided a bridge loan to Minosa for operations to resume. RNC Gold Inc. ("RNC") was retained to provide management services to Minosa, and mining operations resumed in early August 2000 at the Water Tank Hill deposit. The Water Tank Hill pit was depleted in early 2003 and production commenced in the East Ledge pit in March 2003.

On September 7, 2005, RNC purchased 100% of the Mine through the acquisition of 100% of Minosa. On February 28, 2006, Yamana Gold Inc. ("Yamana") acquired RNC and a 100% beneficial interest in Minosa, which was then acquired by Aura on August 25, 2009.

A summary of the historical and recent production at the Project by year is set out in Table 1-1 below.

Table 1-1. Historical and Recent Production

Year	Ore Leached Tonnes	Grade Au g/t	Gold Recovered (Oz)	Silver Recovered (Oz)
1983	21,480	-	-	-
1984	22,459	2.12	1,388	575
1985	22,332	2.46	1,433	636
1986	29,120	3.08	2,510	750
1987	40,178	2.46	2,710	806
1988	56,154	2.21	2,957	803
1989	76,209	1.87	3,406	1,247
1990	105,598	1.37	3,495	1,120
1991	133,084	1.93	4,813	1,385
1992	129,647	1.09	3,737	944
1993	138,766	1.15	4,607	1,100
1994	138,083	1.06	4,291	739
1995	130,956	0.93	3,482	708
1996	127,801	1.21	4,504	1,242
1997	42,885	0.87	1,048	262
1998	-	-	-	-
1999	1,357,544	2.04	42,455	44,392
2000	-	-	6,006	7,477
2000	719,631	1.85	17,508	22,841
2001	2,289,276	1.75	105,998	131,201
2002	3,378,116	1.09	99,064	108,694
2003	2,891,890	0.63	50,795	35,421
2004	3,793,870	0.69	65,032	18,502
2005	3,392,092	0.72	61,236	16,488
2006	3,732,049	0.70	70,779	-
2007	2,910,904	0.52	51,240	34,992
2008	3,567,279	0.58	47,761	17,636
2009	4,530,009	0.68	68,372	34,406
2010	4,913,900	0.70	70,641	52,394
2011	4,312,947	0.68	60,871	38,208
2012	4,372,598	0.61	59,751	41,487
2013	5,370,142	0.58	63,811	34,765

## Geology and Mineralization

The gold deposits at the Mine are hosted within Tertiary-aged felsic volcanic flows, tuffs and agglomerates, thick inter-bedded silica breccias, primarily containing volcanic fragments and tuffaceous sandstones. These volcanic units occur on the

south (hanging wall side) of the San Andrés Fault. The fault strikes west-east and dips at 60° to 70° south and it marks the northern boundary of the Water Tank Hill and East Ledge pits. The fault forms the contact between the Permian phyllites (metasediments) to the north and the volcanic units on the south. Mineralisation within the phyllites is limited to the Buffa Zone where quartz carbonate veining proximal to the San Andrés Fault. South of the Mine area, where there is no alteration, the volcanic and sedimentary rocks have a distinctive hematite brick red color but, in the Mine area, they have been bleached to light buff yellow and grey colors due to alteration. The younger volcanic and sedimentary units typically have a shallow to moderate southerly dip and thicken to the south of the Mine area.

Structurally, the Mine area is transected by a series of sub-parallel, west to northeast-striking faults that are typically steeply dipping to the south and by numerous north and northwest-striking normal faults and extension fractures. The most prominent fault of the first set is the San Andrés Fault. The San Andrés Fault is parallel to, and coeval with, a major set of west to north-northeast trending strike-slip faults that form the Motagua Suture Zone, which is continuous with the Cayman Trough. The Motagua Suture Zone and the Cayman Trough result from the movement between the North American plate and the Caribbean plate. The direction of movement along these strike-slip faults, including the San Andrés Fault, is left lateral.

The normal faults and extension fractures occur within the volcanic and sedimentary units on the south side of the San Andrés Fault. Average strike of these structures is N25°W; dip is 50° to 80° to the southwest and northeast, forming grabens where the strata are locally offset. These faults and fractures are generally filled with banded quartz and blade calcite and have formed focal points for the alteration and mineralisation fluids within the Mine area. These extensional structures are distributed over a wide area, from the East Ledge open pit to Quebrada Del Agua Caliente, approximately 1,500 m to the east, and from the San Andrés Fault, for at least 1,200 m south and are coeval with the strike-slip faults.

There are abundant occurrences of hot springs throughout Honduras and hot springs occur within the immediate vicinity of the Mine. These geothermal systems are most likely caused by thin crust and high regional heat flow resulting from the rifting associated with the Suture Zone. The hot springs are neutral to alkaline in pH and range in temperature from 120°C to 225°C. The high-temperature springs are currently depositing silica sinter with cooling. Structurally, the hot springs are associated with the northwest-trending extensional faults and fractures.

The San Andrés deposit is classified as an epithermal gold deposit associated with extension structures within tectonic rift settings. These deposits commonly contain gold and silver mineralization, which is associated with banded quartz veins. At the Mine, however, silver does not occur in significant economic quantities. Gold occurs in quartz veins predominantly comprised of colloform banded quartz (generally chalcedony with lesser amounts of fine comb quartz, adularia, dark carbonate, and sulphide material). The gold mineralization is deposited as a result of the cooling and interaction of hydrothermal fluids with groundwater and the host rocks. The hydrothermal fluids may have migrated some distance from the source; however, there is no clear evidence at the Mine that the fluids or portions of the fluids have been derived from magmatic intrusions.

The rocks hosting the San Andrés deposit have been oxidized near surface as a result of weathering. The zone of oxidation varies in depth from 10 m to more than 100 m. The zone of oxidation is generally thicker in the East Ledge deposit compared to the Twin Hills deposit.

In the oxide zone, the pyrite has been altered to an iron oxide such as hematite, goethite, or jarosite. The oxide zone generally overlies a zone of partial oxidation, called the mixed zone, which consists of both oxidized and sulphide material. The mixed zone may not occur continuously, but where it is present, it reaches thicknesses of over 50 m. below the zone of oxidation; the gold is commonly associated with sulphide minerals such as pyrite. The sulphide, or “fresh”, zone lies below the mixed zone.

The gold contained in the oxide zone is amenable to extraction by heap leaching using a weak cyanide solution. The gold recovery is reduced in the mixed zone as a result of the presence of sulphide minerals and the gold cannot currently be recovered economically from the sulphide zone by heap leaching. The estimated metal recovery by leaching from each zone is discussed in Section 17 of the Report.

High clay content in the ore, resulting from alteration, is detrimental to the heap leaching process because of reduced through-put rates in the crushing plant and reduced permeability in the heap leach operation. This poor leaching situation is resolved by agglomerating the crushed ore by adding cement to increase the permeability of the heap prior to leaching.

Based on metallurgical studies, the gold is primarily contained in electrum as fine-grained particles. The particle size of the electrum grains varied from 1 micron (“ $\mu$ ”) x 1  $\mu$  up to 10  $\mu$  x 133  $\mu$ . One native gold grain was noted. The silver generally occurs at about the same grade as gold and the correlation between silver and gold is low at 0.24. Silver is not considered important because of the lower price for silver compared to gold and the lower metal recovery of silver.

### **Exploration, Drilling, Sampling, Analysis, and Data Verification**

Since the acquisition of Minosa by Aura on August 25, 2009, exploration activities conducted at the Project by Minosa personnel consists of property scale mapping, road cut channel sampling and a limited reverse circulation (“RC”) drilling program in the Twin Hills Pit. During 2012, a new RC drilling programme was commenced in the Cerro Cortez and Cemetery areas for improving Mineral Resource and Mineral Reserve definition, this programme continued throughout 2013.

The following is a summary of exploration activities carried out at the Project by previous owners.

The drill hole database for the Mine, including condemnation drilling and drilling conducted prior to 1994 on the Water Tank Hill, consists of 740 drill holes for a total of 100,365 m.

Aerial photography was flown over the Project on March 31, 1996 by Hansa Luftbild German Air Surveys of Munster, Germany. The aerial photographs were ortho corrected using seven ground control points and digital topographic maps with two-metre contour intervals created by Eagle Mapping Services Ltd. of Vancouver, British Columbia, Canada. The digital topography was used by Minosa in the design of the East Ledge and Twin Hills block models and resulting pit designs.

During 1997 and 1998 Greenstone carried out geological mapping and sampling that collected 1,700 bedrock channel samples from road cuts and outcrop exposures on the property. The results of this work helped to develop the geological model, define mineralized zones and define drill targets. As well, Quantec IP Inc. of Toronto, Ontario, Canada conducted induced polarization and magnetometer geophysical surveys consisting of 27.7 km, with readings at 12.5 m stations along lines 50 m apart, covering the Project from Water Tank Hill to south of Twin Hills and to the east over Cortez Ridge inside the San Andrés concession. The surveys identified four targets, three in a north to south corridor between Cerro Cortez and Twin Hills and a fourth located south of Water Tank Hill. Two of the targets have been mined and the third was drilled by Greenstone (SC-034) and intersected mineralization from surface to a depth of 50 m with individual sample grades up to 3.26 g/t Au with the remainder of the hole relatively barren. The fourth target on the east side of Cerro Cortez has not been drilled.

Geological mapping at 1:1,000 scales was conducted on the 1,150 m bench level of the Water Tank Hill pit in 2001. Mapping of the East Ledge pit high wall was conducted between the 1,120 m and 1,060 m elevations (11 benches) as the East Ledge pit was advanced from July through December 2004. The results of the mapping were used to assess the mineralization controls and the structural complexities of the deposit as well as for use in the geotechnical monitoring of the East Ledge Pit high wall. Geotechnical monitoring and geological mapping are continuing.

Drilling was initially carried out on the Water Tank Hill area because of the historical production from the area. The Twin Hills deposit was discovered in 1994 and the East Ledge deposit was discovered in 2001. Most of the drilling at the Project has been RC drilling.

Geological mapping and channel samples were completed in adjacent areas in 2010 and 2011 along with a RC drilling programme. Drilling targeted the Twin Hill South, Banana Ridge, Fault A, Cerro Cortez, Zona Buffa and Agua Caliente areas, totaling 6,209 m. The exploration program helped to develop the geological model and define future targets for infill drilling.

In 2012 and 2013, the RC drilling campaign conducted by Minosa was largely focused in Cerro Cortez and Cemetery areas.

A summary of the historical drilling at the Project by year and by drilling method is set out in Table 1-2 below.

Table 1-2. Summary of the Historical Drilling at the San Andrés Project

Company	Year	RC Holes		Core Holes		Total	
		No. of Holes	Metres	No. of Holes	Metres	No. of Holes	Metres
Fischer-Watt	EX-1992	22	2,717.40			22	2,717.40
Greenstone	EX-1994	63	5,008.30			63	5,008.30
	EX-1996	41	5,920.50			41	5,920.50
	EX-1997	101	11,601.40	9	1,323.5	110	12,924.90
	EX-1998	150	18,437.90	37	4536	187	22,973.90
Minosa	EX-2001	15	1,674.00			15	1,674.00
	EX-2002	49	6,306.50			49	6,306.50
	EX-2005	25	2,280.00			25	2,280.00
Minosa-Yamana	EX-2006	113	17,639.20	12	2,566.1	125	20,205.30
	EX-2007	59	8,316.10	28	6,253.4	87	14,569.50
	EX-2008	12	1,900.10	22	4,838.8	34	6,738.90
Minosa-Aura	EX-2010/2011	64	3,508.20			64	3,508.20
	SA-2010	9	426.8			9	426.8
	EX-2012	64	8,014.70			64	8,014.70
	SA-2012	21	853			21	853
	EX-2013	75	8,805.70			75	8,805.70
	SA-2013	22	1,400.6			22	1,400.60
	Total	905	104,810.30	108	19,517.8	1013	124,328.1

The RC and core drilling programs were designed to sample the entire oxide and mixed zones. Holes were generally drilled from 150 m to 200 m in depth and stopped in the sulphide zone. Some holes were drilled to sample the sulphide mineralization.

The RC sample collection procedures have been documented by Chlumsky, Armbrust, & Meyer L.L.C. (“CAM”) (Armbrust et al., 2005) and by Scott Wilson RPA (2007). Samples were collected continuously from the collar to the end of the hole at 1.5 m intervals. The weight of the drill cuttings was measured and then the sample was split using a Gilson splitter and reduced to two samples of approximately 5 kg each and retained in poly bags marked with the sequence number, hole number and depth. One sample was then transported to the Mine assay lab for sample preparation and the other sample was sent to a secure storage facility for future reference. Every 20th sample was split for a duplicate assay check. All sampling was carried out by Company employees. A QA/QC program consisted of the use of duplicate samples, standards, and blanks. These QA/QC samples were inserted to assess the sample accuracy, the assay accuracy and to determine if there was cross contamination between samples.

At the San Andrés lab, the RC samples were recorded in a sample book, oven dried at 60°C, then crushed using a jaw crusher to approximately minus ¼-inch and a 50 g to 60 g subsample split was taken using a riffle splitter. The subsample was pulverized in a ring-mill pulveriser to 90% passing a 150 mesh screen. The pulverized sample or pulp was rolled and a sample was split off for fire assay. The pulps were packaged in plastic bags and then transported from the Mine site to Minosa offices in Santa Rosa de Copán and then shipped using an independent courier service to CAS de Honduras, S. de R.L. laboratory in Tegucigalpa (“CAS”).

The samples collected for the 2012 and 2013 drilling campaign were prepped and assayed on site using the site lab with regular check samples sent to an independent lab operated by Inspectorate America Corporate (“Inspectorate”). Samples were shipped to the Inspectorate prep-laboratory in Guatemala for sample preparation and then to Reno, USA for analysis.

Core sample intervals were determined by the geologist, and were based on changes in rock type or structure, and ranged in length from 0.5 m up to 3.0 m. The sample intervals were clearly marked on the core prior to splitting. The core was sawn in

half with a diamond saw, with one half being retained for reference and the other being submitted for sample preparation and assay. All sampling was conducted by Company employees. The sawn core samples were then transported from the Mine site to the Company offices in Santa Rosa de Copán and then shipped using an independent courier service to CAS.

Several different North American laboratories were used to assay the San Andrés samples, with the exception of the East Ledge drilling program by Minosa in 2001, 2002 and 2012 and Twin Hills and Cerro Cortez programs between 2010 and 2012, where the samples were analyzed in the Mine on-site lab. Fischer-Watt used American Assay Lab in Sparks, Nevada, USA during their 1992 drilling program. Greenstone started out by using Chemex Labs (“Chemex”) located in Mississauga, Ontario, Canada, but switched to Barringer Assay Lab in Reno, Nevada, USA (“Barringer”) in January 1998 (starting with RC hole SA-232 and core hole SC-5). In April 1997, a new procedure was initiated to reduce air freight costs where all samples were submitted first to McClelland labs in Tegucigalpa, Honduras, for partial sample preparation. At McClelland, the five kilogram samples were dried, crushed to -10 mesh and an 800 g to 1,000 g subsample produced. The subsample was then forwarded to a North American assay lab for final sample preparation and assay analysis.

All samples were analyzed for gold and most samples were analyzed for silver by fire assay methods with an atomic absorption spectroscopy (“AA”) finish using a 29.162 g (1 assay-ton) sample. Except for the very early work (i.e., Fischer-Watt program), metal values were reported in g/t Au. All original assay certificates are on file on site.

The sample preparation and analytical procedures at both McClelland and the North American assay labs follow industry standards. The sample was dried in an oven at 60 °C, and then crushed to approximately -10 micron mesh. The crusher yielded a product where greater than 80% of the sample passed through a -10 micron mesh screen. A 200-400 g sub-sample was split off using a Jones Riffle Splitter, and the remaining portion of the -10 micron mesh reject was bagged and saved. The 200-400 g split was pulverized in a ring and puck pulveriser. The specification for this procedure was at least 90% passing a -150 micron mesh screen. The pulverized sample (pulp) was rolled on a rolling cloth until fully homogenized and a 29.166 g (1 assay-ton) sample was split off for fire-assay.

Gold analysis was done by fire-assay with an AA finish. The sample was fused with a natural flux inquarted with 4 mg of gold-free silver and then cupelled. Silver beads were digested for 90 minutes in nitric acid to remove the silver, and then 3 ml of hydrochloric acid was added to digest the gold into solution.

The samples were cooled, made to a volume of 10 ml, homogenized and analyzed by AA for gold. Silver analysis was performed on a prepared sample that was digested in a hot nitric-hydrochloric acid mixture, taken to dryness, cooled and then transferred into a 250 ml volumetric flask. The final matrix was 25% hydrochloric acid. The solutions were then analyzed by AA.

## **Metallurgical Testing**

The East Ledge deposit was assessed using bottle roll tests. Although bottle roll tests provide an indication that the ore is amenable to heap leaching, the tests do not provide quantitative estimates of the percent recovery. In the case of the East Ledge deposit, the recovery factors are based on production results. Historical production results between January 2003 and September 2007 indicate an overall recovery from the East Ledge deposit of 84%.

The Twin Hills deposit was assessed using a combination of bottle roll and column tests. Overall, column leach test data indicates that the Twin Hills bulk oxidized ore is readily amenable to heap leaching. Recoveries of 86.5%, 87.5%, and 87.2% in 68 days of cyanide solution contact were achieved from samples with a P80 of 3 inch, 1 inch, and ½ inch, respectively. Gold recovery rates were fairly rapid for all feed sizes, and extraction was substantially complete in 10 to 15 days of leaching. Additional gold was extracted after 15 days, but at a much lower rate.

Although the column test on the mixed zone from the East Ledge pit indicated a gold recovery of 43%, the test was conducted on coarse material (P80 of 2.5 inch) which predominantly consisted of fresh (sulphide) material. Additional column testing of material from the Twin Hills Pit of both clay type and rocky type mixed ores indicated recoveries ranging between 49% and 75% for ore crushed to a P80 of 3 inch.

Both the oxide and mixed ore recoveries are confirmed by historical production records, which show that between 2009 and 2013 approximately 6 Mt of mixed ore from the Twin Hills deposit was treated with a resultant recovery ranging from 73% to 82% for the oxide ore, and from 40% to 62% for the mixed ore.

Based on the bottle roll and column tests on the mixed zone at Twin Hills, and historical production records, a gold recovery of 57% and 76% for mixed ore and oxide ore respectively has been used for Mineral Reserve and Mineral Resource estimation and mine economics.

Although the test results indicated gold recoveries higher than 76%, at this stage, for the purposes of the Mineral Reserve estimate, Aura considers the 76% factor appropriate for the oxide zone.

The gold recovery based on production estimates for 2001 through 2013, is shown in Table 1-3.

Table 1-3. Gold Recovery Production<sup>1</sup>

Period	Ounces to Pad	Ounces Recovered	% Recovery
2001	128,645	105,998	82.4
2002	117,015	99,064	84.6
2003	58,800	50,795	86.4
2004	83,877	65,032	77.5
2005	78,231	61,236	78.7
2006	83,625	70,779	84.6
2007	49,068	51,240	104.4
2008	66,988	47,761	71.3
2009(2)	98,843	68,372	68.5
2010	110,518	70,641	63.9
2011	94,140	60,871	64.7
2012	86,292	59,751	69.2
2013	103,085	63,811(3)	61.9(3)

Note: Prior to February 2006, production was by RNC Gold Inc.

1. – From internal production data sheets

2. – Between 2009 and 2013, 6 Mt Ore from Mixed Zone Stacked and Leached.

3. – Due to labour strikes, most of the gold leached in December was not refined (effectively recovered in 2013).

A portion of the Mineral Reserves, located between, and adjacent to, the East Ledge and Twin Hills deposits, has not yet been tested. However, the geological setting and the style of mineralization are similar and the authors believe the recovery factor is consistent with what has been found to date.

As part of on-going leaching tests on the mixed zone, Aura has started the hot soluble cyanide gold assay procedure for both production blast hole assays and plant metallurgical control. This assay technique provides an excellent guide as to the degree of oxidation of the gold mineralization and its potential recovery.

### Mineral Resources and Mineral Reserves

The Mineral Resources for the San Andrés deposit are estimated using ordinary kriging within 11 mineralisation domains defined by detailed geological modelling and reported by oxide, mixed, and sulphide boundaries. The Mineral Resources are also constrained by a 200 m exclusion zone along the Agua Caliente River. The block model used blocks measuring 10 m x 10 m x 6 m. The drillhole data was composited to 1.5 m and 6 m intervals depending on domain. The estimation search strategy was oriented to align with the variograms and 2 estimation runs applied within an octant search. Variable minimum and maximum values were set depending on composite lengths. The block model was then updated using the December 31, 2012 topography to account for previously mined material.

The estimation and classification of the Mineral Resources have been prepared in accordance with both Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Best Practice Guidelines and NI 43-101 Technical Reporting standards. The classification of the Mineral Resources is based on two considerations, the search radius influence and a resource limit based on an optimized pit using a US\$2,000/oz gold price.

The December 31, 2013 Mineral Resources estimated by Aura total 104.8 Mt of Measured and Indicated Mineral Resources at an average grade of approximately 0.49 g/t gold grade and Inferred Mineral Resource of 4.3 Mt at an average grade of 0.49 g/t gold grade, using a long term US\$1,600 gold price and a 0.23 g/t Au cut-off for oxide and a 0.30 g/t cut-off for mixed material. The Mineral Resources pit shell optimization did not consider any sulphide material. Note that the Mineral Resources are inclusive of Mineral Reserves. Also note that Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table 1-4 sets out the estimated Mineral Resources for the Mine as of December 31, 2013.

Table 1-4. December 31, 2013 Mineral Resource Estimate\*

Resources Category	Oxide			Mixed			Total		
	Tonne (t)'000	Au (g/t)	Oz' 000	Tonne (t)'000	Au (g/t)	Oz' 000	Tonne (t)'000	Au (g/t)	Oz '000
Measured	13,424	0.46	199	2,814	0.59	54	16,238	0.48	252
Indicated	63,201	0.47	945	25,402	0.57	462	88,603	0.49	1,407
Measured + Indicated	76,625	0.47	1,144	28,216	0.57	516	104,841	0.49	1,660
Inferred	3,319	0.42	45	1,029	0.74	24	4,348	0.49	69

Note\*:

1. The Mineral Resources estimate is based on optimized shell using \$1,600/oz gold.
2. The cut-off grade used was 0.23 g/t for oxide material and 0.30 g/t for mixed material.
3. Contained metal figures may not add due to rounding.
4. Surface topography as of December 31, 2013, and a 200m river offset restrictions have been imposed.
5. Mineral Resources are inclusive of Mineral Reserves.
6. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues.

The estimate of Mineral Reserves is based on a long range mine plan and plant production schedule developed by Aura. The economic criteria using the Lerches-Grossman algorithm for pit limit evaluations, including process recoveries and operating costs are provided in Table 1-5.

Table 1-5. Economic and Geometric Criteria

Pit and Cost Parameters	
Bench height (m)	6
Road width (m)	18
Overall Pit Slope (°)	Varies: 41 - 49
Bench face angle (°)	Varies : 65 – 70
Minimum pit bottom (m)	20
Berm width (m)	3.8
Ramp slope (%)	10
Gold Price (US\$/oz)	1,300
Oxide recovery (%)	76
Mixed recovery (%)	57
Mining cost (US\$/t)	2.41
Processing cost (US\$/t)*	6.49
G & A cost (US\$/t)	1.75

Note\*– Includes maintenance costs

The December 31, 2013 Mineral Reserves estimated by Aura total 68.1 Mt of Proven and Probable Mineral Reserves at an average grade of 0.52 g/t Au. Table 1-6 summarizes the Proven and Probable Mineral Reserves for the Mine estimated using a long term cut-off grade using a \$1,300/oz gold price of 0.28 g/t Au for oxide material and a cut-off grade of 0.37 g/t Au used for the mixed material as of December 31, 2013.

Table 1-6. December 31, 2013 Mineral Reserves Estimate\*

Mineral Reserve Category	Oxide			Mixed			Total Material		
	Tonne (t)'000	Au (g/t)	Oz' 000	Tonne (t)'000	Au (g/t)	Oz' 000	Tonne (t)'000	Au (g/t)	Oz' 000
Proven	12,369	0.48	190	2,346	0.63	47	14,714	0.50	237
Probable	43,838	0.50	702	9,549	0.62	190	53,388	0.52	892
Proven + Probable	56,207	0.49	892	11,895	0.62	238	68,102	0.52	1,129

Note\*:

The Mineral Reserves estimate is based on an optimized pit, which has been made operational, using \$1,300/oz gold.

The cut-off grade used was 0.28 g/t for oxide material and 0.37 g/t for mixed material.

Contained metal figures may not add due to rounding.

Surface topography as of December 31, 2013.

The Authors note that the Mineral Reserves are estimated in accordance with the CIM definitions and are considered to be NI 43-101 compliant. The reported Mineral Reserve estimate is reasonable for the remaining LOM Plan.

The Proven and Probable Mineral Reserves at the Mine contain approximately 1,129,400 oz of gold in 68 Mt of ore, sufficient for ten years of mine life at a calculated average production rate of approximately 7 Mt of ore per year. The Mine hosts a large Mineral Resource, and has had a good history of conversion of Mineral Resources into Mineral Reserves; as such there is a reasonable expectation that conversion of existing Mineral Resources into Mineral Reserves will extend the mine life beyond the current 10 years.

## Mining and Processing

Mining at San Andrés is by conventional open pit methods. Historical production rates for the years 2009 to 2013 averaged approximately 13,000 t of ore and 10,000 t of waste produced daily with generally continuous mining 24 hours a day for 360 days per year. Operating phases (push-backs) have been designed to support the Mine production from initial topography of December 31, 2012.

The San Andrés Mine is anticipating a material expansion in ore throughput from approximately 5Mtpa to 7Mtpa. This expansion was justified by the improved incremental economics with modest capital investment.

Mine production utilizes conventional drill and blasting methods with excavation on 6m high benches. Blasted material is then loaded via shovels and excavators onto haul trucks and is hauled to one of two jaw crushers utilizing a contract haul fleet. All of the ore is processed through a two stage crushing circuit and transported on conveyors before being stacked as the final product sized at 80% passing 2.5 inches. The crushing and conveying circuit is designed for a nominal capacity of 1,100 t/h, which is adequate for the expanded production rate if operating at approximately 74% overall utilisation rate. For the expansion, most of the capital investment is applied to improve the secondary screening and crushing plant in order to consistently achieve or exceed 74% utilisation factor.

After the ore has been crushed it is treated with 2.5 to 4.0 kg/t of cement and 1.5 to 3.5 kg/t of lime before reaching the agglomerators where the ore is retained and mixed while adding an intermediate process solution to achieve the optimum moisture of 18%. The process solution contains up to 400 ppm cyanide solution.

The Mine production schedule was generated based on the December 31, 2013 Mineral Reserves within the designed pit phases and has considered restrictions of the planned waste dumps, previously mined areas and the cemetery. The detailed 2014 mine schedule is summarized by year in Table 1-7.

Table 1-7. Life of Mine Schedule

Year	Oxide Ore			Mixed Ore			Total Ore			Waste	
	Tonne (t)'000	Oxide Gold Grade (g/t)	Gold Oz' 000	Tonne (t)'000	Mixed Gold Grade (g/t)	Oz' 000	Tonne (t)'000	Total Gold Grade (g/t)	Gold Oz '000	Tonne (t) '000	W/O
2014	6,333	0.47	97	0	0.00	0	6,333	0.47	97	3,986	0.63
2015	7,046	0.47	106	7	0.47	0	7,053	0.47	106	3,313	0.47
2016	6,582	0.49	103	449	0.59	9	7,030	0.49	112	5,363	0.76
2017	6,107	0.52	102	914	0.61	18	7,021	0.53	119	5,783	0.82
2018	6,839	0.47	102	263	0.62	5	7,102	0.47	108	6,741	0.95
2019	5,415	0.51	89	1,498	0.74	35	6,913	0.56	124	5,115	0.74
2020	4,207	0.51	69	2,894	0.56	52	7,101	0.53	121	3,075	0.43
2021	2,650	0.48	41	4,398	0.63	89	7,048	0.57	130	4,912	0.70
2022	6,080	0.49	95	707	0.61	14	6,786	0.50	109	5,739	0.85
2023	4,949	0.55	88	765	0.62	15	5,714	0.56	103	4,678	0.82
Total	56,207	0.49	892	11,895	0.62	238	68,102	0.52	1,129	48,705	0.72

The ore is stacked on the leach pad in 8 m lifts on previously leached ore that has been ripped and prepared. The ore is leached for an average of 120 days before the area is allowed to dry and prepared for the next lift. The solution used for leaching comes from the ADR plant after the cyanide concentration has been replenished.

The Mine leach pad facility is a monolithic leach pad that has been constructed in multiple phases. The first four phases of the leach pad facility were designed by the consulting firm SRK Inc., Denver, USA ("SRK").

Production rates from the current mining operation show that Phases III & IV of the existing heap leach pad would reach full capacity by the first quarter of 2015 without additional pad space. A new leach pad facility (Phase V), designed to be hydraulically independent from the existing Phase I-IV facility, was designed by the consulting firm AMEC, Denver, USA. The Phase V facility is being constructed in stages, with the first stage completed in 2013 and the final stage to be completed during the second quarter of 2015.

The Phase V heap leach pad expansion consists of a pad with a 32 hectare footprint, which partially overlaps with existing Phases II, III, and IV located immediately south of Phase V. Phase V heap leach pad provides for approximately 12 million m<sup>3</sup> of ore storage, or 19 million tonnes of ore capacity. The Phase V heap leach pad is considered a first stage of the potential further heap leach facility expansion. Further heap leach expansion may be constructed above or adjacent to the existing heap leach pads in the future.

Gold is recovered through the ADR plant, which has 12 carbon columns that can be configured in a two or three train configuration with a nominal capacity of 500 m<sup>3</sup>/h per train. The assay lab which processes both Mine grade control samples and process plant samples is located in the same complex as the ADR plant. The gold produced at the ADR plant is analyzed prior to shipment for refining and sale. The ADR plant is being upgraded to couple with expanded capacity. Upgrades include improvements to the carbon handling and elution circuits and the addition of a number of cathodes and anodes to the existing electrowinning cells in the refining portion of the plant.

## Environmental Considerations

An environmental management plan was formulated at the request of the government of Honduras and addresses the commitments made within the five EIA's; Water Tank Hill, Expansion Water Tank Hill (East Ledge), Twin Hills Phase II and IV, and Expansion Twin Hills; the Mitigation Contracts and recommendations issued by government agencies.

The plan defines and describes all references to the term “Best Management Practices” used in the EIA’s. Overall, the plan allows for the orderly definition of commitments made to the Honduran government and to the Company’s stakeholders for the protection of the environment and for mitigation of the potential environmental impacts caused by the construction and operation of the Project.

The management plan includes:

- Compliance with the International Cyanide Management Code, San Andrés is a certified operator;
- Environmental Monitoring Plan updated each year to adapt to new sampling requirements;
- Contingency Plan was updated and reviewed in 2012. This Plan has been discussed with key personnel in the operation to ensure procedures described are appropriate according to any given situation;
- Materials Management Plan, consisting of management of hazardous and nonhazardous materials, construction and management of facilities (i.e., land fill and ancillary facilities), education regarding good housekeeping, and organization of waste recollection and disposal;
- Spilled Soil Management and Remediation Plan, updated in 2004, that includes the development of treatment sites and technologies to decontaminate polluted soils (i.e., bioremediation of oil polluted soils in concrete tanks). Minosa possesses a THC analysis kit to verify THC concentration.
- Erosion Control Plan is updated every year to address yearly priorities;
- Explosives Management Plan, designed to comply with the Honduran and U.S. explosives management regulations;
- Surface and Underground Water Management Plan, updated in 2004;
- Mine Waste Management Plan, updated yearly; main focus to use greater proportion of waste rock as material for contouring former mining areas;
- Wastewater Treatment and Management Plan, updated yearly depending on the quality of the water to be treated and/or managed.
- Health and Safety Plan, updated yearly under the commission of the Safety and Occupational Health Department. This plan consists of six main components; Occupational Clinic, program to assess the working environment, definition of required personal protection equipment, safety training program, mix health and safety Commission, health and safety surveillance.
- Reforestation Plan, updated in 2009 (the original plan was approved by COHDEFOR), the 2009 plan is pending approval by Forestry Conservation Institute (“ICF”) and its implementation is the responsibility of a forestry engineer.
- A Conceptual Reclamation and Closure Plan is in place together with the International Financial Reporting Standards calculations.
- Plan of Sewage and Potable Water Management implemented in 2002.
- Plan to encapsulate AMD (Acid Mine Drainage) potential with inert waste implemented in 2004 and reviewed periodically.

The communities within the direct area of Mine influence have had a number of minor protests against Minosa and the Mine during late 2013 and early 2014. The protests have been settled through active engagement but have resulted in production stoppages, and or have prevented the delivery of goods and equipment, but have not negatively impacted the Mine’s forecasted production.

### **Economic Considerations**

The principal commodities mined at the Mine are freely traded, at prices that are widely published, so the sale of any production is not a material concern to Aura.

A post-tax cash flow model has been developed by Aura from the LOM production schedule, capital and operating cost estimates, and NSR’s using \$1,300/oz gold price. A review by Aura of the cash flow projections has found the after tax cash flow is positive, supporting the Mineral Reserve designation.

The sensitivity analysis has been completed that examined gold price, capital and operating costs ranging from +10 to -10%. The sensitivity analysis has been reviewed by Aura and it is concluded that when the gold price is reduced by 10%, or operating costs increase by 10%, or the capital costs increase by 10% the net present value remains positive.

## **Conclusions and Recommendations**

Aura has prepared a Report compliant with NI 43-101 on the updated Mineral Resources and Mineral Reserves pertaining to its San Andrés Mine, located in the municipality of La Unión, in the Department of Copán, Honduras. The Project's mineral rights are owned by Minosa, a wholly-owned indirect subsidiary of Aura. The update became necessary due to the additional Mineral Resources and Mineral Reserves in connection with the Mine expansion plan, prepared by Aura.

The reported Mineral Reserve estimate is reasonable for the remaining LOM Plan.

The Authors recommend the following:

- A metallurgical study on the Zona Buffa Mineral Resources to determine leach recovery for inclusion of these resources into reserves. The approximate cost of this study is \$5,000;
- As mining progresses, continued reconciliation needs to be reviewed and if parameters change, an update of the Mine plan should be developed;
- Operating costs should be reviewed on a regular basis to ensure operating cut-offs remain valid;
- The recovery rate for oxide, mixed and blends containing these types of ore should continue to be monitored and compared to equivalent column tests. It is also recommended that the on-going program of column tests (performed at site) is expanded for investigations of future production in accordance to the new Mine plan;
- Additional specific gravity measurements should be conducted on mixed zone material to determine an appropriate specific gravity that can be incorporated into the block model. This is estimated to cost \$25,000; and
- That the operation continues with the QA/QC programme on the exploration and the production blast hole sampling to ensure that a comprehensive data set is obtained for future estimates, which yearly is estimated to be \$15,000.
- Exploration of the Aguas Calientes and Banana Ridge areas, where there are a number of high grade intercepts is likely to see significant expansion to the resources and reserves.

## **SAO FRANCISCO MINE**

Readers are encouraged to read the technical report dated January 31, 2012, with an effective date of September 30, 2011, and entitled "Resource and Reserve Estimates on the Sao Francisco Mine in the Municipality of Vila Bela da Santissima Trindade, State of Mato Grosso, Brazil" prepared for Aura Minerals by Bruce Butcher, P.Eng., former Vice President, Technical Services, J. Britt Reid, P.Eng., former Executive Vice President and Chief Operating Officer, and, Chris Keech, P.Geo., former Manager, Geostatistics (the "Sao Francisco Technical Report") from which the disclosure in this AIF has been derived.

The Sao Francisco Technical Report is subject to the assumptions, qualifications and procedures described in the report, as applicable, and readers are encouraged to read the report in its entirety. A copy of the report may be found on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com)

The Company is optimizing the Sao Francisco mine plan in order to maximize the remaining cash flows. Sao Francisco is expected to complete its mining activities during the third quarter of 2016. Currently, Sao Francisco is mining in areas outside of its original pit mine life. In addition to information contained in the Sao Francisco Technical Report, the Company has updated its Mineral Reserves and Mineral Resources as noted below. In the aggregate, the Company does not deem the changes in the Mineral Reserves and Mineral Resources as material but is presenting the information to include fulsome disclosure.

**Mineral Reserves.** The Company estimates Proven and Probable Mineral Reserves at the Sao Francisco mine, as at December 31, 2015 are as follows:

Mineral Reserve Category *	Tonnes (000)	Gold Grade (g/t)	Contained Ounces (000)
Proven	14,562	0.410	192
Probable	205,206	0.840	5,542
<b>Total Proven and Probable</b>	<b>219,768</b>	<b>0.812</b>	<b>5,734</b>

Notes\*

1. The Mineral Reserves estimate is based on a designed pit, which has been made operational using \$1,300/oz gold.
2. Within the designed pit shell, proven and probable mineral reserves within delineated mineralized zones were estimated at zero cut-off to reflect mining experience which incorporates planned internal dilution. For all areas outside of the delineated zones, a 0.41 g/t cut-off was applied.
3. Contained metal figures may not add due to rounding.
4. Surface topography as of December 31, 2015.
5. Mineral Reserve estimates for Sao Francisco were prepared by Aura in 2013 and reviewed and audited in 2015 by Farshid Ghazanfari, P.Ge. as a Qualified Person as that term is defined in NI43-101.

**Mineral Resources.** The Company estimates that the Mineral Resources at the Sao Francisco mine, as at December 31, 2013 are as follows:

Mineral Resource Category *	Tonnes (000)	Gold Grade (g/t)	Contained Ounces (000)
Measured	583,693	0.740	13,885
Indicated	554,031	0.822	14,649
<b>Total Measured and Indicated Resources</b>	<b>1,137,724</b>	<b>0.780</b>	<b>28,534</b>
Inferred	96,623	0.7248	2,252

Notes\*

1. The Mineral Resources estimate is based on the reserve pit, plus an optimized shell using \$1,600/oz gold, and at a cut-off grade of 0.34 g/t gold.
2. Within the final resource shell, measured and indicated mineral resources within delineated mineralized zones were estimated at zero cut-off to reflect mining experience which incorporates planned internal dilution. For all areas outside of the delineated zones, a 0.34 g/t cut-off was applied.
3. Contained metal figures may not add due to rounding.
4. Surface topography as of December 31, 2015.
5. Mineral Resources are inclusive of Mineral Reserves.
6. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues.
7. Mineral Resource estimates for Sao Francisco were prepared by Aura in 2013 and reviewed and audited in 2015 by Farshid Ghazanfari, P.Ge. as a Qualified Person as that term is defined in NI 43-101.

The following description of the Sao Francisco Mine is the Executive Summary contained in the Sao Francisco Technical Report, which has been updated and conformed to be consistent with other disclosure within this AIF. The entire Sao Francisco Technical Report is incorporated by reference into this AIF and should be consulted for details beyond those incorporated herein.

### Introduction and Property Description

Aura Minerals has prepared a technical report (in this section, the “Report”) compliant with NI 43-101 on the updated Mineral Resource and Reserve estimates pertaining to its Sao Francisco Mine (or, in this section, the “Mine”), located in Mato Grosso State in Brazil. The Mine’s surface and mineral rights are owned by Apoena, a beneficially-owned indirect subsidiary of Aura Minerals. MCB Serviços e Mineração Ltda. (“MCB”) was retained by Aura Minerals in 2010 to prepare an independent technical report which was filed March 30, 2011. MCB recommended that the resource model be updated, and the estimation parameters be modified to improve the reconciliation between the model and production. As a result of MCB’s recommendation, a new mine plan and this Report have been prepared by Aura Minerals to update the Mineral Resource and Reserve estimates pertaining to the Mine.

The Sao Francisco Mine is located in the western portion of Mato Grosso State in west central Brazil, close to the Bolivian frontier some 560 km west of the capital city of Cuiabá.

The Mine consists of four contiguous mining and exploration permits totalling 36,308.34 hectares granted between 1980 and 1982 by the Departamento Nacional da Produção Mineral (“DNPM”), Brazil’s department of national mineral production. The process numbers for the mine permits are 860938/1982 and 860937/1982. The permitting process for the Mine has been completed and all the relevant licenses for the operation of the Sao Francisco Mine are in place. There are no current environmental liabilities or non-compliance issues for the property.

The Sao Francisco Mine is an open-pit, heap leach gold mine that involved two separate gold recovery processes including crushing-gravity gold recovery-heap leach and run-of-mine heap leach up until the start of 2011. As of early 2011, the mine has focused on the more profitable crushing-gravity gold recovery-heap leach process rather than run-of-mine heap leach. The ore contains a significant component of gravity gold, which requires detailed sampling and attention to mine planning to ensure that the gravity gold is recovered prior to placement of ore on the leach pad.<sup>1</sup>

### **Location and Accessibility**

The Sao Francisco property is located approximately 560 km west of Cuiabá, the capital of Mato Grosso State. There are daily commercial jet flights to Cuiabá from Sao Paulo, Rio de Janeiro and other major Brazilian cities. There is also good road access from Cuiabá to the Sao Francisco Mine. Pontes e Lacerda, the main town close to the mine site, is accessible by a 435 km paved highway from Cuiabá. The open pit is located at approximately 14°50’S latitude and 59°37’W longitude.

### **Geology and Mineralization**

The Sao Francisco Mine is a shear hosted lode gold deposit. It is epigenetic, structurally controlled, and composed of narrow, 1 to 5 cm wide, quartz veins containing free gold. The veins and vein systems and stockworks both parallel and crosscut the bedding planes and appear to represent separate but closely related mineralizing events.

The regional geological setting for the Sao Francisco Mine and numerous other gold occurrences that comprise the Guaporé Gold Belt of central west Brazil and east central Bolivia is the Aguapeí Mobile and Mafic Arc Belt. This belt follows a major crustal-scale break or shear zone separating the Amazon Craton of Archean-age (3,800 to 2,500 million years ago) on the east from the Paragua Craton of Proterozoic-age (2,500 to 1,600 million years ago) on the west. The belt extends more than 600 km in a NNW-SSE direction and is characterized by a prominent mountain range made up of a 1,200 m thick sequence of Proterozoic-age sedimentary rocks known as the Aguapeí Group.

The Aguapeí Group, the host rocks for the gold mineralization, is a sequence of texturally and mineralogically supermature detrital sediments made up of braided river facies, Aeolian (wind-deposited) dunes, and shallow marine platform facies. Southward along the belt, the lower part of the Aguapeí Group contains interbedded volcanic units and mafic sills and dykes (that may be thrust from the east). The Aguapeí Group overlies the central part of the Amazon Craton (Brazilian Precambrian Shield), locally known as the Xingu Complex. The Complex contains lower Proterozoic volcano-sedimentary belts elongated in a NW-SE direction and surrounded by Archean metamorphic rock masses. The volcano-sedimentary belts and the Xingu Complex have both been intruded by large bodies of granitic rock. The flat area surrounding the mountain range is believed to be mainly underlain by the Xingu Complex, but most of the area is covered by residual soils with few outcrops and poorly known geology. Prolonged and deep erosion of this continental mass during Proterozoic time was accompanied by the development of basins in which were deposited the 1,200 m thick Aguapeí Group of sediments. These sediments, now metamorphosed, have been mapped over a 300 km strike length in Brazil, and continue southward into Bolivia for at least another 200 km, and then pass again into Brazil.

Structurally, the Aguapeí Group rocks have been subjected to a NW-SE compression that folded the eastern edge of the belt into a series of broad to tight folds. These folds form NNW-SSE ridges that run parallel to the axis of the mobile belt.

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<sup>1</sup> This footnote is not included the Sao Francisco Technical Report. The Company notes that run-of-mine heap leach is generally restricted to the lower grade uncrushed material that is used to construct access ramps or buttressing.

Faulting, fracturing and shearing have also developed, some running parallel to the axis, but with at least one well-developed NE-SW fracture system that crosscuts the regional trend. The mountain range is bounded on both sides by faults, with the fault on the east dipping away from the range at a shallow angle. This fault separates the Archean basement on the east from the Proterozoic metamorphosed sediments on the west. The internal part of the Aguapeí Mobile Belt away from the mountain front contains extensive plateaus of Aguapeí Group rocks that show little or no deformation.

The known bedrock gold deposits and occurrences in Mato Grosso State are separated into two districts: the Sao Vicente Borda district and the Pontes e Lacerda district (to the south of the Sao Francisco Mine).

The local rocks at the Sao Francisco Mine have been subjected to low-grade metamorphism. They consist of fine to coarse-grained meta-arenites (metamorphic sandstones), with locally reddish-coloured metapelites (metamorphic mudstones) and occasionally metaconglomerates (old pebble beds) of the Fortuna Formation, the basal unit of the Aguapeí Group. The metaconglomerates are composed of quartz pebbles and grains set in a siliceous sandy matrix. Primary sedimentary structures such as cross-bedding, graded bedding, and ripple marks are commonly observed.

The rock units are folded into a series of broad folds that can be traced over several kilometres. The folds trend NNW-SSE and plunge NW. They are faulted and sheared, generally parallel to the folding, and are crosscut by fractures that strike WSW-ENE.

Mineralization is enclosed by a hydrothermal alteration zone (“HAZ”). The HAZ occurs as a regular steeply dipping tabular zone; the depth of the HAZ has yet to be defined by drilling. Alteration associated with mineralization in the HAZ consists of silicification and occasional sericite and chlorite.

The gold occurs as free gold and frequently as coarse nuggets measuring several millimeters in diameter with the quartz, as laminations along the fracture planes, and within limonite boxwork after pyrite and arsenopyrite.

## **Exploration**

Exploration work was conducted at the Sao Francisco Mine between 1985 and 1997 by Santa Elina Industria e Comercio S/A (“Santa Elina”) or companies working for or with Santa Elina. There were no exploration activities from 1998 to late 2003.

Exploration at the Sao Francisco Mine was resumed by Yamana in November 2003 and a total of 49 core holes, a 150 m vertical shaft and 107 m of underground drifts were completed. As well, bulk samples were taken from nine surface trench sites (each about 100 m long x 4 m wide x 2.5 m deep across the strike of the deposit) and the bulk samples ranged in weight from 265 tonnes to 2,208 tonnes each.

The 49 core holes (44 were vertical and 5 were inclined) totalling 15,030 m were drilled across the entire mineralized area to collect material for metallurgical testing. In 2005, Yamana drilled 104 core holes totalling 10,231 m to upgrade Inferred Mineral Resource to Indicated Mineral Resource and create the basis for a Mineral Reserve update.

In addition, an extensive metallurgical testing program was conducted at the Kappes Cassiday and Associates (“KCA”) Reno facilities, where large pilot-sized column leach tests were conducted on the Sao Francisco Mine’s ore. The material was tested at the Sao Vicente facility and pilot-plant sized gravity concentration circuit tests were conducted on-site at the Sao Francisco Mine.

In 2006, Yamana drilled 20 core holes totalling 4,620 m to check the continuity of the gold mineralization along the open strike extensions of the deposit to the northwest and southeast. In 2007, a total of 7,684 m were drilled in 18 core holes by Yamana. Three of these holes were drilled to investigate the extension of the deposit at depth, and the others being infill holes. In 2008, Yamana drilled 9 core holes totalling 2,823 m to infill the depth extension of higher-grade mineralization at the southeast and northwest ends of the deposit.

To the end of December 2008, the drilling totalled 90,580 m in 507 drill holes. The majority of the Mineral Resource has been drilled on a 25 m x 25 m spacing and core recoveries average better than 95%. Note that a limited number of RC holes

were drilled by Santa Elina in 1997.

From 1985 to 1997 Santa Elina drilled HX (76.2 mm diameter) and NQ (47.6 mm diameter) holes in order to obtain samples of sufficient size. Both core sizes were sampled in 2 m length, but only half the HX core was sent for analysis, while the whole NQ core was submitted. This sampling methodology was maintained, but in 2007 Yamana changed the protocol and retained one-quarter of the NQ core as an archive. Diamond drilling by Yamana in 2008 used HQ rods, and the core (63.5 mm diameter) was sawn in half for assaying.

From 1990 to 1997, samples were taken at 2 m intervals from one-half of the diamond-sawn core. Samples were crushed on site to quarter-inch and pulverized to minus 2 mm in a hammer mill. A fraction of this was saved for ore characterization, the rest was panned to remove the so-called “gravity” gold (plus 150 mesh), which was then amalgamated and assayed at the Sao Vicente Mine laboratory. The heavies that remained after amalgamation were assumed to contain no gold, but were captured and saved. The entire pan tailings were collected, dried, and split to a 1.8 kg sample and shipped to the Nomos Análises Minerai Ltda (“Nomos”) laboratory in Rio de Janeiro for gold fire assay using a 50 g subsample and an AA finish. The value obtained from this assay was termed the fine or “chemical” gold assay. Therefore, each 2 m interval has two assays, gravity and chemical, and the sum of them being the total gold grade.

The RC holes drilled by Santa Elina were also sampled at 2 m intervals. Sample collection was done using a cyclone installed at the drill rig. One of two splitting devices was set under the cyclone. A “Jones” splitter was used for dry samples, and a rotating hydraulic splitter for wet samples. Both splitters provided for 100% capture of the cuttings with division of the sample product handled automatically. A portion of this sample was dried and sent to the Nomos laboratory and a portion retained in a secure facility on site.

A QA/QC program was carried out for Santa Elina by Bondar Clegg Laboratories Ltd (“Bondar Clegg”) in Vancouver and Geolab (M) Sdn. Bhd (“GeoLab”) in Brazil. The program consisted of the introduction of blanks and standards each 26 samples, duplicates each 10 samples and checks of 5% of the pulps at a second lab. Four of the standards were prepared by Bondar Clegg in a round robin process with material from Santa Elina’s Fazenda Nova project. Mr. Lovstrom (a sampling consultant) concluded at the end of the program in January 1998 that the assay data was acceptable for use in mineral resource estimation.

From 2003 to 2008, samples were collected, prepared and analyzed by Yamana using stringent protocols, as established by Francis Pitard, a sampling consultant from Broomfield, Colorado. The core was photographed in its entirety prior to splitting or sampling and then logged in detail. Samples were collected at 2 m intervals continuously for the full length of the core. The NQ (47.6 mm diameter) core drilled during the initial program was submitted in its entirety for sample analysis to maximize sample size, approximately 8 kg per each 2 m sample, and reduce the coarse gold nugget effect which can occur with small samples.

Later, drilling was done using the larger HQ (63.5 mm diameter) sized core. The core was sawn in half using a diamond rock saw and one-half of the cores submitted for sample analysis and the other half retained for future reference and stored in a secure facility. A 2 m interval sample of HQ half-core yields a sample weighing approximately the same as a 2 m interval sample of NQ whole-core (i.e., 8 kg). The 2 m core samples were carefully labelled using replicate tear-off control tags and sealed in secure plastic bags for shipment to the independent analytical laboratories. Blank samples and standard samples were inserted for QA/QC purposes for every 20 samples submitted for analysis. All sampling and bagging was personally carried out or closely supervised by a company geologist. Samples were then transported by a commercial trucking contractor directly to the Laboratory Lakefield-Geosol (“Lakefield”) or Société Générale de Surveillance do Brasil Ltda (“SGS”), both independent certified analytical laboratories located at Belo Horizonte, Brazil.

Samples were assayed using either fire assay or screen fire assay methods depending on the degree of hydrothermal alteration. Fire assays were completed on samples from areas with low to medium alteration and screen fire assays were carried out on samples having strong hydrothermal alteration. The samples were dried at 110° C and crushed with a jaw crusher so that 95% passed a 10 mesh screen. A 1 kg subsample was then taken using a riffle splitter and pulverized using a ring mill so that more than 95% passed a 150 mesh screen. Standard fire assay methods using a 50 g pulp were then used to determine the gold content.

For the screen fire assays, each sample weighing approximately 8 kg is crushed and pulverized to 150 mesh and then sifted through a 100 mesh plastic sieve. The coarse fraction generally weighs between 30 and 50 g. In this case, the coarse fraction is analyzed in total and the fine fraction is assayed in triplicate after homogenization. Then standard fire assay methods are used to determine total gold content.

Details of the sample security procedures for the pre-2003 sample preparation, analysis, and transportation are no longer available; however the remaining drill core from the Sao Francisco Mine is stored at a secure facility at Apoenas Sao Vicente Mine, as are the sample pulps and rejects.

For samples from 2003 and onward, the sampling and bagging was carried out or closely supervised by a Yamana geologist. Samples were then transported by a commercial trucking contractor directly to the independent certified analytical laboratories located in or near Belo Horizonte in Minas Gerais State, Brazil. Upon receipt of the samples, the laboratories were instructed to report any apparent tampering or inconsistencies in sample numbering to the company; however, no discrepancies or tampering were encountered.

Apoena conducted a program of exploration through 2009-2011 aiming to check the continuity of the mineralization near the mine. Seventeen drill holes were drilled totalling 3,070 m. Apoenas continued to drill and further 43 drill holes were drilled totalling 5,144 m that were unavailable for the September 30, 2011 Mineral Resource and Mineral Reserve estimates.

### **Metallurgical Testing**

Pilot plant scale column leach testing was performed by Santa Elina Desenvolvimento Mineral S.A "SEDM" personnel at the Sao Vicente Mine facilities. The resulting gold extractions ranged from 43% to 80%.

Bottle roll leach tests were performed by KCA in 2004 and the results indicate all ore types are amenable to cyanide leaching with moderate to high recoveries for the ore types tested.

Pilot gravity plant testing was performed in 2004. The main conclusions from the pilot plant tests are that about 30% of total gold content is recoverable in a gravity plant. The gold remaining in the minus 6mm material and the plus 6mm material requires heap leaching methods for recovery. Samples of the minus 6 mm gravity tailings and the plus 6 mm screened material from the three special gravity pilot plant tests were sent to KCA for column leach testing. From the column leach test results KCA projected the ultimate gold recoveries to range from 43% to 84% based on an extrapolation of the data for columns that not yet reached equilibrium conditions.

### **Mineral Resources**

The Mineral Resource for the Sao Francisco Mine has been estimated by Aura Minerals using ordinary kriging and a geological model that defines the high-grade hydrothermal altered zone ("HGZ"), the low-grade hydrothermal alteration zone ("LGZ") and the saprolite zone that consists of weathered mineralized material near the surface. The block model used blocks measuring 10 x 10 x 10 m. The drill hole data was composited to 5 m intervals and outlier gold grades were not capped at 15 Au g/t. The estimation search strategy used three passes and the search ellipsoid was oriented to align with the variograms. A minimum of two and a maximum of 15 composites were required to make a block grade estimate. The block model was then updated using the September 30, 2011 topography to account for previously mined material and has been limited by an optimized pit using a \$1,700 per ounce gold price to estimate Mineral Resources.

### **Mineral Resources Summary**

The September 30, 2011 Mineral Resource is estimated by Aura Minerals to be 10.923 million tonnes of Indicated Mineral Resource at an average grade of approximately 0.95 g/t Au and Inferred Resource of 0.083 million tonnes at an average grade of 0.47 g/t Au, using a long term \$1,700 per ounce gold price, and a 0.23 g/t Au cutoff (Table 2-1). Note that the extent of the September 30, 2011 Mineral Resource has been limited by an optimized pit using a \$1,700 per ounce gold price. Note that the Mineral Resources are inclusive of Mineral Reserves. **Also note that Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.**

Table 2-1 – September 30, 2011 Mineral Resource Estimate

Resource Category	Tonnes ('000)	Au (g/t)	Oz ('000)
Measured	0	0	0
Indicated	10,923	0.95	334
<b>Measured + Indicated</b>	<b>10,923</b>	<b>0.95</b>	<b>334</b>
Inferred	83	0.47	1

\* At 0.23 Au (g/t) cutoff – Note numbers may not add due to rounding.

## Mineral Reserve

The estimate of Mineral Reserves is based on a life of mine plan (“LOM Plan”) and plant production schedule developed by Aura Minerals. The Economic criteria using the Lerch-Grossman algorithm for pit limit evaluations, including process recoveries and operating costs are provided in Table 2-2. Industry standard pit optimization followed by detailed design work, set the limits of the final pit to account for practical mining.

Table 2-2 - Pit and Cost Parameters

Pit and Cost Parameters	
Bench height (m)	10
Road width(m)	15
Overall Pit Slope (°)	52
Bench face angle (°)	80
Minimum pit bottom(m)	10
Berm width (m) Alternating	10 / 4.3
Ramp slope (%)	10
Gold Price(US\$/oz)	1500
Gold Recovery (%)	80
Mining cost (US\$/t)	3.34
CGO Plant Cost (US\$/t)	7.32
G&A cost (US\$/t)	2.76

The September 30, 2011 Mineral Reserve is estimated by Aura Minerals to be 10,9 million tonnes of Probable Mineral Reserve at an average grade of 0.91 g/t Au. The Mineral Reserve has been estimated using a 0.25 g/t Au cutoff. The authors of the Sao Francisco Technical Report note that the Mineral Resource and Mineral Reserve are estimated in accordance with the CIM definitions and are considered NI 43-101 compliant.

## Mineral Reserve Summary

The Mineral Reserve estimate is presented in Table 2-3.

Table 2-3 – September 30, 2011 Mineral Reserve Estimate

Ore *	Tonne (t)*000	Au (g/t)	oz'000
Proven	-	-	-
Probable	10,890	0.91	318
<b>Proven + Probable</b>	<b>10,890</b>	<b>0.91</b>	<b>318</b>
Waste	36,512		
W/O	3.35		

\*Reserves at a 0.25 Au (g/t) cutoff– Note numbers may not add due to rounding.

## Mining Methods

The Sao Francisco Mine is an open-pit operation that is designed to send a steady feed of crushed gravity leach ore (“CGO”), on a daily basis, to the gravity circuit while lower grade material that was the run-of-mine dump leach ore (“DLO”) is now

being stockpiled and will be run through the plant at the end of the mine life.<sup>2</sup> Low grade ore and sub marginal material has replaced DLO starting in January 2011. CGO has a 0.40 g/t cutoff, low grade ore (“LGR”) is 0.25 g/t and sub marginal grade (“SMG”) has a 0.15 g/t cutoff. The LGR and SMG material will be stockpiled and fed through as CGO at the end of the mine life if economic.

Mining at the Sao Francisco Mine is carried out by contractors using a combination of hydraulic excavators, front end loaders, and 35 t haulage trucks with typical pit support equipment to sustain the operation. The pit is accessed via a standard access road or ramp 15 m wide at a minus 10% grade which provides access to the benches. Benches are 10 m high, with alternating 4.3 and 10 m wide safety berms.

Production drilling is carried out with 5.5 inch diameter holes and patterns for waste and ore of 6 x 4 m and 3.5 x 4.5 m, respectively. Standard bench height is 10 m, with one meter of sub-grade drilling for floor control. The bottom seven meters of the blast holes are loaded with emulsion type explosives, and a three meters stemmed collar is left at the top of the hole.<sup>3</sup>

### **Recovery Methods**

The Sao Francisco Mine’s mineral processing system consists of a gravity concentration circuit combined with a multi-lift, heap leach operation. During 2011, the two categories of lower grade material were stockpiled separately. Sub-marginal grade is material between 0.15 g/t Au to 0.25 g/t Au, low grade is material between 0.25 g/t Au to 0.40 g/t Au. CGO or high grade is material above 0.40 g/t Au. The CGO is processed by crushing and gravity concentration, followed by heap leaching of the tailings product from the circuit.<sup>4</sup>

The crushing circuit consists of three stages of crushing and has been designed to generate a product of 30% passing less than 3.5 mm to feed the gravity circuit. The remaining 70% is directed to the leach pads with the gravity tails. Low grade ore and sub marginal grade material ore is being stockpiled and will be processed at the end of the mine life, if economic, by treating as CGO.

At the heap leach area, CGO is stacked using trucks and track dozers. The leach pad is a multi-lift, single-use type pad. The basic components of the leach pad include a compacted earth foundation (a compacted soil sub-base), a 1.5 mm thick geo-membrane liner, a cushion layer of material on top of the geo-membrane, and a series of perforated plastic drainpipes, which are placed on top of the geo-membrane, under the cushion layer during stacking, to collect leach solutions. Following stacking of the CGO, the ore is irrigated with leach solution and the resulting gold-bearing solutions are collected in a pregnant solution pond prior to further processing for recovery of gold.

A carbon Adsorption/Desorption/Recovery (“ADR”) facility is used for gold recovery. The ADR facility includes a train of five, cascade-type, open-top up-flow carbon adsorption columns, a carbon desorption system, a carbon acid wash circuit, a precious metals recovery circuit that utilizes electro-winning, and a complete smelting system for gold production. Gravity plant concentrates and the loaded cathode material from the carbon recovery plant are combined and smelted to produce a gold doré product.

### **Project Infrastructure**

The existing Mine camp facilities include lodges, administrative offices, medical clinic, restaurant, and a gravel air strip.

National electrical service is available from Pontes e Lacerda approximately 50 km from the Sao Francisco Mine. Sufficient

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<sup>2</sup> This footnote is not included the Sao Francisco Technical Report. The Company notes that DLO is now either used for constructing ramps or buttresses on the heap or is being stockpiled and will be run through the plant at the end of the mine life.

<sup>3</sup> This footnote is not included the Sao Francisco Technical Report. Pre-split is used for wall control.

<sup>4</sup> This footnote is not included the Sao Francisco Technical Report. The crushing circuit consists of three stages of crushing and has been designed to generate a product of 50% passing less than 6 mm to feed the gravity circuit. The remaining 50% is directed to the leach pads with the gravity tails. Low grade ore is either used for ramp or buttress construction on the heap, or is being stockpiled and will be processed at the end of the mine life, if economic, by treating as CGO.

water to supply the mining operations is available at the Mine from streams and groundwater.

### Environmental Studies, Permitting and Social Impact

The Sao Francisco Mine is designed to prevent short-term environmental damage and to minimize long-term environmental effects. The environmental and reclamation programs were developed to comply with Brazilian regulatory requirements and to restore the property to productive use after production has ceased.

The closure and reclamation plan proposes that the open pit remains as a permanent feature, but it will have berms installed to prevent public access. At the end of the operation, the pit will be transformed into a lake depending on the outcome of the appropriate studies. The waste rock stockpiles will be constructed in lifts at their natural angle of repose, with setbacks between lifts and the overall waste dump slopes will be approximately 2.2 to 1.0 (horizontal to vertical) and will remain at this slope at closure. The horizontal surfaces will be re-vegetated, and natural re-vegetation will proceed on the slopes.

The ore processing plants and support facilities will be removed and the heap leach pads will be neutralized, re-contoured, and the land re-vegetated. The concrete pads and foundations will be removed and the roads and other operating surfaces will be reclaimed and re-vegetated. Reclamation activities will be initiated as soon as portions of the Mine are no longer required. The current Mine budget includes approximately \$11.3 million for reclamation and closure.

The Sao Francisco Mine operation has a valid environmental license. There are no current environmental liabilities or non-compliance issues for the property.

### Capital and Operating Costs

The sustaining capital expenditures (“CAPEX”) are estimated by Aura Minerals to be US\$ 15.9 million, as shown in Table 2-4. The 2011 unit operating cost breakdown for the Sao Francisco Mine is shown in Table 2-5.

*Table 2-4 –Capital Expenditures*

Area (US\$ 000)	2012	2013	2014	2015	Total
Mine Equipment, dewatering	600	600	150		1,380
Plant Sustaining Projects	800	800	200		1,840
ADR Sustaining capital	600	600	150		1,380
Reclamation and Closure	0	0	8,365	2,910	11,275
<b>Total Capital</b>	<b>2,000</b>	<b>2,000</b>	<b>8,865</b>	<b>2,910</b>	<b>15,875</b>

*Table 2-5 - 2011 Operation Cost Breakdown*

Area	Unit Costs
<b>Mine (US\$/t moved)</b>	
Drilling	0.39
Blasting	0.35
Haulage/Loading/Auxiliary (Contractor)	2.09
Engineering and Operations Management	0.11
<b>Total Mine (US\$/t moved)</b>	<b>2.94</b>
<b>Process (\$/t processed)</b>	
Crushing and Stacking	2.58
Gravity	0.81
Leaching / Cyanidation	4.11
ADR/Electrolysis/Smelting	1.65
<b>Total (\$/t processed)</b>	<b>9.15</b>
<b>G&amp;A (\$/t processed)</b>	<b>2.77</b>

### Economic Analysis

A post-tax Cash Flow Model has been developed for the LOM production schedule and capital and operating cost estimates. For all periods the after tax cash flow is positive, supporting the reserve designation. A sensitivity analysis has been completed that examined gold price, and operating costs. None of the sensitivities show a negative net present value.

### **Interpretations, Conclusions and Recommendation**

Aura Minerals has prepared a technical report compliant with NI 43-101 on the Mineral Resources and Mineral Reserves pertaining to its Sao Francisco Mine, located in Mato Grosso State in Brazil. The Sao Francisco Mine is an open-pit, heap leach gold mine that involves two separate gold recovery processes including crushing-gravity gold recovery-heap leach and run-of-mine heap leach up until the start of 2011. As of early 2011, the mine focused on the more profitable crushing-gravity gold recovery-heap leach process than run-of-mine heap leach. The ore contains a significant component of gravity gold, which requires detailed sampling and attention to mine planning to ensure that the gravity gold is recovered prior to placement of ore on the leach pad.

The Sao Francisco Mine is a shear hosted lode gold deposit. It is epigenetic, structurally controlled, and composed of narrow, 1 to 5 cm wide, quartz veins containing free gold. The veins and vein systems and stockworks both parallel and crosscut the bedding planes and appear to represent separate but closely related mineralizing events.

The resource model was updated from the March 2011 estimate since the reconciliation between the model and production was poor. The current model developed by Aura Minerals shows better confidence for predictability. Subsequently operating costs and design parameters were updated and a new mine plan was developed. The results show that a downgrade of reserves and resources were necessary over previous estimates, but the new mine plan is a better indicator of future production.

The economic results show that the deposit can be mined at a profit. Significant risks to the project's economics, along with mitigation measures include:

- Mechanical breakdown of plant equipment – unforeseen failure is always a risk, but through maintenance programs, and the availability of critical spares, this risk can be managed.
- Continued resource model reconciliation issues – not achieving predicted grade and tonnes poses a risk. Monthly updates are ongoing to analyze and react to any potential problems. As the pit deepens, the grade of ore mined has been forecasted to improve.
- Availability of consumables – Mine management must continually be aware of any shortfalls of consumables such as cyanide and explosives and quickly source other suppliers.

It is recommended that as mining progresses, continued reconciliation needs to be reviewed and if parameters change, an update of the mine plan should be developed. It is also recommended that the operating costs should be reviewed on a regular basis to ensure operating cutoffs are still valid. It is further recommended that the south east area of the open pit be reviewed to optimize the amount of recovered gold ounces. The pit was reduced in size slightly to account for a waste dump and dewatering lines. Lastly, it is recommended that the long term model be updated to incorporate the additional drilling (43 drill holes totalling 5,144 m: holes SF-530 to SF-572) by Aura Minerals that were not available for the September 30, 2011 Mineral Resource estimate.

**Aranzazu Update.** In December 2014, the Company completed an optimization study for the Aranzazu mine with the goal of identifying an operating model that would improve the project economics and eliminate the risk by reducing both costs of production and capital expenditures and increasing production in order to generate a short-term return on our investment. The study was unable to identify an operating alternative that provided a short-term positive return on Aranzazu in the absence of available additional financing to maintain or expand the operation and therefore the decision to suspend the operation and place it on care-and-maintenance was made.

On January 15, 2015, the Company announced that all mining activities at the Aranzazu mine would be temporarily suspended and that all capital projects, including underground development work would also be deferred. Processing of copper concentrates would continue until the economic stockpiles were depleted. As a result, the budget for the year ending December 31, 2015 has been significantly reduced, with a focus on preserving both the optionality and integrity of the

Aranzazu asset. The Company will continue activities to protect the asset and assess alternative methods to develop the project in a more economic manner; however management's expectation of achieving a suitable return on investment in the current metal pricing environment has been diminished. As of the date of the AIF, Aranzazu is on full care and maintenance.

On August 7, 2015 the Company announced the results of the Preliminary Economic Assessment ("PEA") NI 43-101 Report for the recommencement of operations at the Aranzazu mine and on September 14, 2015 published the PEA entitled *Preliminary Economic Assessment of the Re-Opening of the Aranzazu Mine, Zacatecas, Mexico*.

**Serrote Update.** The Company's core development asset is the copper-gold-iron Serrote da Laje project in Brazil. The Company is considering a revised development and operating plan that may require lower capital expenditures and that features an earlier phased execution schedule than that reported in the technical report dated October 15, 2012, with an effective date of September 4, 2012, and entitled *NI 43-101 Technical Report on the Feasibility Study for the Serrote da Laje Project, Alagoas State, Brazil* prepared by Micon International Limited under the guidance of SNC-Lavalin Inc. As of the date of the AIF, the Serrote project is on full care and maintenance.

## DIVIDENDS

No dividends have been paid, or distributions made, by the Company on its Common Shares or other securities within the three most recently completed financial years. The Company anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends or distributions will be at the discretion of the Board after taking into account many factors, including the Company's financial condition and current and anticipated cash needs.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Common Shares are listed and posted for trading on the TSX under the symbol "ORA". The following sets out information relating to the monthly trading of the Common Shares on the TSX for 2015.

2015 Period	Closing High (C\$)	Closing Low (C\$)	Volume
January	0.10	0.07	4,545,655
February	0.09	0.08	1,284,760
March	0.10	0.08	1,577,201
April	0.10	0.09	5,134,833
May	0.11	0.08	1,726,712
June	0.09	0.0	1,155,974
July	0.09	0.07	1,600,396
August	0.10	0.06	1,530,574
September	0.08	0.06	539,525
October	0.08	0.07	918,419
November	0.09	0.07	873,490
December	0.08	0.07	8,457,879

The price of the Common Shares as quoted by the TSX at the close of business on December 31, 2015 was C\$0.085 and on March 23, 2016 was C\$0.225.

During the year ended December 31, 2015, the Company issued the following securities (each convertible into one Common Share) that are not listed on the TSX:

Date of Issuance	Number and Type of Security Issued	Exercise Price
January 1, 2015	3,365,000 - Options	C\$0.10
May 12, 2015	120,000 – Restricted Share Units	N/A
June 1, 2015	400,000 - Options	C\$0.10
June 30, 2015	120,000 – Restricted Share Units	N/A
October 22, 2015	571,308 – Restricted Share Units	N/A

## DIRECTORS AND OFFICERS

### Directors

The Board of Directors consists of five directors: Patrick Mars (Chairman), Tom Ogryzlo (Lead), Stephen Keith, William Murray and Jim Bannantine, the Company's CEO and President. The Board has the following committees:

- Audit Committee: Patrick Mars (Chairman), Stephen Keith and William Murray
- Governance & Compensation Committee: William Murray (Chairman), Patrick Mars and Stephen Keith

In an effort to better utilize the Company's resources, on May 12, 2015, the former Compensation Committee and the Nominating & Corporate Governance Committee were combined and the Technical and Development Committee and the Corporate Sustainability Committee became functions of the Board.

The principal occupation, business or employment and the province or state and country of residence of each of the Company's directors within the last five years is disclosed in the brief biographies set out below.

***Patrick Mars, Chairman of the Board and Director (Ontario, Canada).*** Mr. Mars was appointed a director in January 2006 and was appointed the non-executive Chairman of the Board in March 2008. Mr. Mars is a corporate director with extensive experience in mining financing and analysis gained during his career of over 30 years in the Canadian investment industry. For the majority of his career he was with Alfred Bunting & Co./Bunting Warburg, a Canadian investment dealer and stockbroker where he was President and CEO from 1981 to 1994. During this time, he served three year terms both as a governor of the Toronto Stock Exchange and director of the Investment Dealers Association. Presently, he is a director of Yamana Gold Inc. (Lead Director) and Sage Gold Inc. (Chairman). Mr. Mars is also the President of P.J. Mars Investments Limited, a private company. Mr. Mars holds a B.Comm, MBA and CFA designation.

***Tom Ogryzlo, Lead Director (San Jose, Costa Rica).*** Mr. Ogryzlo was appointed the Lead Director of the Company in December 2011 and has over 45 years of experience in the development, financing, design, construction and operation of global mining, industrial and energy projects, particularly in Latin America. Mr. Ogryzlo has held executive management positions with a number of mining and engineering companies worldwide. He recently retired from the positions of Senior Vice President of Latin American Operations for Ram Power Corp. and President and CEO of Ram's subsidiary, Polaris Geothermal Inc., a geothermal power producer founded by Mr. Ogryzlo in 2002. Among his previous positions, he has held the roles of President and CEO of Black Hawk Mining, a gold producer, President of Kilborn SNC-Lavalin, a large engineering contractor, and President of Cerro Matoso S.A., a large ferro nickel producer. Over the years, Mr. Ogryzlo has served on the board of twenty TSX listed companies and is currently a director of Baja Mining Corp. and Vista Gold Corp.

***Stephen Keith, Director (Ontario, Canada).*** Mr. Keith was appointed a director of the Company in August 2011. Mr. Keith has worked on projects in more than 30 countries, with a concentration in Latin America. He has over 16 years of experience working with mining and energy companies, spearheading projects through feasibility studies, engineering design, project management and construction. He has engaged in over C\$2 billion in financings and merger and acquisition deals for natural resource projects. Mr. Keith is currently the Managing Director of Fertoz Ltd. (ASX:FTX), an emerging agribusiness progressing towards commercial production of organic phosphate in Canada and an expanding fertiliser distribution business in Australia. Mr. Keith was the former President and CEO of Recife Gold, an emerging explorer and developer of gold assets in Brazil. Previously, Stephen was the President and CEO of Search Minerals Inc. (TSX-V:SMY), a company focused on the exploration and development of Strategic Metals. Prior to his work with Search, Mr. Keith was a founder and the President and Chief Executive Officer of Rio Verde Minerals Development Corp. (TSX:RVD), a company he took from concept to

listing onto the TSX, with over \$30 million completed in equity financings. Mr. Keith led Rio Verde until its acquisition by B&A Fertilizers Limited on March 13, 2013. Mr. Keith has previously held the titles of Vice President, Corporate Development at Plutonic Power Corporation; Director, Investment Banking at Thomas Wiesel Partners; Vice President, Investment Banking at Westwind Partners Mining Group; and Manager, Technical Services with Knight Piesold Consulting. He holds a BSc, Applied Science (Queen's University), an International MBA (York University, Schulich School of Business) and a PEng (Ontario and British Columbia).

**William Murray, Director (British Columbia, Canada).** Mr. Murray was appointed a director in July 2007. Mr. Murray is a Professional Engineer with 40 years of international mining experience in operations, engineering and construction. During the period of March 2003 and February 2008, Mr. Murray was President and CEO of PolyMet Mining Corp. where he was instrumental in developing and advancing the large-scale poly-metallic NorthMet project located in the Minnesota Iron Range. In the mid-1980s, he participated as an investor/developer in a number of private projects such as the Craigmont Mines magnetite operation (Canada) and the Boleo copper/cobalt project (Mexico). Mr. Murray previously worked in senior management positions at Anglo American Corporation, Fluor Daniel and Denison Mines, where he was part of the core team that built the \$1.2 billion Quintette Coal project. He is currently a director of Polymet Mining Corp. and Prospero Silver Corp.

## **Officers**

The executive officers of the Company are: James Bannantine, President and CEO; Rory Taylor, CFO; Ryan Goodman VP, Legal Affairs and Business Development; Fernando Cornejo, VP Projects; and Monty Reed, General Manager San Andres Mine.

The principal occupation, business or employment and the province or state and country of residence of each of the Company's executive officers within the last five years is disclosed in the brief biographies set out below.

**James Bannantine, President, Chief Executive Officer and Director (Ontario, Canada).** Mr. Bannantine joined Aura Minerals in October 2011. Prior to joining Aura Minerals, Mr. Bannantine served as CEO of Intercap Energy Systems, a provider of systems and software to electric utilities and large commercial, campus and government customers. From 2005 to early 2010, Mr. Bannantine was a partner in Atlantic Capital Group and served as Managing Partner of their private equity activities, responsible for origination, investment due diligence, negotiation of transactions, investment pricing and structuring and fund raising. Between 2001 and 2005, Mr. Bannantine founded Acumen Capital, LLC, a private equity firm. From 2001 through 2002 Mr. Bannantine led and then sold a start-up company, Dorsal Networks, to Corvis Corporation (NASDAQ: CORV). Corvis subsequently became Broadwing Corporation (NASDAQ: BWNG), a \$900 million telecom company, where Mr. Bannantine served as President and Chief Operating Officer from 2003 through 2005. Mr. Bannantine worked with Enron Corporation for ten years, from 1990 to 2000, holding several top management positions, including six years in Brazil, most notably as Chief Executive Officer for Enron South America, the power and pipeline division of Enron with assets of \$3.5 billion and 4,500 employees. Prior to Enron, Mr. Bannantine served in the United States Army as Contracting Officer for the Corp of Engineers in Honduras, and as an Assistant Professor of Economics and Finance at the US Military Academy. Mr. Bannantine received an MBA from the Wharton School with Distinction and is a West Point Distinguished Graduate. He is a licensed Professional Engineer and is a board member of several private companies, organizations and charities.

**Rory Taylor, Chief Financial Officer (Ontario, Canada).** Mr. Taylor joined Aura Minerals in March 2012. Prior to joining Aura Minerals, Mr. Taylor was Vice President, Finance and Mining Operations at Endeavour Mining Corporation for a year and prior thereto, he was Vice President, Finance at Crew Gold Corporation for 6 years. These companies owned and operated gold mines and various exploration properties in West Africa, Greenland and the Philippines and he was responsible for all aspects of financial management within the organizations. He has also held senior finance roles in companies in the telecommunications sector and in the assurance practices of Ernst and Young in Vancouver and South Africa. He holds a Bachelor of Commerce degree from the University of Cape Town and is a South African qualified Chartered Accountant.

**Ryan Goodman, VP Legal Affairs & Business Development (Ontario, Canada).** Mr. Goodman joined Aura Minerals in June 2012. Mr. Goodman acts as the Corporate Secretary of the Company and has been involved in all of the Company's significant transactions since joining. Prior to joining Aura Minerals, Mr. Goodman practiced corporate and securities law

for over 10 years representing mining companies in the Americas in connection with initial public offerings, private placement funding, takeovers and mergers, the acquisition and disposition of mineral properties and public company maintenance and compliance including corporate governance and public disclosure. Mr. Goodman is a graduate of the University of Manitoba and is a member of the Upper Canada and British Columbia Law Societies.

**Fernando Cornejo, VP Projects (Ontario, Canada).** Mr. Cornejo joined Aura Minerals in April 2014. Mr. Cornejo brings over 16 years of experience in the mining sector including operations, mineral processing and project management. Prior to joining Aura Minerals, Mr. Cornejo held executive and project management roles with Jacobs Engineering and the SGS Group in Canada, Mexico and Peru, as well as operational roles with Rio Tinto in Canada and BHP Billiton in his native, Peru. Mr. Cornejo holds a Master's Degree in Chemical Engineering from Ecole Polytechnique de Montréal, a Bachelors Degree in Chemical Engineering from Universidad Nacional de San Agustin Peru, a Master Certificate in Project Management from York University and is a member of the Professional Engineers of Ontario.

**Monty Reed General Manager, San Andres Mine, Honduras.** Mr. Reed joined Aura Minerals in August of 2011 as General Manager for the San Andrés operation. He brings to Aura 35 years of exploration, geology, engineering, mine development, maintenance and operations experience in North and South America and Europe. Prior to joining Aura, Mr. Reed was General Manager for the Pitarilla development project in Durango, Mexico for Silver Standard. Previously Mr. Reed held positions of increasing responsibility for Carbones de la Guajira in Venezuela, various sites for Placer Dome and was part of the mine start-up team for the highly-successful Gros Rosebel operation in Suriname for Cambior/IAMGOLD. Other senior management positions held include COO for Sargold Resources and President of Sardinia Gold Mines in Italy. Mr. Reed holds a bachelor's degree in geology from the University of Colorado.

### **Security Holding**

As of the date of this AIF, the directors and executive officers of the Company, as a group, beneficially own, or control or direct, directly or indirectly, 2,465,278 Common Shares, representing approximately 1.0% of the total number of Common Shares outstanding before giving effect to the exercise of stock options to purchase Common Shares and share units held by such directors and executive officers.

### **Conflicts of Interest**

To the best of the Company's knowledge, and other than as disclosed herein, there are no known existing or potential conflicts of interest between the Company (or a Subsidiary of the Company) and any director or officer of the Company (or a Subsidiary of the Company), except that certain of the directors and officers serve as directors, officers or members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Company relies upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts have been disclosed by such directors and officers in accordance with the *Canada Business Corporations Act* and they have governed themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

## **RISK FACTORS**

The operations of the Company are speculative due to the high-risk nature of its business which is the acquisition, exploration, development and operation of mining properties. The following risk factors 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:

### ***Operating Risks***

Mining operations generally involve a high degree of risk. Aura Minerals' operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, copper and silver, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, pit wall failure and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk are being taken, milling operations are subject to hazards such as fire, equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses will be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by Aura Minerals will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; the presence of deleterious elements; metal prices that are highly cyclical; costs of construction and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

On April 30, 2015 the Company agreed to acquire the Ernesto/Pau-a-Pique mine and there is no certainty that the mine will be successfully put back into production. On January 15, 2015 the Company announced that all mining activities at the Aranzazu mine would be temporarily suspended and that all capital projects, including underground development work would also be deferred. The Aranzazu mine is currently on care-and-maintenance and there are no assurances as to when the mine will restart production, if ever. The Company has limited history with the building and development of a mine. The Serrote Project is in the early stages of development and there is no certainty that the project will be built or put into production. The Serrote Project is currently on care-and-maintenance.

***We are subject to risks related to community relations and community action.***

As a mining business, we may come under pressure in the jurisdictions in which we operate, or will operate in the future, to demonstrate that other stakeholders (including employees, communities surrounding operations and the countries in which they operate) benefit and will continue to benefit from our commercial activities, and/or that we operate in a manner that will minimize any potential damage or disruption to the interests of those stakeholders. We may face opposition with respect to our current and future development and exploration projects which could materially adversely affect our business, results of operations and financial condition. Further, certain non-governmental organizations ("NGOs"), some of which oppose globalization and resource development, are often vocal critics of the mining industry and its practices, including the use of hazardous substances in processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or our operations specifically, could have an adverse effect on our reputation and financial condition and may impact our relationship with the communities in which we operate. They may install road blockades, apply for injunctions for work stoppage and file lawsuits for damages. These actions can relate not only to current activities but also historic mining activities by prior owners and could have a material, adverse effect on our operations. We seek to operate in a socially responsible manner. However, there can be no guarantee that our efforts in this respect will address these risks.

***Market Fluctuation and Commercial Quantities***

The market for minerals is influenced by many factors beyond the control of the Company such as the supply and demand for minerals, the rate of inflation, the number of mineral producing companies, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. Accordingly, 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. If metal prices were to decline for a prolonged period below the Company's cost of production, it may not be feasible to continue production or to continue the development of new mine properties.

The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals. Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Company's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors, which may affect commercial viability so that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital.

The Company can reduce its exposure against fluctuations in the price of gold and copper by using hedging instruments for a portion or all of its gold and copper production, such as forward contracts and put options. Various strategies are available using these instruments. Although hedging activities may protect a company against a lower gold and copper price, they may also limit the price that can be realised on gold and copper subject to forward sales and call options where the market price exceeds the price in forward sale or call option contracts.

### ***Funding Needs, Liquidity Risk and Going Concern***

In order to fund the costs associated with the exploration, development, mining, and processing of minerals from the Company's properties and the Company's mine plans, and to meet expected future obligations, the Company may, from time to time, be required to obtain additional financing. Metal prices, environmental rehabilitation and restitution, revenue taxes, transportation and other operating costs, capital expenditures and geological results are also factors which may have an impact on the amount of additional financing that may be required. To meet such funding requirements, the Company may be required to undertake additional equity or debt financing, both of which could be dilutive to shareholders.

Debt financing, if available, may also involve certain restrictions on operating activities or include financial covenants, such as accompanying gold and copper hedging requirements and minimum liquidity levels, or restrict the Company's ability to enter into additional financing arrangements. In light of continuing global economic challenges, there is no assurance that such equity or debt financing will be available to the Company or that these financings would be obtained on terms favourable to the Company, which may adversely affect the Company's business, financial position and may result in a delay or indefinite postponement of exploration, development, or production on any or all of the Company's properties, or even a loss of property interests. There is no assurance that the Company will be able to raise the required funds on an ongoing basis which raises significant doubt about the Company's ability to continue as a going concern.

### ***Foreign Operations Risks***

Political and related legal and economic uncertainty may exist in the countries where the Company operates, or may operate in the future. The Company's mineral exploration, development and mining activities may be adversely affected by political instability and changes to government regulation relating to the mining industry.

Presently, all of the Company's mineral properties are located in Honduras, Brazil and Mexico. While the Company believes that Honduras, Brazil and Mexico currently provide a stable environment for mining companies to operate in, there can be no assurance that changes in the government or laws of Honduras, Brazil or Mexico or changes in the regulatory environment for mining companies generally or for non-domiciled companies in Honduras, Brazil or Mexico will not be made that would materially and adversely affect the Company.

### ***Government Regulations, Consents and Approvals***

Exploration, development and mining activities are subject to laws and regulations governing health and work safety, employment standards, environmental matters, mine development, prospecting, mineral production, exports, taxes, labour standards, reclamation obligations and other matters. It is possible that future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of permits and agreements applicable to the Company or its properties which could have a material adverse impact on the Company's operations and exploration programs and future development projects.

On October 31, 2013 the Mexican government approved a tax reform package which was published in the Mexican Official Gazette on December 11, 2013 which became effective January 1, 2014. On January 23, 2013 the Honduran government passed a new mining law in Honduras which increased royalties and taxation and amended certain environmental regulations which will increase the Company's operating cost base in Honduras.

Where required, obtaining necessary permits and licences can be a complex, time consuming process and there can be no assurance that required permits will be obtainable on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from proceeding with the development of an exploration project or the operation or further development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities, which could have an adverse effect on the business, financial condition or results of operation of the Company.

### ***Increase in Production Costs***

Changes in the Company's production costs could have a major impact on its profitability. Its principal production expenses are contractor costs, materials, personnel costs and energy. Changes in costs at the Company's mining and processing operations could occur as a result of unforeseen events, including international and local economic and political events, increased costs (including explosives, oil, steel, cyanide and other consumables), union demands and scarcity of labour, and could result in changes in profitability or reserve estimates. Many of these factors may be beyond the Company's control.

The Company relies on third party suppliers for a number of raw materials. Any material increase in the cost of raw materials, or the inability of the Company to source viable and economic alternative third party suppliers for the supply of its raw materials, could have a materially adverse effect on the Company's results of operations or financial position.

### ***Infrastructure***

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, railways, power sources and water supply are important determinants affecting capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

### ***Environmental and Safety Regulations and Risks***

Environmental laws and regulations may affect the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn temporarily where there is evidence of serious breaches of environmental laws and regulations, health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or non-compliance with environmental laws or regulations. The Company seeks to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards, as discussed further under the heading "*Description of the Business – Social and Environmental Policies*". There is a risk that environmental laws and regulations may become more onerous, making it more costly for the Company to remain in compliance with such laws and regulations. Details and quantification of Aura Minerals' mine closure and restoration obligations are set out in Note 14 to the Company's audited consolidated financial statements for the year ended December 31, 2015.

### ***Competition, Retention of Key Personnel***

The mining industry is intensely competitive in all of its phases and the Company competes with many companies that possess greater financial and technical resources. Competition in the metals and mining industry is primarily for mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such

properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine metals, but conduct refining and marketing operations on a global basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining and metals industry could materially and adversely affect the Company's prospects for mineral exploration and success in the future.

The success of the Company is dependent on senior management. The experience of these individuals will be a factor contributing to the Company's continued success and growth. The loss of one or more of these individuals could have a material adverse affect on the Company's business prospects.

### ***Uncertainty in the Estimation of Mineral Resources and Reserves***

To extend the lives of its mines and projects, ensure the continued operation of the business and realize its growth strategy, it is essential that the Company convert NI 43-101 compliant mineral resources into mineral reserves, continue to develop its resource base through the realization of identified mineralized potential, and/or undertake successful exploration or acquire new resources.

The figures for mineral resources and reserves contained in the Company's continuous disclosure documents filed on SEDAR ([www.sedar.com](http://www.sedar.com)) are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that the mineral resources and reserves could be mined or processed profitably. Actual reserves, if any, may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may be below the estimated levels. There are numerous uncertainties inherent in estimating mineral resources and reserves, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the mineral resources and reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Lower market prices, increased production costs, the presence of deleterious elements, reduced recovery rates and other factors may result in revision of its resource and reserve estimates from time to time or may render Aura Minerals' resources and reserves uneconomic to exploit. Resource and reserve data is not indicative of future results of operations. If Aura Minerals' actual mineral resources and reserves are less than current estimates or if the Company fails to develop its resource base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected.

### ***Currency Risk***

Fluctuations in currency exchange rates may significantly impact the Company's earnings and cash flows. The appreciation of the Honduran lempira, Brazilian real and Mexican peso against the US dollar would increase the cost of exploration, development and operation of the Company's mineral properties located in Honduras, Brazil and Mexico which could have a material adverse effect on the financial condition, results of operations or cash flow results of the Company. The inability of the Company to obtain or to put in place effective currency hedges could materially increase exposure to fluctuations in the currencies, which could affect the Company's financial position and operating results.

### ***Write-downs and Impairments***

Mining and mineral interests are the most significant assets of the Company and represent capitalized expenditures related to the development of mining properties and related plant and equipment and the value assigned to exploration potential on acquisition. The costs associated with mining properties are separately allocated to exploration potential, reserves and resources and include acquired interests in production, development and exploration-stage properties representing the fair value at the time they were acquired. The values of such mineral properties are primarily driven by the nature and amount of material interests believed to be contained or potentially contained, in properties to which they relate.

The Company reviews and evaluates its mining interests for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable, which becomes more of a risk in the global economic conditions that exist currently. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Company's financial position and results of operation. Refer to Note 11 to the Company's audited consolidated financial statements for the year ended December 31, 2015.

In addition, with a weaker global economy, there is a larger risk surrounding inventory valuations. The assumptions used in the valuation of work-in process inventories by the Company include estimates of gold contained in the ore stacked on leach pads, assumptions of the amount of gold stacked that is expected to be recovered from the leach pads, assumptions of the amount of copper that will be crushed for concentrate, assumptions of the amount of gold and copper in these mill circuits and an assumption of the gold and copper price expected to be realized when the gold and copper is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its work-in-process inventories, which would reduce the Company's results and financial position.

### ***Mineral Titles***

Although the Company has obtained title opinions for the principal properties that it owns, controls or has the right to acquire by option or agreement, there is no guarantee that title to such mineral property interests will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. There may be valid challenges to the title of the mineral property interests which, if successful, could impair development and/or operations.

### ***Market Price of Common Shares***

The common shares are listed on the TSX. The price of the Common Shares is likely to be significantly affected by short-term changes in gold and/or copper prices or in the Company's financial condition or results of operations as reflected in its quarterly and annual earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not continue to follow the Company's securities; the lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Common Shares; and the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

### ***Insurance and Uninsured Risks***

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, catastrophic equipment failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration, development and production is not generally available to the Company or

to other companies in the mining industry on acceptable terms. Aura Minerals might also become subject to liability for pollution or other hazards that may not be insured against or that the Company may elect not to insure against because of premium costs or other reasons. Losses from these events or delays in cash receipt from an insurance claim recovery may cause Aura Minerals to incur significant costs and cash outflows that could have a material adverse effect upon its financial performance and results of operations.

### ***Risks Inherent in Acquisitions***

The Company may actively pursue the acquisition of exploration, development and production assets consistent with its acquisition and growth strategy. From time to time, the Company may also acquire securities of or other interests in companies with respect to which it may enter into acquisitions or other transactions. Acquisition transactions involve inherent risks, including but not limited to: accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates; ability to achieve identified and anticipated operating and financial synergies; unanticipated costs; diversion of management attention from existing business; potential loss of the Company's key employees or key employees of any business acquired; unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and decline in the value of acquired properties, companies or securities.

To acquire properties and companies, the Company may be required to use available cash, incur debt, issue additional Common Shares or other securities, or a combination of any one or more of these. This could affect the Company's future flexibility and ability to raise capital, to explore, develop and operate its properties and could dilute existing shareholders and decrease the trading price of the Common Shares. There is no assurance that when evaluating a possible acquisition, the Company will correctly identify and manage the risks and costs inherent in the business to be acquired. There may be no right for the Company shareholders to evaluate the merits or risks of any future acquisition undertaken by the Company, except as required by applicable laws and regulations.

Any one or more of these factors or other risks could cause the Company not to realize the anticipated benefits of an acquisition of properties or companies, and could have a material adverse effect on the Company's financial condition.

### ***Litigation***

Legal proceedings may arise from time to time in the course of the Company's business. There have been a number of cases where the rights of mining and exploration companies have been the subject of litigation. The Company cannot guarantee that such litigation will not be brought against it in the future or that it may be subject to any other form of litigation.

## **TRANSFER AGENTS AND REGISTRARS**

The Company's transfer agent and registrar for its Common Shares is TMX Equity Transfer Services, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1.

## **INTERESTS OF EXPERTS**

The following persons and companies have prepared or certified a statement, report, valuation or opinion on behalf of the Company as follows during the twelve months ended December 31, 2015, and to the date of this AIF:

- PricewaterhouseCoopers LLP ("PwC") prepared an audit report as auditors of the Company for the financial year ended December 31, 2015. PwC has advised the Company that they are independent of the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.
- Farshid Ghazanfari, M.Sc., P.Geo, Resource Manager-Consultant prepared the Mineral Resource and Mineral Reserve updates as of December 31, 2015 for the San Andres and Sao Francisco Mines.

The aforementioned companies and persons held either less than one percent or no securities of the Company or of any

associate or affiliate of the Company when they prepared the reports referred to, or following the preparation of the reports, and did not receive any direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of such reports.

### ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, is contained in the Company's information circular for its most recent annual meeting of shareholders that involves the election of directors. Financial information is provided in the Company's annual audited consolidated financial statements for the year ended December 31, 2015 and the MD&A relating thereto and may be found on SEDAR or be obtained free of charge by contacting the Company.

### AUDIT COMMITTEE DISCLOSURE

Pursuant to National Instrument 52-110 – *Audit Committees* (“NI 52-110”), companies that are required to file an AIF are required to provide certain disclosure with respect to their audit committee.

**Overview.** The Audit Committee is responsible for monitoring the Company's systems and procedures for financial reporting and internal controls, reviewing certain public disclosure documents and monitoring the performance and independence of the Company's external auditors. The committee is also responsible for reviewing the Company's annual audited financial statements, unaudited quarterly financial statements and management's discussion and analysis of financial results of operations for both annual and interim financial statements and review of related operations prior to their approval by the Board.

**The Audit Committee's Charter.** The Board has adopted a charter for the Audit Committee which sets out the committee's mandate, organization, powers and responsibilities. A copy of the charter reproduced below.

**Composition of the Audit Committee.** As of the date of this AIF the Audit Committee consists of Patrick Mars (Chairman), William Murray and Stephen Keith. The Audit Committee met four times during the most recently completed financial year, with all three members of the committee in attendance at each meeting. During this period, each member of the Audit Committee has been “independent” and “financially literate”, in accordance with National Instrument 52-110, “*Audit Committees*”.

**Relevant Education and Experience.** Please see the description of the education and experience of each of the Company's three current Audit Committee members, which is relevant to the performance of his or her responsibilities as an Audit Committee member, under the heading “*Directors and Officers*”.

**Pre-Approval Policies and Procedures.** Pursuant to its charter, the Audit Committee has the sole authority to pre-approve all non-audit services (including fees, terms and conditions for the performance of such services) to be performed by the external auditors.

**External Auditor Service Fees.** The following table discloses the fees (exclusive of HST and disbursements) billed to the Company by its external auditor in each of the last two financial years:

Financial Year End	Audit Fees <sup>(1)</sup>	Audit Related Fees <sup>(2)</sup>	Tax Fees	All Other Fees
December 31, 2015	Est \$594,500	Nil	Nil	Nil
December 31, 2014	\$605,500	58,000	Nil	Nil

Notes:

- (1) The aggregate fees billed for audit services, including the preparation of an audit plan, audit of consolidated financial statements and review of the MD&A, preparation of report to Audit Committee, preparation of independent letter and internal control letter.
- (2) The aggregate fees billed for professional services rendered by the external auditor in connection with an internal review of the unaudited financial statements, attendance at audit committee meetings for the interim financial statements and all discussions and correspondence during the period

with directors and officers of the Company in connection with various assurances and financial matters; and fees for Brazilian and Honduran statutory audits.

## **AUDIT COMMITTEE CHARTER**

The text of the Audit Committee's charter is reproduced below:

### **A. PURPOSE**

The Audit Committee (the "Committee") shall assist the Board in its oversight of the financial reporting process, the independent external auditor, independent internal audit personnel, risk management and compliance with applicable laws, rules and regulations.

### **B. STRUCTURE AND OPERATIONS**

The Committee shall be composed of not less than three directors, all of whom shall be independent and financially literate as defined in Multilateral Instrument 52-110, *Audit Committees*.

Members of the Committee shall be appointed or reappointed at the meeting of the Board, immediately following the AGM, and in the normal course of business will serve a minimum of three years. Each member shall continue to be a member of the Committee until a successor is appointed, unless the member resigns, is removed or ceases to be a director. The Board may fill a vacancy that occurs in the Committee at any time.

The Board or, in the event of its failure to do so, the members of the Committee, shall appoint or reappoint, at the meeting of the Board immediately following the AGM, a chairman among their number. The chairman shall serve as a liaison between the Committee and Management.

Meetings of the Committee shall be held at least quarterly, provided that due notice is given and a quorum of the majority of the members is present. Where a meeting is not possible, resolutions in writing which are signed by all members of the Committee are as valid as if they had been passed at a duly held meeting. The frequency and nature of the meeting agendas are dependent upon business matters and affairs which the Company faces from time to time.

The Committee shall report to the Board on its activities after each of its meetings. In addition, it shall review and assess the adequacy of this charter annually and, where necessary, recommend changes to the Board for approval. The Committee shall undertake and review with the Board an annual performance evaluation of the Committee.

### **C. SPECIFIC DUTIES**

#### **I. Oversight of the External Auditor and Internal Audit Personnel**

- (a) Recommend to the Board the external auditor to be nominated and the compensation to be paid for preparing and issuing an auditor's report or performing related work.
- (b) Direct responsibility for overseeing the work of the external auditor (including resolution of disagreements between Management and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The external auditor shall report directly to the Committee.
- (c) Sole authority to pre-approve all audit services as well as non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the external auditor.
- (d) Evaluate the qualifications, performance and independence of the external auditor, including (i) reviewing and evaluating the lead partner on the external auditor's engagement with the Company, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- (e) Receive the reports of the internal audit personnel and external auditors, review and assess the findings and the responses and actions taken or proposed by Management.

- (f) Obtain and review a report from the external auditor at least annually regarding: the external auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more external audits carried out by the firm; any steps taken to deal with any such issues; and all relationships between the external auditor and the Company.
- (g) Review and discuss with Management and the external auditor, prior to the annual audit, the scope, planning and staffing of the annual audit.
- (h) Review and approve the rotation of the lead (or coordinating) audit partner having primary responsibility for the external audit activities and the audit partner responsible for reviewing the statutory audit as required by law.
- (i) Review, if applicable, the Company's intended hiring of partners and employees or former partners and employees of the external auditor.
- (j) Ensure that the emphasis of the audits (external and internal) is placed on areas where the Committee, Management or the auditors believe special attention is warranted.
- (k) Review the activities, organizational structure and effectiveness of the internal audit personnel.
- (l) Review and approve the planned internal audit program prior to the beginning of each year.
- (m) Act as a conduit whereby the internal audit personnel and external auditors can bring any concerns to the attention of the Board.

## II. Financial Reporting

- (a) Review and discuss with Management and the external auditor the annual audited financial statements and quarterly financial statements prior to publication.
- (b) Review and discuss with Management the Company's annual and quarterly disclosures made in Management's Discussion and Analysis. The Committee shall approve any reports for inclusion in the Company's Annual Report, as required by applicable legislation.
- (c) Review and discuss with Management, the internal audit personnel and the external auditor Management's report on its assessment of internal controls over financial reporting.
- (d) Review and discuss with Management and the external auditor at least annually significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.
- (e) Review and discuss with Management and the external auditor at least annually reports from the external auditors on: critical accounting policies and practices to be used; significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements; alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor; and other material written communications between the external auditor and Management, such as any management letter or schedule of unadjusted differences.
- (f) Discuss with the external auditor at least annually any "Management" or "internal control" letters issued or proposed to be issued by the external auditor to the Company.
- (g) Review and discuss with Management, the internal audit personnel and the external auditor at least annually any significant changes to the Company's accounting principles and practices suggested by the external auditor, internal audit personnel or Management as well as the procedures undertaken in connection with the CEO and the Chief Financial Officer ("CFO") certifications for the annual filings with applicable securities regulatory authorities.
- (h) When applicable, discuss with Management the Company's quarterly and annual press releases disclosing earnings and other financial information, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance (if any) provided to analysts and rating agencies.
- (i) Review and discuss with Management and the external auditor, if applicable, at least annually the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
- (j) Review disclosures made by the Company's President and CEO and CFO during their certification process for the annual filing with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving Management or other employees who have a significant role in the Company's internal controls.
- (k) Discuss with the Company's General Counsel at least annually any legal matters that may have a material impact on

the financial statements, operations, assets or compliance policies and any material reports or inquiries received by the Company or any of its subsidiaries from regulators or governmental agencies.

III. Oversight of Risk Management

Review and discuss periodically the Company's risk philosophy and risk management policies.

IV. Oversight of Regulatory Compliance

- (a) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- (b) Discuss with Management and the external auditor at least annually any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting.
- (c) Meet with the Company's regulators, according to applicable law.
- (d) Exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board.

V. Retention and Funding of Independent Advisors

The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the external auditor for the purpose of issuing an audit report and performing related work. The Committee shall also have the authority to retain such other independent advisors as it may from time to time deem necessary or advisable for its purposes and the payment of compensation therefore shall also be funded by the Company.