



Management's Discussion and Analysis

(in United States Dollars, unless otherwise stated)

For the three and nine months ended September 30, 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

TABLE OF CONTENTS

OVERVIEW OF THE BUSINESS	3
HIGHLIGHTS	4
OUTLOOK AND STRATEGY	5
YOUNG-DAVIDSON.....	6
EL CHANATE	8
EXPLORATION REVIEW	10
SUMMARIZED FINANCIAL AND OPERATING RESULTS.....	10
CONSOLIDATED EXPENSES	13
CONSOLIDATED INCOME TAX EXPENSE	14
FINANCIAL CONDITION	14
LIQUIDITY AND CAPITAL RESOURCES	15
CONTRACTUAL OBLIGATIONS	16
OUTSTANDING SHARE DATA.....	17
OFF-BALANCE SHEET ARRANGEMENTS.....	17
FINANCIAL INSTRUMENTS	17
TRANSACTIONS WITH RELATED PARTIES	17
EVENTS AFTER THE REPORTING PERIOD	18
NON-GAAP MEASURES	18
RISKS AND UNCERTAINTIES.....	21
CRITICAL ACCOUNTING ESTIMATES, POLICIES AND CHANGES.....	22
CONTROLS AND PROCEDURES	24
SUMMARY OF QUARTERLY FINANCIAL AND OPERATING RESULTS	25
CAUTIONARY NOTE TO U.S. INVESTORS.....	26
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS.....	26

This Management's Discussion and Analysis ("MD&A"), dated November 6, 2014, relates to the financial condition and results of the consolidated operations of AuRico Gold Inc. (the "Company"), and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2013, unaudited condensed consolidated interim statements for the three and nine months ended September 30, 2014, and notes thereto. The consolidated financial statements for the years ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"), and the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2014 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. All results are presented in United States dollars ("US dollar" or "\$"), unless otherwise stated.

The first, second, third and fourth quarters of the Company's fiscal year are referred to as "Q1", "Q2", "Q3" and "Q4", respectively.

Statements are subject to the risks and uncertainties identified in the Risks and Uncertainties and Cautionary Note regarding Forward-Looking Statements sections of this document. U.S. investors are also advised to refer to the section entitled Cautionary Note to U.S. Investors on page 26.

OVERVIEW OF THE BUSINESS

AuRico Gold Inc. is a Canadian gold producer with mines and projects in North America. The Company's operations include the Young-Davidson mine in Ontario, Canada and the El Chanate mine in Sonora, Mexico. The Company's project pipeline also includes exploration and development opportunities in Canada and Mexico.

The Company's common shares are listed on the Toronto Stock Exchange (TSX: AUQ) and the New York Stock Exchange (NYSE: AUQ). Further information about AuRico Gold Inc. can be found in the Company's regulatory filings, including the Annual Information Form for the year ended December 31, 2013, available on SEDAR at www.sedar.com, on EDGAR at www.sec.gov, and on the Company's website at www.auricogold.com.

The Company's performance is largely dependent on the price of gold, which directly affects the Company's profitability and cash flow. The price of gold is subject to volatile price movements during short periods of time and is affected by numerous factors, such as the strength of the US dollar, supply and demand, interest rates, and inflation rates, all of which are beyond the Company's control. During Q3 2014, the London PM Fix price of gold averaged \$1,282 per ounce, a 3% decrease from the London PM Fix average of \$1,326 during Q3 2013. During Q3 2014, daily London PM Fix prices ranged between \$1,214 and \$1,340 per ounce.

At the Company's mine sites, a significant portion of the operating costs and capital expenditures are denominated in foreign currencies, including Mexican pesos and Canadian dollars. Therefore, fluctuations in these foreign currencies against the US dollar can significantly impact the Company's costs. The Mexican peso and Canadian dollar averaged approximately 13.1 to 1.0 US dollar and 1.09 to 1.0 US dollar, respectively, in Q3 2014, compared to average rates of 12.9 to 1.0 US dollar and 1.04 to 1.0 US dollar, respectively, in Q3 2013.

For additional information on the factors that affect the Company, see the discussion of Risks and Uncertainties on page 21.

HIGHLIGHTS

(in thousands, except ounces, all-in sustaining costs and total cash costs)

	Quarter Ended		Quarter Ended			
	September 30		September 30		Change	Change
	2014		2013			
Gold ounces produced ⁽¹⁾	57,037		38,456		18,581	48%
Pre-production gold ounces produced ⁽¹⁾	-		10,447		(10,447)	-100%
Total gold ounces produced	57,037		48,903		8,134	17%
Revenue from mining operations	\$	73,505	\$	54,304	\$	19,201
(Loss) / earnings from operations	\$	(7,337)	\$	12,230	\$	(19,567)
Operating cash flow	\$	2,788	\$	24,338	\$	(21,550)
Cash costs per gold ounce, net of by-product revenues and NRV adjustments ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	\$	706	\$	628	\$	78
All-in sustaining costs per gold ounce sold, net of by-product revenues and NRV adjustments ⁽¹⁾⁽²⁾⁽⁴⁾	\$	1,101	\$	1,210	\$	(109)

⁽¹⁾ The Young-Davidson underground mine declared commercial production on October 31, 2013, and therefore, all underground ounces are excluded from consolidated cash costs and consolidated all-in sustaining costs prior to this date. Pre-production ounces produced and sold are excluded from consolidated ounces produced and sold as these ounces were credited against capitalized project costs.

⁽²⁾ See the Non-GAAP Measures section on page 18.

⁽³⁾ For 2014, cash costs per gold ounce are calculated using gold ounces sold at the El Chanate and Young-Davidson mines. For 2013, cash costs per gold ounce are calculated using gold ounces sold at the El Chanate mine and ounces produced at the Young-Davidson mine.

⁽⁴⁾ For further discussion on the net realizable value ("NRV") adjustments recognized on ore inventories at the Young-Davidson and El Chanate mines during the quarter, refer to pages 7 and 9.

RECENT DEVELOPMENTS

- On November 6, 2014, the Company's Board of Directors approved a dividend of \$0.00225 per share, payable to shareholders of record on November 17, 2014.
- On September 18, 2014, the Company announced the appointment of Janice Stairs, LLB, MBA, to the Board of Directors of the Company. The Company also announced that Dr. Luis Chavez resigned his position as director of the Company, but remained the Company's Senior Vice President, Mexico.
- On September 17, 2014, the Company completed a flow-through financing for gross proceeds of \$4.6 million (\$5.0 million Canadian dollars ("CAD")). As a result, the Company issued 833,334 common shares at a price of CAD \$6.00 per share. All proceeds will be used to fund exploration expenditures at the Company's Kemess property.
- On August 7, 2014, the Company's Board of Directors approved a dividend of \$0.00375 per share, payable to shareholders of record on August 18, 2014. On May 8, 2014, the Company's Board of Directors approved a dividend of \$0.02 per share, payable to shareholders of record on May 20, 2014, and paid on June 3, 2014.
- On April 3, 2014, the Company paid \$173.0 million, including \$0.03 million of accrued interest, to complete the cash tender offer initially announced on March 6, 2014 to redeem all of the outstanding convertible senior notes. The consideration offered and paid was \$1,040 per \$1,000 note outstanding plus accrued and unpaid interest to the payment date. The Company received tender offers for \$166.4 million of the \$167.0 million principal amount outstanding.
- On March 27, 2014, the Company completed an offering of \$315.0 million senior secured notes due 2020. The notes were issued with a coupon of 7.75% and sold at 96.524% of par, resulting in net proceeds to the Company of \$304.1 million. The Company repaid the \$75.0 million drawn against the credit facility on March 28, 2014 after the completion of the senior secured notes offering. The completion of this offering enabled the Company to extend the maturity date of outstanding debt and provides additional cash for general corporate purposes, which may include funding capital expenditures to support organic growth.

OUTLOOK AND STRATEGY

AuRico Gold Inc. is committed to being a leading low cost gold producer focused on growth in North America. The Company's mission is to deliver superior shareholder value by building a culture of excellence in every aspect of what we do, through organic growth, exploration, accretive industry consolidation, and commitment to socially responsible practices within the communities in which we work. The Company will continue to optimize its operations to deliver reliable, consistent and sustainable performance over the life of its mining operations. The Company's focus is on the production of high margin ounces combined with a disciplined approach to cost containment and capital spending along with a commitment to shareholder value creation.

Production from the Young-Davidson mine is expected to be between 140,000 and 160,000 ounces in 2014, representing up to a 33% increase over 2013 production. In 2014, the Company has continued to advance underground development to optimize exploitation of ore reserves, which is expected to position the mine for sustainable, period-over-period, productivity increases in 2015 and beyond. The shaft hoisting system has, and will continue to, facilitate significant increases in underground activities and corresponding cost efficiencies.

Young-Davidson open pit mining operations ceased during the second quarter of 2014 as the short-life open pit was fully depleted. As of September 30, 2014, approximately 2.8 million tonnes of open pit ore, at an average grade of 0.75 grams per tonne, was stockpiled ahead of the mill facility for future processing. Going forward, mill feed from the underground mine will be supplemented by the stockpiled ore while underground mining levels ramp up to mill capacity.

Production from the El Chanate mine is expected to be between 70,000 and 80,000 ounces in 2014, consistent with production in 2013. Following a successful drilling program in the prior year, in 2014 the Company has and will continue to focus on follow-up drilling in the three key areas of mineralization that were identified outside the open pit as well as the El Chanate Deeps area located under the current open pit floor. The Company has also begun fieldwork to identify new potential targets on the Company's expanded land package located northwest and southeast of the mine site, which provides access to an additional 20 kilometres along the prospective El Chanate Trend.

During 2014, the Company expects to produce 210,000 to 240,000 ounces of gold on a consolidated basis at all-in sustaining costs of approximately \$1,100 to \$1,200 per gold ounce, representing up to a 25% increase over 2013 production with consistent all-in sustaining costs. Consolidated operating cash flows are expected to improve in the fourth quarter, mainly driven by forecasted margin improvements at Young-Davidson due to the ramp up of the underground mine.

During the first nine months of the year, accelerated capital investment initiatives at Young-Davidson have supported higher than expected productivity throughout the operation as follows: (1) underground development rates have exceeded plan and support productivity levels that position the mine to meet, or potentially exceed, the year-end target of 4,000 tonnes per day ("TPD"), (2) the run-rate of the mill facility has increased to the current 8,000 TPD, excluding the impact of a 4 day scheduled maintenance shut-down during Q3, through the addition of two leach tanks and a pebble recycle conveyor system, and (3) the sinking of the MCM shaft is currently ten weeks ahead of schedule. As a result of this accelerated capital investment, on August 7, 2014, the Company increased its 2014 capital expenditure forecast at Young-Davidson from approximately \$110 million to approximately \$135 million. Notwithstanding the increase in capital investment, the Company expects that in the current gold price environment, the mine will achieve free cash flow in the fourth quarter of 2014.

The Company expects to spend approximately \$15 million on exploration during 2014. The exploration program will continue to focus on increasing mineral reserves and resources at the Company's existing operations, as well as continuing to explore new and previously identified targets at all properties. Further details are provided on page 10.

During Q3 2014, the London PM fix was consistent with the prior quarter at an average price of \$1,282 per gold ounce compared to an average price of \$1,288 per gold ounce in Q2 2014. Although the Company expects 2014 capital expenditures to exceed operating cash flows at current gold prices, the Company anticipates that free cash flow will improve in the fourth quarter. The Company has the ability to fund the forecasted shortfall with cash on hand, and also has the full capacity available under its credit facility.

On February 6, 2014, the Company provided 2014 guidance for the El Chanate and Young-Davidson mines. As previously discussed, on August 7, 2014, the Company revised its capital expenditure guidance. These press releases, which set out this 2014 guidance, are available on SEDAR at www.sedar.com, on EDGAR at www.sec.gov, and on the Company's website at www.auricogold.com.

YOUNG-DAVIDSON

The Company owns the Young-Davidson mine, located near the town of Matachewan in Northern Ontario, Canada. The property consists of contiguous mineral leases and claims totaling 4,733 hectares and is situated on the site of two past producing mines that produced one million ounces during the 1930s – 1950s. The Young-Davidson open pit mine achieved commercial production on September 1, 2012, upon the completion of construction activities associated with surface infrastructure and the processing plant, and upon achieving sustained targeted daily tonnage rates in both the open pit and mill. On October 31, 2013, the Company declared commercial production at the Young-Davidson underground mine following the commissioning of the shaft hoisting system.

In January 2014, the Young-Davidson paste backfill plant was commissioned and completed its first pour. In 2012, the mine plan was re-engineered to utilize paste backfill to allow for significantly improved mining recovery and reduced dilution.

In February 2014, the Company received the necessary permits to increase the daily processing limit of the Young-Davidson mill facility to 10,000 TPD from the previous 8,000 TPD. While the mill facility is expected to average approximately 7,500 TPD in 2014, and approximately 8,000 TPD during the second half of 2014, this future increase in throughput capacity will provide considerable flexibility as the underground mine continues ramping up to its target of 8,000 TPD at the end of 2016. This productivity upgrade provides organic growth optionality that could permit early treatment of the longer term stockpile inventory, and potentially enhance the Company's future cash flow profile.

YOUNG-DAVIDSON OPERATIONAL REVIEW

	Quarter Ended September 30 2014	Quarter Ended September 30 2013	Nine Months Ended September 30 2014	Nine Months Ended September 30 2013
Underground Operations				
Tonnes of ore mined	345,256	130,344	907,373	378,640
Average grade of gold ⁽¹⁾	3.08	2.78	3.09	2.65
Metres developed	3,269	2,620	10,586	7,006
Open Pit Operations				
Total tonnes mined	-	2,798,326	3,392,509	8,972,560
Tonnes of ore mined	-	724,626	1,343,083	2,471,681
Average grade of gold ⁽¹⁾	-	1.25	0.99	1.20
Tonnes stockpiled ahead of the mill	2,832,371	2,406,463	2,832,371	2,406,463
Average grade of gold ⁽¹⁾	0.75	0.85	0.75	0.85
Mill Operations				
Tonnes of ore processed	705,621	620,744	2,099,278	1,841,191
Average grade of gold ⁽¹⁾	1.94	1.69	1.97	1.71
Average gold recovery rate	90%	89%	88%	87%
Gold ounces produced	40,538	19,652	115,808	59,639
Pre-production gold ounces produced ⁽²⁾	-	10,447	-	27,993
Total gold ounces produced	40,538	30,099	115,808	87,632
Gold ounces sold	41,072	22,127	119,448	64,047
Pre-production gold ounces sold ⁽²⁾	-	10,355	-	28,423
Total gold ounces sold	41,072	32,482	119,448	92,470

⁽¹⁾ Grams per tonne.

⁽²⁾ Includes all underground ounces produced and sold prior to declaration of commercial production on October 31, 2013.

The Company mined 345,256 ore tonnes, or 3,753 TPD, from the Young-Davidson underground mine during Q3 2014, at a grade of 3.08 gold grams per tonne. During the nine months ended September 30, 2014, the Company mined 907,373 ore tonnes, or 3,324 TPD, at a grade of 3.09 gold grams per tonne. Mining rates have increased significantly from the 1,417 TPD and 1,387 TPD realized during the three and nine months ended September 30, 2013 due to the commissioning of the mid-shaft crushing and hoisting system and the declaration of commercial production in the fourth quarter of 2013. Underground mine grades exceeded the reserve grade estimates due to stope sequencing in the current quarter.

The Young-Davidson open pit mine ceased operations in early June 2014 when it reached the end of its life. Prior to ceasing operations, the Company mined 1,343,083 ore tonnes in the open pit in 2014 at a grade of 0.99 gold grams per tonne. At the end of Q3 2014, the Company had 2,832,371 tonnes of low grade ore stockpiled ahead of the mill at an average grade of 0.75 gold grams per tonne.

During Q3 2014, the Company processed 705,621 tonnes, or 7,670 TPD, at the Young-Davidson mill facility, with gold grades averaging 1.94 grams per tonne. This included four days of downtime for scheduled mill reline activities, and represents a 14% increase over the 620,744 tonnes processed in Q3 2013. The increased throughput resulted from continued operating efficiencies, and was also enabled by the receipt of the 10,000 TPD permit. Mill recoveries during the third quarter increased to

90%, which is an improvement over recoveries realized in prior periods and is expected to be sustained going forward. During the nine months ended September 30, 2014, the Company processed 2,099,278 tonnes, or 7,690 TPD, at the Young-Davidson mill facility, with gold grades averaging 1.97 grams per tonne. This represents a 14% increase over the 1,841,191 tonnes processed in the same period of the prior year.

Young-Davidson produced 40,538 gold ounces during Q3 2014 compared to 30,099 total ounces produced in Q3 2013. This significant increase in production was due to the higher tonnage and grade processed resulting from the greater contribution of underground ore, and improved processing recoveries. During the nine months ended September 30, 2014, Young-Davidson produced 115,808 gold ounces compared to 87,632 produced during the nine months ended September 30, 2013. Q3 2014 represents the ninth consecutive quarterly increase in production at Young-Davidson.

YOUNG-DAVIDSON FINANCIAL REVIEW

(in thousands, except total cash costs)

	Quarter Ended September 30 2014		Quarter Ended September 30 2013		Nine Months Ended September 30 2014		Nine Months Ended September 30 2013	
Revenue from mining operations	\$	52,804	\$	29,584	\$	153,866	\$	93,019
Production costs	\$	33,112	\$	11,501	\$	107,642	\$	45,677
Refining costs	\$	41	\$	38	\$	122	\$	107
Amortization and depletion	\$	23,171	\$	7,942	\$	77,667	\$	25,252
(Loss) / earnings from operations	\$	(3,520)	\$	10,103	\$	(31,565)	\$	21,983
Cash flow from operations	\$	15,178	\$	14,793	\$	31,024	\$	46,379
Capital expenditures	\$	(37,416)	\$	(63,741)	\$	(114,261)	\$	(146,496)
Net free cash flow ⁽¹⁾	\$	(22,238)	\$	(48,948)	\$	(83,237)	\$	(100,117)
Cash costs per gold ounce, net of by-product revenues and NRV adjustments ⁽¹⁾⁽²⁾	\$	723	\$	666	\$	862	\$	692
Cash costs per gold ounce, net of by-product revenues ⁽¹⁾⁽²⁾	\$	804	\$	499	\$	890	\$	697

⁽¹⁾ See the Non-GAAP Measures section on page 18.

⁽²⁾ For 2014, cash costs per gold ounce are calculated based on ounces sold. For 2013, cash cost per gold ounces are calculated based on ounces produced.

During Q3 2014, Young Davidson recognized revenues of \$52.8 million and a loss from operations of \$3.5 million compared to revenues of \$29.6 million and earnings from operations of \$10.1 million in Q3 2013. Revenues increased in Q3 2014 as a result of increased gold ounces sold, partially offset by lower realized gold prices. In Q3 2013, revenue associated with underground pre-production ounces was credited against capitalized costs. Year-to-date, Young-Davidson recognized revenues of \$153.9 million and a loss from operations of \$31.6 million.

Q3 2014 production costs were \$33.1 million compared to \$11.5 million in the third quarter of 2013. Production costs increased due to the addition of underground costs subsequent to the declaration of commercial production on October 31, 2013. Prior to that date, production costs related to underground ounces produced were capitalized. During the third quarter, the Company recognized a non-cash NRV adjustment of \$5.5 million on low grade long-term stockpile inventory due to a decline in the price of gold. Of this amount, \$3.3 million was recognized in production costs and \$2.2 million was recognized in amortization and depletion. During Q2 2013, the company recognized an NRV adjustment of \$5.2M million on low grade long-term stockpile inventory due to a significant decline in the price of gold between March 31, 2013 and June 30, 2013. During Q3 2013, as a result of an increase in the gold price, the Company recognized an NRV reversal adjustment of \$4.7M. Of this amount, \$3.3M was recognized as a credit to production costs and \$1.4M was recognized as a credit to amortization and depletion.

In addition, Q3 2014 cash costs per gold ounce, net of by-product revenues and NRV adjustments, were \$723, representing a 9% increase from the same period in 2013. The increased cost per ounce was due primarily to lower grade of stockpile ore processed during the quarter. The increase in production costs was partially offset by the favourable weakening in the Canadian dollar in the current quarter.

Production costs for the nine months ended September 30, 2014 of \$107.6 million were also impacted by the addition of underground costs subsequent to the declaration of underground commercial production in Q4 2013. Year-to-date, cash costs per gold ounce, net of by-product revenues and NRV adjustments, were \$862, representing a 25% increase from the same period in 2013. The increased cost per ounce was due primarily to a higher open pit operating strip ratio, higher open pit mining cost per tonne and lower grade of open pit ore processed.

The loss from operations in the three and nine months ended September 30, 2014 resulted from higher production costs and amortization and depletion expense as compared to the same periods in 2013. Amortization and depletion expense has increased due to the addition of depletion expense from the underground mine, and the depletion of stripping costs capitalized in prior periods as the open pit approached the end of its mine life. Amortization and depletion expense per ounce has begun to decline in the third quarter, subsequent to the cessation of mining in the open pit.

During Q3 2014, capital expenditures at Young-Davidson of \$37.4 million exceeded operating cash flow of \$15.2 million, resulting in negative net free cash flow of \$22.2 million. Capital expenditures in Q3 2014 included \$15.2 million in site infrastructure, \$20.5 million in underground development, and \$1.7 in capitalized borrowing costs. During the first nine months of 2014, capital expenditures at Young-Davidson of \$114.3 million exceeded operating cash flow of \$31.0 million resulting in negative net free cash flow of \$83.2 million. Capital expenditures in the first nine months of 2014 included \$46.9 million in site infrastructure, \$65.3 million in underground development, and \$2.1 million in capitalized borrowing costs.

During the third quarter of 2014, the Company paid down \$6.9 million of construction related accounts payable balances, and continued the transition from contractor to in-house development. Capital expenditures at Young-Davidson are expected to decline in the fourth quarter of 2014.

EL CHANATE

The Company owns the El Chanate mine, located 37 kilometres northeast of the town of Caborca in the state of Sonora, Mexico. El Chanate consists of an open pit mine with heap leach processing facilities.

EL CHANATE OPERATIONAL REVIEW

	Quarter Ended September 30 2014	Quarter Ended September 30 2013	Nine Months Ended September 30 2014	Nine Months Ended September 30 2013
Open Pit Operations				
Total tonnes mined	8,707,195	8,034,921	25,829,952	26,606,116
Tonnes of ore mined	2,085,337	2,266,092	6,917,457	6,897,590
Capitalized stripping tonnes	3,748,477	4,134,032	9,830,243	12,948,338
Average grade of gold ⁽¹⁾	0.61	0.51	0.48	0.57
Tonnes stockpiled ahead of the heap leach pad	30,326	170,120	30,326	170,120
Average grade of gold ⁽¹⁾	0.51	0.60	0.51	0.60
Crushing and Heap Leach Operations				
Tonnes of ore crushed and placed on the heap leach pad	1,699,801	1,708,524	5,255,364	5,101,983
Average grade of gold processed ⁽¹⁾	0.71	0.62	0.58	0.70
Low grade ore placed on the heap leach pad	407,485	569,285	1,826,453	1,776,668
Average grade of gold processed ⁽¹⁾	0.19	0.19	0.20	0.19
Total tonnes of ore processed	2,107,286	2,277,809	7,081,817	6,878,651
Average grade of gold processed ⁽¹⁾	0.61	0.51	0.48	0.57
Gold ounces produced	16,499	18,804	51,641	55,444
Gold ounces sold	15,898	18,058	49,869	57,011

⁽¹⁾ Grams per tonne.

During Q3 2014, the Company mined 8,707,195 tonnes at the El Chanate open pit, including 2,085,337 ore tonnes, at an average grade of 0.61 gold grams per tonne. During the first nine months of 2014, the Company mined 25,829,952 tonnes, including 6,917,457 ore tonnes, at an average grade of 0.48 gold grams per tonne. While ore tonnes mined remained relatively consistent year-over-year, the decrease in average grades during 2014 compared to the prior year was due to mine sequencing.

Capitalized stripping activities totaled 3,748,477 and 9,830,243 tonnes during the third quarter and year-to-date 2014, compared to 4,134,032 and 12,948,338 tonnes during the same periods in 2013. The decrease during 2014 was due to the completion of the southeast push-back of the pit in 2013. Stripping activities at El Chanate represented a capital investment of \$6.3 million during the third quarter of 2014, compared to \$8.3 million in Q3 2013.

The Company crushed and placed 1,699,801 tonnes of ore from the open pit on the heap leach pad in Q3 2014, at an average rate of 18,476 TPD, consistent with the average rate during Q3 2013 of 18,571 TPD. During Q3 2014, the Company also placed 407,485 tonnes of low grade run-of-mine material on the heap leach pad. Total tonnes processed in Q3 2014 of 2,107,286 tonnes, or 22,905 TPD, were lower than total tonnes processed in Q3 2013 of 2,277,809, primarily due to the decrease in low grade run-of-mine ore. During the first nine months of 2014, the Company crushed and placed 5,255,364 tonnes of ore at an average rate of 19,250 TPD, consistent with the 18,689 TPD stacking rate in the first nine months of 2013.

The grade of ore crushed and placed averaged 0.71 gold grams per tonne during Q3 2014 compared to an average grade of 0.62 gold grams per tonne in Q3 2013. Year-to-date grades crushed and placed in 2014 averaged 0.58 gold grams per tonne compared to an average grade of 0.70 gold grams per tonne in 2013. The variances in grades in the current year periods versus prior year periods were largely due to the effects of mine sequencing. During Q3 2014, the grade of all material processed, including run-of-mine material, averaged 0.61 grams per tonne placed compared to 0.51 grams per tonne placed in Q3 2013.

During the quarter and year-to-date, El Chanate produced 16,499 and 51,641 gold ounces, respectively, compared to production of 18,804 and 55,444 gold ounces in the same periods of the prior year. The decrease period-over-period is primarily a result of the lower grade of crushed ore placed in 2014 as compared to the prior year.

EL CHANATE FINANCIAL REVIEW

(in thousands, except total cash costs)

	Quarter Ended September 30 2014		Quarter Ended September 30 2013		Nine Months Ended September 30 2014		Nine Months Ended September 30 2013	
Revenue from mining operations	\$	20,701	\$	24,720	\$	66,122	\$	83,830
Production costs	\$	12,351	\$	9,578	\$	34,405	\$	42,332
Refining costs	\$	79	\$	99	\$	293	\$	280
Amortization and depletion	\$	4,746	\$	3,939	\$	13,394	\$	12,385
Earnings / (loss) from operations ⁽¹⁾	\$	3,295	\$	10,822	\$	17,280	\$	(52,289)
Cash flow from operations	\$	1,886	\$	15,784	\$	12,561	\$	28,631
Capital expenditures	\$	(7,005)	\$	(11,745)	\$	(20,922)	\$	(33,806)
Net free cash flow ⁽²⁾	\$	(5,119)	\$	4,039	\$	(8,361)	\$	(5,175)
Cash costs per gold ounce, net of by-product revenues and NRV adjustments ⁽²⁾	\$	663	\$	588	\$	621	\$	586
Cash costs per gold ounce, net of by-product revenues ⁽²⁾	\$	731	\$	496	\$	643	\$	634

⁽¹⁾ Earnings from operations includes general and administrative expenses and impairment charges.

⁽²⁾ See the Non-GAAP Measures section on page 18.

The Company recognized revenues at El Chanate of \$20.7 million and earnings from operations of \$3.3 million during Q3 2014, compared to revenue of \$24.7 million and earnings from operations of \$10.8 million in Q3 2013. Year-to-date, the Company recognized revenues at El Chanate of \$66.1 million and earnings from operations of \$17.3 million, compared to revenue of \$83.8 million and losses from operations of \$52.3 million in the first nine months of 2013. This quarter-over-quarter and year-to-date decrease in revenue from operations was due to a decline in ounces sold in 2014 and a lower average realized gold price. During Q2 2013, the Company recognized a goodwill impairment charge of \$80.0 million at El Chanate due to a downward revision of the Company's gold price assumptions, which had a negative impact on earnings from operations in 2013.

Production costs during the three and nine months ended September 30, 2014 were \$12.4 million and \$34.4 million, respectively, compared to \$9.6 million and \$42.3 million in the same periods of 2013. During Q3 2014, as a result of declining gold prices, the Company recognized a non-cash NRV adjustment of \$1.6 million on ore in process heap leach inventory, of which \$1.2 million was recognized in production costs and \$0.4 million was recognized in amortization and depletion. In the second quarter of 2013, the Company recognized a non-cash NRV adjustment of \$7.1 million on ore in process heap leach inventory. During Q3 2013, \$2.6M of this NRV adjustment was reversed as a result of an increased gold price during the quarter. Of this reversal, \$2.4M was recognized as a credit to production costs and \$0.2M was recognized as a credit to amortization and depletion.

Cash costs per gold ounce, net of by-product revenues and NRV adjustments, were \$663 in the third quarter of 2014, an increase of 13% over cash costs per gold ounce of \$588 in the third quarter of 2013, which excluded the impact of the NRV reversal adjustment noted above. The quarter-over-quarter increase was due to an increase in the average cost of ore inventories, which resulted from lower grades stacked in the first half of the year and an increase in the operating strip ratio. Year-to-date cash costs per gold ounces were \$621, an increase of 6% over cash costs per gold ounce of \$586 in the same period of prior year, which also exclude the impact of the NRV adjustment and reversal in 2013.

During Q3 2014, capital expenditures of \$7.0 million at El Chanate exceeded operating cash flows of \$1.9 million, resulting in negative net free cash flow of \$5.1 million. The \$13.9 million decline in operating cash flow at El Chanate is due to an increase in ore inventories during Q3 2014 and the collection of a significant tax receivable in Q3 2013 which increased operating cash flow in that period. Capital expenditures in Q3 2014 included \$6.3 million in capitalized stripping activities, \$0.3 million in other sustaining capital and optimization initiatives, and \$0.4 million in exploration expenditures. During the first nine months of 2014, capital expenditures at El Chanate of \$20.9 million exceeded operating cash flows of \$12.6 million, resulting in negative free cash flow of \$8.4 million. Year-to-date capital expenditures at El Chanate included \$15.9 million in capitalized stripping activities, \$2.3 million in other sustaining capital and optimization initiatives, and \$2.7 million in exploration expenditures.

EXPLORATION REVIEW

EL CHANATE

During Q3 2014, the Company completed 21 holes consisting of 2,512 metres of reverse circulation drilling within the open pit, and 5 core holes consisting of 1,403 metres of drilling northwest and southeast of the open pit along the trend of the El Chanate deposit.

During Q3 2014, geological field work continued on the El Chanate extension. This work was conducted in connection with the Company's option to earn a 70% interest in claims along the Chanate Fault to the northwest of the mine.

KEMESS

During Q3 2014, the Company continued an exploration program at Kemess East (located approximately one kilometre from the Kemess Underground Project). In Q3 2014, the Company completed nine holes, with drilling of two holes ongoing at the end of the quarter. Total drilling meterage for the quarter was 13,203 metres.

LAS LAJAS PROJECT

During Q3 2014, the Company continued geological mapping and trenching.

SANTA FE, PROJECT, SINALOA, MEXICO

During Q3 2014, the Company drilled 20 diamond drill holes consisting of 6,681 metres. The target on this property is low sulfidation epithermal gold and silver mineralization typical of this deposit type in the Sierra Madre region of Mexico.

SUMMARIZED FINANCIAL AND OPERATING RESULTS

(in thousands, except ounces, per share amounts, average realized prices, all-in sustaining costs and total cash costs)

	Quarter Ended		Quarter Ended		Nine Months Ended	
	September 30		September 30		September 30	
	2014		2013		2014	2013
Gold ounces produced ⁽¹⁾	57,037		38,456		167,449	115,083
Gold ounces sold ⁽¹⁾	56,970		40,185		169,317	121,058
Pre-production gold ounces produced ⁽¹⁾	-		10,447		-	27,993
Pre-production gold ounces sold ⁽¹⁾	-		10,355		-	28,423
Average realized gold price per ounce	\$ 1,280	\$	1,332	\$	1,286	\$ 1,440
Cash costs per gold ounce, net of by-product revenues and NRV adjustments ⁽¹⁾⁽²⁾⁽³⁾	\$ 706	\$	628	\$	791	\$ 640
Cash costs per gold ounce, net of by-product revenues ⁽¹⁾⁽²⁾⁽³⁾	\$ 784	\$	497	\$	817	\$ 666
All-in sustaining costs per gold ounce sold, net of by-product revenues and NRV adjustments ⁽¹⁾⁽²⁾⁽³⁾	\$ 1,101	\$	1,210	\$	1,224	\$ 1,164
All-in sustaining costs per gold ounce sold, net of by-product revenues ⁽¹⁾⁽²⁾⁽³⁾	\$ 1,179	\$	1,087	\$	1,250	\$ 1,189
Revenue from mining operations	\$ 73,505	\$	54,304	\$	219,988	\$ 176,849
Production costs ⁽⁴⁾	\$ 45,463	\$	21,079	\$	142,047	\$ 88,009
Earnings / (loss) before interest, taxes, depreciation, and amortization ⁽²⁾	\$ 34,778	\$	24,719	\$	56,165	\$ (20,883)
(Loss) / earnings from operations	\$ (7,337)	\$	12,230	\$	(39,694)	\$ (73,929)
Net (loss) / earnings	\$ (15,722)	\$	14,859	\$	(61,389)	\$ (70,358)
Net (loss) / earnings per share, basic	\$ (0.06)	\$	0.06	\$	(0.25)	\$ (0.28)
Net (loss) / earnings per share, diluted	\$ (0.06)	\$	0.04	\$	(0.25)	\$ (0.28)
Operating cash flow	\$ 2,788	\$	24,338	\$	31,928	\$ 51,312
Net free cash flow ⁽²⁾	\$ (47,889)	\$	(55,734)	\$	(115,477)	\$ (134,538)
Total cash	\$ 100,213	\$	140,101	\$	100,213	\$ 140,101
Cash dividends per share, declared	\$ 0.004	\$	0.04	\$	0.024	\$ 0.12

⁽¹⁾ The Young-Davidson underground mine declared commercial production on October 31, 2013, and therefore, all underground ounces are excluded from consolidated cash costs and consolidated all-in sustaining costs prior to this date. Pre-production ounces produced and sold are excluded from consolidated ounces produced and sold as these ounces were credited against capitalized project costs.

⁽²⁾ See the Non-GAAP Measures section on page 18.

⁽³⁾ For the three and nine months ended September 30, 2014, cash costs per gold ounce are calculated using gold ounces sold at the El Chanate and Young-Davidson mines. For the three and nine months ended September 30, 2013, cash costs per gold ounce are calculated using gold ounces sold at the El Chanate mine and gold ounces produced at the Young-Davidson mine.

⁽⁴⁾ Production costs do not include amortization and depletion or refining costs.

REVIEW OF THIRD QUARTER FINANCIAL RESULTS

During the third quarter of 2014, the Company sold 56,970 gold ounces at the El Chanate and Young-Davidson mines, a 42% increase over 40,185 gold ounces sold in Q3 2013. Revenues increased from \$54.3 million in Q3 2013 to \$73.5 million in the third quarter of 2014. This \$19.2 million increase in revenue was largely due to the increase in gold ounces sold during the third quarter of 2014, partially offset by lower realized gold prices. The Company also sold 10,355 underground pre-production ounces at Young-Davidson during the third quarter of 2013. The related revenues from pre-production ounces were credited against capitalized costs.

The Company recognized a loss from operations of \$7.3 million in the third quarter of 2014, compared to earnings from operations of \$12.2 million in the same period of 2013. The decrease in earnings from operations quarter-over-quarter is primarily as a result of increased production costs as discussed below, increased amortization and depletion costs and lower realized gold prices in the current quarter. Amortization and depletion expense was higher in Q3 2014 as compared to Q3 2013 due to the addition of depletion expense from the Young-Davidson underground mine and the depletion of stripping costs capitalized in prior periods as the Young-Davidson open pit neared the end of its life. In Q3 2014, the Company also recognized NRV adjustments on ore in process heap leach inventory at El Chanate and low grade long-term stockpile inventory at Young-Davidson of \$1.6 million and \$5.5 million, respectively. Comparatively, in Q3 2013 the Company reversed a portion of NRV adjustments recorded in Q2 2013. These adjustments totaled \$4.7 million at Young-Davidson and \$2.6 million at El Chanate and reduced production costs and amortization and depletion.

Q3 2014 cash costs per gold ounce, net of by-product revenues and NRV adjustments, were \$706, a 12% increase from Q3 2013. This quarter-over-quarter increase was primarily due to lower grade of stockpile ore processed during the quarter at Young-Davidson.

The Company reported a net loss of \$15.7 million in the third quarter of 2014, compared to net earnings of \$14.9 million in Q3 2013. Net earnings decreased in the current quarter as a result of the decrease in earnings from operations discussed previously, a \$15.2 million increase in income tax expense as discussed on page 14, and a \$6.4 million increase in financing costs due to interest incurred on the senior secured notes issued in March 2014. These increased expenses were offset primarily by a \$13.3 million increase in foreign exchange gains quarter-over-quarter, primarily due to a weaker Canadian dollar.

In the third quarter of 2014, all-in sustaining costs per gold ounce, net of by-product revenues and NRV adjustments, decreased 9% to \$1,101 compared to all-in sustaining costs per gold ounce, net of by-product revenues and NRV adjustments, of \$1,210 in Q3 2013. This decrease was due to lower general and administrative expenditures and increased gold ounces sold, partially offset by higher Young-Davidson open pit cash costs noted above.

The Company reported operating cash flow of \$2.8 million during the third quarter, a decrease of \$21.5 million over the operating cash flow of \$24.3 million in Q3 2013. This decrease in operating cash flow is primarily a result of paying down accounts payable at Young-Davidson during Q3 2014 resulting in a lower operating cash flow contribution as compared to Q3 2013, interest payments made on the Company's senior secured notes, higher cash costs per gold ounce as noted above, and lower operating cash flow at El Chanate. The decline in operating cash flow at El Chanate is due to an increase in ore inventories during Q3 2014, and the collection of a significant tax receivable in Q3 2013 which increased operating cash flow in that period. After deducting capital expenditures of \$50.7 million, the Company's Q3 2014 net free cash flow from operations was negative \$47.9 million.

REVIEW OF NINE MONTH FINANCIAL RESULTS

During the first nine months of 2014, the Company sold 169,317 gold ounces at Young-Davidson and El Chanate, compared to sales of 121,058 gold ounces in 2013. Revenue during the first nine months of 2014 increased to \$220.0 million, as compared to \$176.8 million in the same period in 2013. This \$43.2 million increase in revenue was due to an increase in ounces sold at the Young-Davidson mine, and was partially offset by lower realized gold prices in 2014. The Company also sold 28,423 pre-production ounces at Young-Davidson during the first nine months of 2013. The related revenues were credited against capitalized costs.

The Company recognized a loss from operations of \$39.7 million in the first nine months of 2014, compared to a loss from operations of \$73.9 million in the first nine months of 2013. During the nine months ended September 30, 2013, the Company recorded an \$80.0 million goodwill impairment charge associated with the El Chanate mine and an \$18.7 million impairment charge on the retained interest royalty in the future life-of-mine cash flows of the Fosterville and Stawell mines (collectively the "Australian Operations"), which were disposed of in 2012. In addition, the Company recognized NRV adjustments of \$4.9 million during the nine months ended September 30, 2013 compared to total NRV adjustments of \$7.1 million recognized during the nine months ended September 30, 2014.

Before these impairment charges and net realizable value adjustments, losses from operations were \$32.0 million year-to-date in 2014, compared to earnings from operations of \$29.6 million in the same period of 2013. The year-to-date reduction in earnings from operations resulted from increased cash costs, as discussed below, increased amortization and depletion expense, and a decline in gold prices during the first nine months of 2014. Amortization and depletion expense increased due to the addition of depletion expense from the Young-Davidson underground mine and the depletion of stripping costs capitalized in prior periods as the Young-Davidson open pit approached the end of its mine life.

During the first nine months of 2014, consolidated cash costs per gold ounce, net of by-product revenues and NRV adjustments, were \$791, representing a 24% increase over cash costs per gold ounce of \$640 in the first nine months of 2013. This year-over-year increase was primarily due to higher cash costs at Young-Davidson resulting from lower grade stockpile ore processed.

The Company reported a net loss from operations of \$61.4 million in the first nine months of 2014, compared to a net loss from operations of \$70.4 million in the same period in 2013. The improvement in net earnings was due to a reduction in losses from operations mentioned above, an \$8.8 million decrease in income tax expense, and a \$3.2 million increase in foreign exchange gains. This was offset by a \$24.1 million increase in other losses and a \$13.2 million increase in finance costs due to interest on the senior secured notes issued in March 2014. Other losses increased primarily due to a \$15.6 million loss on the modification of the Company's convertible senior notes, which resulted from the cash tender offer announced during Q1 2014, and commencement of amortization on the retained interest royalty in Q2 2014 of \$10.3 million.

During the first nine months of 2014, all-in sustaining costs per gold ounce, net of by-product revenues and NRV adjustments, were \$1,224, representing a 5% increase over all-in sustaining costs per gold ounce of \$1,164 in the first nine months of 2013. The increase was due to higher Young-Davidson open pit cash costs noted above, partially offset by an increase in gold ounces sold in the first nine months of 2014. Pre-production gold ounces sold were previously excluded from this calculation prior to declaration of commercial production in the Young-Davidson underground mine.

The Company reported operating cash flow from operations of \$31.9 million during the first nine months of 2014, a decrease of \$19.4 million from operating cash flow of \$51.3 million in the same period in prior year. This decrease in operating cash flow arose primarily as a result of paying down accounts payable at Young-Davidson during the nine months ended September 30, 2014, higher cash costs per gold ounce as noted above, and a reduction in operating cash flow contribution from El Chanate. After deducting capital expenditures of \$147.4 million, primarily related to Young-Davidson, the Company's net free cash flow from operations for the first nine months of 2014 was an outflow of \$115.5 million.

CONSOLIDATED EXPENSES
(in thousands)

	Quarter Ended		Quarter Ended		Nine Months Ended		Nine Months Ended	
	September 30		September 30		September 30		September 30	
	2014		2013		2014		2013	
Reclamation, care and maintenance costs	\$	683	\$	2,048	\$	3,888	\$	4,290
General and administrative	\$	5,664	\$	6,646	\$	20,583	\$	20,768
Exploration and business development	\$	298	\$	207	\$	757	\$	756
Impairment charges	\$	616	\$	-	\$	616	\$	98,688
Finance costs	\$	6,817	\$	440	\$	14,735	\$	1,576
Foreign exchange (gain) / loss	\$	(10,520)	\$	2,746	\$	(9,060)	\$	(5,820)
Other (income) / loss	\$	(620)	\$	(3,260)	\$	14,740	\$	(9,384)
Equity in (earnings) / loss of jointly-controlled entity	\$	-	\$	(18)	\$	92	\$	38

Reclamation, care and maintenance costs in 2014 and 2013 were comprised of site overhead and other costs relating to activities at Kemess South, a mine in the decommissioning stage. In addition, facilities at the Kemess site are being kept on care and maintenance pending the outcome of the Kemess Underground Project.

General and administrative costs include expenses relating to the overall management of the business that are not part of direct mine operating costs. These costs are generally incurred at the corporate offices located in Canada, but also include share-based compensation costs for key employees at all locations. Share-based compensation costs for the quarter and year-to-date periods in 2014 were \$1.9 million and \$5.7 million, respectively, compared to \$2.0 million and \$5.7 million, respectively in 2013. Overall, general and administrative costs for Q3 2014 decreased by \$1.0 million over Q3 2013 primarily due to a reduction in travel and other expenditures that resulted from the corporate restructuring in Q1 2014. General and administrative costs for the first nine months of 2014 decreased by \$0.2 million over the same period in 2013, but included non-recurring costs in Q1 2014 related to the corporate restructuring.

Quarter and year-to-date 2014 exploration and business development costs were largely consistent with the same periods in 2013.

The Company recognized a \$0.6 million impairment charge on exploration properties in Q3 2014. During the nine months ended September 30, 2013, the Company recognized an \$80.0 million impairment charge on the El Chanate mine and an \$18.7 million impairment charge on the retained interest royalty in the Australian Operations, primarily due to changes in the Company's gold price assumptions.

Quarter-to-date and year-to-date 2014 finance costs increased by \$6.4 million and \$13.2 million, respectively, from the same periods in 2013 primarily as a result of additional interest incurred by the Company on the senior secured notes issued in March 2014, as well as lower capitalized interest as compared to prior year due to fewer ongoing capital projects in 2014.

Quarter-to-date and year-to-date 2014, foreign exchange gains increased by \$13.3 million and \$3.2 million, respectively, compared to the same periods in 2013. The Canadian dollar and Mexican peso weakened during Q3 2014, resulting in foreign exchange gains. In Q3 2013, foreign exchange losses arose due to the strengthening of these currencies, resulting in the significant quarter-over-quarter variance. The weakening of these currencies result in foreign exchange gains, while the strengthening of these currencies result in foreign exchange losses, primarily as a result of the Company's deferred income tax liabilities which are denominated in Canadian dollars and Mexican pesos and then translated into US dollars at each balance sheet date. The Company will continue to experience non-cash foreign currency gains or losses, primarily as a result of fluctuations between the US dollar, and both the Canadian dollar and Mexican peso.

Other income in Q3 2014 is primarily due to \$3.2 million in net proceeds received on the transfer of a litigation claim, partially offset by amortization of \$3.0 million on the retained interest royalty. In the first nine months of 2014, other income decreased to a loss of \$14.7 million from income of \$9.4 million in the same period of 2013. This is due to a \$15.6 million loss recognized in Q1 2014 on the modification of convertible senior notes, amortization of \$10.3 million on the retained interest royalty, and a \$2.5 million reclassification of accumulated losses on available-for-sale investments from other comprehensive income to earnings. These amounts are partially offset by \$6.5 million in unrealized and realized gains on investments and royalty income of \$2.5 million from Crocodile Gold Corporation recognized in the first nine months of 2014.

During 2014, the Company recognized its share of the loss relating to the Orion exploration project, which is accounted for as a jointly-controlled entity using the equity method. This arrangement was agreed upon in December of 2012.

CONSOLIDATED INCOME TAX EXPENSE

The Company is subject to tax in various jurisdictions, including Mexico and Canada. There are a number of factors that can significantly impact the Company's effective tax rate including the geographic distribution of income, varying rates in different jurisdictions, the non-recognition of tax assets, mining allowances, foreign currency exchange rate movements, changes in tax laws and the impact of specific transactions and assessments. Due to the number of factors that can potentially impact the effective tax rate and the sensitivity of the tax provision to these factors, as discussed above, it is expected that the Company's effective tax rate will fluctuate in future periods.

During Q3 2014, the Company recognized a current tax expense of \$0.1 million and a deferred tax expense of \$12.6 million, compared to a current tax recovery of \$1.9 million and a deferred tax recovery of \$0.6 million in Q3 2013. The increase in current tax expense primarily resulted from a larger recovery recognized in Q3 2013 due to a decline in gold prices during the period that lowered taxable income at the El Chanate mine and resulted in a recovery of previously accrued tax payable. The deferred tax expense recognized during Q3 2014 resulted primarily from the weakening of the Canadian dollar relative to the US dollar, which caused an increase in taxable temporary differences associated with the Company's Canadian property, plant and equipment and mining interests. This was partially offset by a deferred tax recovery relating to the ongoing amortization of property, plant, and equipment and mining interests acquired in 2011.

On a year-to-date basis, the Company recognized a current tax expense of \$0.4 million and a deferred tax expense of \$0.8 million, compared to a current tax expense of \$3.6 million and a deferred tax expense of \$6.4 million in the first nine months of 2013. The decline in year-to-date current tax expense is due to lower taxable income at the El Chanate mine. The decrease in year-to-date deferred tax expense is primarily due to a decrease in temporary differences relating primarily to the Company's Canadian property, plant and equipment and mining interests, partially offset by the impact of the weakening Canadian dollar in the year-to-date period.

FINANCIAL CONDITION

(in thousands)

	As at September 30 2014	As at December 31 2013	
Current assets	\$ 213,054	\$ 291,939	Current assets decreased during the first nine months of 2014, primarily due to the reduction in accounts receivable of \$14.4 million, a reduction of \$23.4 million in income taxes receivable, and a net decrease in cash of \$42.4 million primarily attributable to investing activities. These declines were partially offset by a \$4.2 million increase in inventories.
Long-term assets	2,184,987	2,170,469	Long-term assets increased due to capital expenditures incurred in the first nine months of 2014 and an increase in long-term ore in process inventory. These increases are partially offset by amortization of property, plant, and equipment and intangible assets, and the sale of investments.
Total assets	\$ 2,398,041	\$ 2,462,408	
Current liabilities	\$ 48,284	\$ 114,159	Current liabilities have decreased due to a \$42.3 million decline in accounts payable and accrued liabilities outstanding at period end, as well as the payment of dividends outstanding at December 31, 2013 and the settlement of the McKenna lawsuit in April 2014.
Long-term financial liabilities	308,982	244,607	Long-term financial liabilities increased primarily due to the completion of the senior secured notes offering, partially offset by the repayment of amounts outstanding under the Company's credit facility and convertible senior notes.
Other long-term liabilities	302,911	315,760	Other long-term liabilities decreased due to a decline in deferred income tax liabilities at September 30, 2014.
Total liabilities	\$ 660,177	\$ 674,526	
Shareholders' equity	\$ 1,737,864	\$ 1,787,882	Shareholders' equity decreased primarily as a result of the net loss recognized in the first nine months of 2014, and dividends declared in 2014.

LIQUIDITY AND CAPITAL RESOURCES

The Company's strategy for managing liquidity is based on achieving positive cash flows from operations to internally fund operating and capital requirements. Material increases or decreases in the Company's liquidity and capital resources will be substantially determined by the success or failure of the Company's operations, exploration, and development programs, the ability to obtain equity or other sources of financing, the price of gold, and currency exchange rates. The declaration and payment of dividends is at the discretion of the Board of Directors and will depend on the Company's financial results, cash requirements, future prospects, and other factors deemed relevant by the Board. Refer to the Outlook and Strategy section on page 5 for near term factors that could influence the Company's cash balance. Future commitments that could impact the Company's liquidity are disclosed in the Contractual Obligations section on page 16. Management believes that the working capital at September 30, 2014, together with future cash flows from operations and the available credit facility, is sufficient to support the Company's planned and foreseeable commitments, and dividends, if declared.

CASH FLOW

(in thousands)

	Quarter Ended		Quarter Ended		Nine Months Ended		Nine Months Ended	
	September 30		September 30		September 30		September 30	
	2014		2013		2014		2013	
Cash flow from operating activities	\$	2,788	\$	24,338	\$	31,928	\$	51,312
Cash flow used in investing activities		(47,500)		(84,275)		(112,604)		(194,027)
Cash flow from / (used in) financing activities		4,982		(10,522)		38,868		(320,781)
Effect of foreign exchange rates on cash		(631)		855		(631)		196
Decrease in cash and cash equivalents		(40,361)		(69,604)		(42,439)		(463,300)
Total cash and cash equivalents, beginning of period		140,574		209,705		142,652		603,401
Total cash and cash equivalents, end of period	\$	100,213	\$	140,101	\$	100,213	\$	140,101

In Q3 2014, operating activities contributed cash flows of \$2.8 million, as compared to Q3 2013 when operating activities contributed cash of \$24.3 million. Operating cash flow decreased in the current quarter primarily as a result of higher cash costs, interest payments made on the Company's senior secured notes, the payment of accounts payable at Young-Davidson, and lower operating cash flow at El Chanate, as discussed previously. These amounts were partially offset by increased revenues due to higher production in Q3 2014 as compared to the same period in the prior year. Year-to-date, operating activities contributed cash flows of \$31.9 million, as compared to the first nine months of 2013 when operating activities contributed cash of \$51.3 million. This decrease in operating cash flow is due to the factors discussed previously, partially offset by an increase in operating cash flow as a result of the collection of \$21.7 million in income taxes receivable in Q1 2014.

Investing activities in the third quarter of 2014 used cash of \$47.5 million compared to \$84.3 million used in Q3 2013. Cash flow used in investing activities in Q3 2014 was comprised of capital expenditures of \$50.7 million, partially offset by \$3.2 million in proceeds received on the transfer of a litigation claim. Capital expenditures declined by \$29.4 million over the same period of the prior year primarily due to the completion of projects at Young-Davidson. Year-to-date, investing activities used cash of \$112.6 million compared to \$194.0 million used in the first nine months of 2013. Year-to-date, cash flow used in investing activities was comprised of capital expenditures of \$147.4 million, which was partially offset by a \$5.9 million decrease in restricted cash and \$23.3 million in proceeds received from the sale of investments. Cash flow used in investing activities for the first nine months of 2013 included capital expenditures of \$185.9 million and the purchase of investments of \$6.5 million.

In Q3 2014, financing activities contributed cash of \$5.0 million compared to Q3 2013 when financing activities used \$10.5 million. Cash flow contributed by financing activities in Q3 2014 was comprised of \$4.6 million in proceeds from the issuance of flow-through shares and \$3.3 million in proceeds from equipment financing, which was partially offset by debt repayments of \$1.6 million and a \$0.9 million payment of dividends. Cash used in financing activities in Q3 2013 was primarily comprised of a \$9.3 million payment of dividends. Year-to-date, financing activities contributed cash of \$38.9 million compared to the first nine months of 2013 when financing activities used \$320.8 million. Cash flow contributed by financing activities in the first nine months of 2014 included \$304.1 million in proceeds from the senior secured notes offering, offset by \$13.9 million in dividend payments and \$252.5 million in repayments of long term debt and equipment financing leases, which included repayments of \$75.0 million on the outstanding credit facility and \$173.0 million on the convertible senior notes. Cash flow used in financing activities in the first nine months of 2013 was largely comprised of \$301.1 million paid to complete a substantial issuer bid and the \$19.2 million payment of dividends.

FLOW-THROUGH SHARES

On September 17, 2014, the Company completed a flow-through share issuance for gross proceeds of \$4.6 million (\$5.0 million Canadian dollars). As a result, the Company issued 833,334 common shares at a price of CAD \$6.00 per share. Pursuant to the

terms of the flow-through share agreement, the Company is required to incur and renounce these expenditures to subscribers by December 31, 2015. All proceeds will be used to fund exploration expenditures at the Company's Kemess property.

SENIOR SECURED NOTES

On March 27, 2014, the Company completed an offering of \$315.0 million senior secured notes (the "secured notes"), secured against the assets of the Company. These secured notes were sold at 96.524% of par, resulting in total proceeds of \$304.1 million. The secured notes pay interest in semi-annual installments on April 1 and October 1 of each year, commencing on October 1, 2014, at a rate of 7.75% per annum, and mature on April 1, 2020. No principal payments are due until the maturity date.

CREDIT FACILITY

The Company has access to a \$150.0 million revolving credit facility, which carries an interest rate of LIBOR plus 2.25% to 3.50%, depending on the net leverage ratio of the Company, and matures on April 25, 2016. No principal payments are due until the maturity date, which may be extended upon mutual agreement by all parties. During the first nine months of 2014, the Company repaid the \$75.0 million drawn under this facility and, as a result, had no amounts drawn under this revolving facility at September 30, 2014. The Company was in compliance with all loan covenants at Q3 2014.

CONVERTIBLE DEBT

On March 6, 2014, the Company announced a cash tender offer to redeem all of the outstanding convertible senior notes. The consideration offered was \$1,040 per \$1,000 note plus accrued and unpaid interest to the payment date. On April 3, 2014, the Company paid \$173.0 million to complete this offer, resulting in the redemption of \$166.4 million convertible senior notes. The remaining \$0.6 million of convertible senior notes remain outstanding.

At the end of Q3 2014, the Company had \$0.6 million in convertible senior notes which pay interest semi-annually at a rate of 3.50% per annum, and mature on October 1, 2016. The holders of the notes may, within specified time periods, convert their notes prior to July 1, 2016 under the following circumstances: (1) the closing sale price of the Company's shares exceeds 130% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding quarter; (2) the trading price per \$1,000 principal amount of the convertible note is equal to or less than 97% of the product of the closing sale price of the Company's common shares and the applicable conversion rate; (3) the convertible notes are called for redemption by the Company; (4) upon the occurrence of specified corporate transactions; and (5) a "delisted event" occurs and is continuing. In addition, the notes will be unconditionally convertible at the option of the holder from July 1, 2016 to the business day immediately preceding the maturity date of the notes. Following the payment of dividends on September 2, 2014, the conversion rate is 94.3882 common shares per \$1,000 principal amount of notes, which represents a conversion price of approximately \$10.59 per common share.

INVESTMENTS

At September 30, 2014, the Company held investments with a fair market value of \$0.2 million, which consisted primarily of common shares of publicly traded companies with properties adjacent to the Company's operations in Canada and Mexico. Investments in common shares of publicly traded companies are classified as either held-for-trading or available-for-sale investments. Realized and unrealized losses on available-for-sale investments totaled \$0.1 million during the three months ended September 30, 2014. Realized and unrealized gains on available-for-sale investments totaled \$9.1 million for nine months ended September 30, 2014 (three and nine months ended September 30, 2013 - unrealized losses of \$0.3 million and \$1.0 million).

During the nine months ended September 30, 2014, the Company sold shares in various publicly listed entities for total proceeds of \$23.3 million.

CONTRACTUAL OBLIGATIONS

A summary of the Company's contractual obligations at September 30, 2014 is as follows:

(in thousands)

	Total	Less than 1 year	1 – 3 years	3 – 4 years	4 – 5 years	Greater than 5 years
Trade payables and accrued liabilities	\$ 34,580	\$ 34,580	\$ -	\$ -	\$ -	\$ -
Debt	450,430	12,468	49,723	24,413	24,413	339,413
Equipment financing obligations	18,132	6,915	8,069	2,048	1,100	-
Future purchase commitments	5,360	5,360	-	-	-	-
Total	\$ 508,502	\$ 59,323	\$ 57,792	\$ 26,461	\$ 25,513	\$ 339,413

OUTSTANDING SHARE DATA

The Company's share capital was comprised of the following as at September 30, 2014:

	September 30, 2014	December 31, 2013
Authorized:		
Unlimited number of common shares		
Issued:		
Common shares	249,356,634	247,569,811

The following table sets out the common shares, stock options, deferred share units, performance share units, and restricted share units outstanding as at the date of this MD&A:

	November 6, 2014
Common shares	249,533,418
Stock options	10,862,307
Deferred share units	253,032
Performance share units	434,834
Restricted share units	467,356
	261,550,947

In addition, the Company had outstanding convertible notes with an implied conversion price of \$10.59 per share that could result in the issuance of up to 60,974 common shares.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

During the nine months ended September 30, 2014, the Company issued \$315.0 million of secured notes, redeemed \$166.4 million of convertible notes and sold investments for total proceeds of \$23.3 million. Refer to the Liquidity and Capital Resources section on page 15 for further information on these financial instruments.

The Company seeks to manage its exposure to fluctuations in commodity prices, interest rates and foreign exchange rates by entering into derivative financial instruments from time to time.

At September 30, 2014, the Company had no foreign exchange derivatives outstanding.

During the nine months ended September 30, 2013, the Company recognized an unrealized gain of \$0.7 million in net earnings relating to fair value adjustments on forward contracts. In addition, during the three and nine months ended September 30, 2013, the Company recognized realized gains of \$0.3 million and \$0.1 million, respectively, on forward contracts that settled during the period.

TRANSACTIONS WITH RELATED PARTIES

The Company utilizes a Mexican corporation, Caborca Industrial S.A. de C.V. ("Caborca Industrial"), for mining support services at the El Chanate mine, including the payment of mining salaries and related costs. Caborca Industrial is 100% owned by the Company's Chief Executive Officer and Chief Operating Officer, and is consolidated in accordance with IFRS 10, *Consolidated Financial Statements*. The Company's Chief Executive Officer and Chief Operating Officer receive no financial benefits as a result of their ownership of this entity.

Other than as discussed in the paragraph above, no director, senior officer, principal holder of securities or any associate or affiliate thereof of the Company has any interest, directly or indirectly, in material transactions with the Company or any of its direct or indirect wholly-owned subsidiaries.

The Company has a joint venture interest in the Orion exploration project, located in Nayarit, Mexico. Nayarit Gold de Mexico, S.A. de C.V., a company with ownership of this project, is 50% owned by the Company and 50% owned by Minera Frisco, S.A.B. de C.V., and is accounted for as a jointly-controlled entity. The Company provides management services and may, from time to time,

contribute cash or other assets to the jointly-controlled entity. At September 30, 2014, the Company had a receivable from the jointly-controlled entity of \$2.1 million (December 31, 2013 - \$1.4 million).

EVENTS AFTER THE REPORTING PERIOD

Declaration of dividend

On November 6, 2014, the Company's Board of Directors approved a dividend of \$0.00225 per share, payable to shareholders of record on November 17, 2014.

NON-GAAP MEASURES

The Company has included various non-GAAP measures throughout this document. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, management, analysts and investors use this information to evaluate the Company's operating and economic performance. However, these non-GAAP measures do not have any standardized meaning, and should not be considered in isolation from or as a substitute for performance measures prepared in accordance with GAAP. Other companies may calculate these measures differently.

CASH COST PER OUNCE CALCULATION

Cash cost per ounce is a non-GAAP performance measure that management uses to better assess the Company's performance for the current period and its expected performance in the future. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this measure to evaluate the Company's performance and cash generating capabilities. This measure is calculated by adjusting production and refining costs as recorded in the Company's consolidated financial statements for by-product revenues, production costs associated with unsold ounces, production costs unrelated to current period ounces sold, production costs associated with acquisition-date fair value adjustments, and production costs associated with NRV adjustments. The calculation of cash costs per gold ounce measures the benefit of any by-product silver that is produced in conjunction with gold as a credit against the cost of producing gold. A number of other gold producers present their costs net of the contribution from silver and other non-gold by-product sales. The Company believes that presenting this measure on this basis allows management, analysts and investors to better assess performance against other gold producers, and to better understand the importance of non-gold revenue on the Company's cost structure.

The following provides a reconciliation of cash cost per ounce to the consolidated financial statements:

(in thousands, except ounces and cash cost per gold ounce)

	Quarter Ended September 30 2014		Quarter Ended September 30 2013		Nine Months Ended September 30 2014		Nine Months Ended September 30 2013	
Production costs	\$	45,463	\$	21,079	\$	142,047	\$	88,009
Refining costs	\$	120	\$	137	\$	415	\$	387
Inventory and other adjustments ⁽¹⁾	\$	(355)	\$	(1,690)	\$	(1,905)	\$	(8,081)
Total cash costs	\$	45,228	\$	19,526	\$	140,557	\$	80,315
Divided by gold equivalent ounces ⁽²⁾		57,427		38,250		171,026		118,449
Total cash cost per gold equivalent ounce	\$	788	\$	510	\$	822	\$	678
Total cash costs (per above)	\$	45,228	\$	19,526	\$	140,557	\$	80,315
By-product revenues ⁽³⁾	\$	(585)	\$	(776)	\$	(2,200)	\$	(2,607)
Total cash costs, net of by-product revenues	\$	44,643	\$	18,750	\$	138,357	\$	77,708
Divided by gold ounces ⁽⁴⁾		56,970		37,710		169,317		116,650
Total cash cost per gold ounce, net of by-product revenues	\$	784	\$	497	\$	817	\$	666
Total cash costs, net of by-product revenues (per above)	\$	44,643	\$	18,750	\$	138,357	\$	77,708
NRV adjustments ⁽⁵⁾	\$	(4,433)	\$	4,942	\$	(4,433)	\$	(3,062)
Total cash costs, net of by-product revenues and NRV adjustments	\$	40,210	\$	23,692	\$	133,924	\$	74,646
Divided by gold ounces		56,970		37,710		169,317		116,650
Total cash cost per gold ounce, net of by-product revenues and NRV adjustments	\$	706	\$	628	\$	\$791	\$	\$640

⁽¹⁾ Inventory and other adjustments include amortization of the inventory fair value adjustments relating to the El Chanate purchase price allocations, costs unrelated to current period ounces sold, as well as the movement in costs associated with unsold gold ounces at Young-Davidson. The total of these adjustments for the three and nine months ended September 30, 2014 and 2013 were as follows:

El Chanate	\$	(355)	\$	(14)	\$	(827)	\$	(4,145)
Young-Davidson	\$	-	\$	(1,676)	\$	(1,078)	\$	(3,936)
	\$	(355)	\$	(1,690)	\$	(1,905)	\$	(8,081)

⁽²⁾ Gold equivalent ounces include silver ounces produced / sold converted to gold equivalent based on the ratio of the realized sales prices of the commodities.

⁽³⁾ By-product revenue is defined as the revenue from a secondary metal or mineral that is recovered during processing, and is included in revenue from mining operations in the Company's financial statements. The total by-product silver revenues adjustments for the three and nine months ended September 30, 2014 and 2013 were as follows:

El Chanate	\$	(448)	\$	(711)	\$	(1,818)	\$	(2,319)
Young-Davidson	\$	(137)	\$	(65)	\$	(382)	\$	(288)
	\$	(585)	\$	(776)	\$	(2,200)	\$	(2,607)

⁽⁴⁾ For the three and nine months ended September 30, 2014, cash costs per gold ounce are calculated using gold ounces sold at the El Chanate and Young-Davidson mines. For the three and nine months ended September 30, 2013, cash costs per gold ounce are calculated using gold ounces sold at the El Chanate mine and gold ounces produced at the Young-Davidson mine.

⁽⁵⁾ The total NRV adjustments recognized during the three and nine months ended September 30, 2014 and 2013 were as follows:

El Chanate	\$	(1,093)	\$	1,658	\$	(1,093)	\$	(2,763)
Young-Davidson	\$	(3,339)	\$	3,284	\$	(3,339)	\$	(299)
	\$	(4,433)	\$	4,942	\$	(4,433)	\$	(3,062)

ALL-IN SUSTAINING COST PER OUNCE CALCULATION

All-in sustaining cost per ounce is a non-GAAP performance measure developed by the World Gold Council that reflects all of the expenditures that are required to produce an ounce of gold from current operations. The World Gold Council is a non-regulatory, non-profit, market development organization that was established in 1987 whose members include global senior mining companies. The Company is not a member of the World Gold Council, and was not involved in the development of the all-in sustaining cost measure. However, the Company believes that this measure will be useful to external users in assessing operating performance and the ability to generate free cash flow from current operations. This measure uses cash costs per ounce as its basis, and also includes sustaining capital expenditures, general and administrative expenses, sustaining exploration and evaluation costs, and accretion and depletion of reclamation provisions at operating sites. As this measure seeks to reflect the full cost of producing gold at current operations, it excludes capital expenditures to develop new operations and to materially enhance production or reserves at existing operations. Certain other cash expenditures, including tax payments, increases in inventory, dividends and other financing costs, are also excluded.

The following provides a reconciliation of all-in sustaining cost per ounce to the consolidated financial statements:

(in thousands, except ounces and all-in sustaining cost per gold ounce)

	Quarter Ended September 30 2014		Quarter Ended September 30 2013		Nine months ended September 30 2014		Nine months ended September 30 2013	
Total cash costs, net of by-product revenues (see above)	\$	44,643	\$	18,750	\$	138,357	\$	77,708
General and administrative	\$	5,664	\$	6,646	\$	20,583	\$	20,768
Young-Davidson inventory adjustments	\$	-	\$	1,676	\$	-	\$	3,936
Sustaining capital expenditures ⁽¹⁾	\$	16,544	\$	16,395	\$	51,850	\$	40,900
Accretion and depletion of reclamation provisions	\$	304	\$	210	\$	906	\$	631
Total all-in sustaining costs, net of by-product revenues	\$	67,155	\$	43,677	\$	211,696	\$	143,943
Divided by gold ounces sold		56,970		40,185		169,317		121,058
All-in sustaining cost per gold ounce sold, net of by-product revenues	\$	1,179	\$	1,087	\$	1,250	\$	1,189
Total all-in sustaining costs, net of by-product revenues (per above)	\$	67,155	\$	43,677	\$	211,696	\$	143,943
NRV adjustments	\$	(4,433)	\$	4,942	\$	(4,433)	\$	(3,062)
Total all-in sustaining costs, net of by-product revenues and NRV adjustments	\$	62,722	\$	48,619	\$	207,263	\$	140,881
Divided by gold ounces sold		56,970		40,185		169,317		121,058
All-in sustaining cost per gold ounce sold, net of by-product revenues and NRV adjustments	\$	1,101	\$	1,210	\$	1,224	\$	1,164

⁽¹⁾ Sustaining capital expenditures are defined as those expenditures which do not increase annual gold ounce production at a mine site and exclude all expenditures at growth projects and certain expenditures at operating sites which are deemed expansionary in nature. Total sustaining capital for the three and nine months ended September 30, 2014 and 2013 is calculated as follows:

Capital expenditures per cash flow statement	\$	50,677	\$	80,072	\$	147,405	\$	185,850
Less: Young-Davidson non-sustaining capital	\$	(27,833)	\$	(48,587)	\$	(82,382)	\$	(113,721)
Less: El Chanate non-sustaining capital	\$	(302)	\$	(10,504)	\$	(1,271)	\$	(25,681)
Less: Corporate and other non-sustaining capital	\$	(5,998)	\$	(4,586)	\$	(11,902)	\$	(5,548)
	\$	16,544	\$	16,395	\$	51,850	\$	40,900

Non-sustaining capital expenditures include Young-Davidson mine development that is considered to be growth, expenditures associated with sinking the MCM shaft, additional equipment and infrastructure as the Company continues to ramp up production at Young-Davidson, and exploration expenditures at El Chanate.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND AMORTIZATION ("EBITDA")

EBITDA represents net earnings before interest, taxes, depreciation, and amortization. EBITDA is an indicator of the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations, and fund capital expenditures.

The following is a reconciliation of EBITDA to the consolidated financial statements:

(in thousands)

	Quarter Ended September 30 2014		Quarter Ended September 30 2013		Nine Months Ended September 30 2014		Nine Months Ended September 30 2013	
Net (loss) / earnings	\$	(15,722)	\$	14,859	\$	(61,389)	\$	(70,358)
Add back:								
Finance costs	\$	6,817	\$	440	\$	14,735	\$	1,576
Amortization and depletion	\$	27,998	\$	11,957	\$	91,376	\$	37,880
Amortization included in other income / (loss)	\$	2,977	\$	-	\$	10,255	\$	-
Deferred income tax expense / (recovery)	\$	12,594	\$	(606)	\$	801	\$	6,430
Current income tax expense / (recovery)	\$	114	\$	(1,931)	\$	387	\$	3,589
EBITDA	\$	34,778	\$	24,719	\$	56,165	\$	(20,883)

NET FREE CASH FLOW

Net free cash flow represents an indication of the Company's continuing capacity to generate cash flow from operations, comprising cash flows from operating activities net of total capital expenditures. It does not necessarily represent the cash flow in the period available for management to use at its discretion, which may be affected by other sources and non-discretionary uses of cash.

The following is a reconciliation of net free cash flow to the consolidated financial statements:

(in thousands)

	Quarter Ended September 30 2014		Quarter Ended September 30 2013		Nine Months Ended September 30 2014		Nine Months Ended September 30 2013	
Operating cash flow	\$	2,788	\$	24,338	\$	31,928	\$	51,312
Less: Capital expenditures	\$	(50,677)	\$	(80,072)	\$	(147,405)	\$	(185,850)
Net free cash flow	\$	(47,889)	\$	(55,734)	\$	(115,477)	\$	(134,538)

RISKS AND UNCERTAINTIES

The Company's business contains significant risk due to the nature of mining, exploration, and development activities. Other than as described below, there were no changes in the Company's exposure to risks and other uncertainties, including those related to the mining industry in general or as described in the Company's annual information form for the year ended December 31, 2013, during the first nine months of 2014.

EFFECT OF INDEBTEDNESS ON FINANCIAL CONDITION

The Company has a significant amount of secured indebtedness. The Company's high level of indebtedness, including the secured notes issued on March 27, 2014, could have material and adverse consequences to the Company and the Company's securityholders, including:

- making it more difficult for the Company to satisfy its obligations to pay interest and to pay principal when due;
- limiting the Company's ability to obtain additional financing to repay existing indebtedness, fund future working capital, capital expenditures, acquisitions or other general corporate requirements, or requiring the Company to make non-strategic divestitures;
- requiring a substantial portion of the Company's cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for payment of cash dividends, working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing the Company's vulnerability to general adverse economic and industry conditions;
- limiting the Company's flexibility in planning for and reacting to changes in the industry in which it competes;
- placing the Company at a disadvantage compared to other, less leveraged competitors; and
- increasing the Company's cost of borrowing.

The Company may not be able to generate sufficient cash to service all of its indebtedness, including the secured notes, and may be forced to take other actions to satisfy its obligations under such indebtedness, which may not be successful. The Company's ability to make scheduled payments on or refinance its debt obligations depends on its financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond its control. The Company may be unable to maintain a level of cash flows from operating activities sufficient to permit it to pay the principal, premium, if any, and interest on the Company's indebtedness.

If the Company's cash flows and capital resources are insufficient to fund its debt service obligations, it could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternatives may not allow the Company to meet its scheduled debt service obligations. The Company's revolving credit facility and the indenture governing the secured notes will restrict its ability to dispose of assets and use the proceeds from those dispositions and may also restrict its ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. The Company may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

Should the Company incur additional debt, this could increase the risks to its financial condition described above.

EFFECT OF INDEBTEDNESS ON THE COMPANY'S CURRENT AND FUTURE OPERATIONS

The Company's revolving credit facility and the indenture governing the secured notes contain a number of restrictive covenants that impose significant operating and financial restrictions on the Company and may limit its ability to engage in acts that may be in the Company's long-term best interest. The Company's failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in a cross-default under other debt instruments and the acceleration of all its debt. The restrictions include, without limitation, restrictions on its ability to:

- incur additional indebtedness;
- pay dividends or make other distributions or repurchase or redeem its capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell, transfer or otherwise dispose of assets;
- incur or permit to exist certain liens;
- enter into transactions with affiliates;
- enter into agreements restricting its subsidiaries' ability to pay dividends; and
- consolidate, amalgamate, merge or sell all or substantially all of the Company's assets.

RATING OF THE COMPANY'S DEBT SECURITIES

The Company's debt currently has a non-investment grade rating, and any rating assigned could be lowered or withdrawn entirely by a rating agency, if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Any future lowering of the Company's ratings likely would make it more difficult or more expensive for it to obtain additional debt financing.

For details of additional risk factors affecting the Company, and how the management intends to mitigate these risks wherever possible, please refer to the Company's Management's Discussion and Analysis or Annual Information Form for the year ended December 31, 2013, which are available on the Company's website at www.auricogold.com, on SEDAR at www.sedar.com, and on EDGAR at www.sec.gov.

CRITICAL ACCOUNTING ESTIMATES, POLICIES AND CHANGES

ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. The critical estimates and judgments applied in the preparation of the Company's condensed consolidated financial statements for the three and nine months ended September 30, 2014 are consistent with those applied and disclosed in the Company's Consolidated Financial Statements for the year ended December 31, 2013. For details of these estimates and judgments please refer to the Company's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2013, which are available on the Company's website at www.auricogold.com, on SEDAR at www.sedar.com, and on EDGAR at www.sec.gov.

ACCOUNTING POLICIES AND CHANGES

The accounting policies applied in the condensed consolidated financial statements for the three and nine months ended September 30, 2014 are consistent with those used in the Company's Consolidated Financial Statements for the year ended December 31, 2013, with the exception of the following accounting policies adopted on January 1, 2014:

IFRIC 21, *Levies*, sets out criteria for the recognition of liabilities for levies imposed by governments. The IFRIC identifies the obligating event for the recognition of a liability as the activity triggers the payment of the levy in accordance with the relevant legislation. There was no impact on the Company's condensed consolidated interim financial statements upon the adoption of this interpretation.

Amendments to IAS 32, *Financial Instruments: Presentation*, clarify situations in which an entity has a legally enforceable right to set-off a financial liability and financial asset. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. There was no impact on the Company's condensed consolidated interim financial statements upon the adoption of these amendments.

Amendments to IAS 36, *Impairment of assets*, were issued by the IASB in May 2013. These amendments address the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the

disclosures required, and introduce a requirement to disclose the discount rate used in determining impairment (or reversals) where the recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. There was no impact on the Company's condensed consolidated interim financial statements upon the adoption of these amendments.

The following accounting policy was adopted during the three months ended September 30, 2014:

Flow-through share financing

The Company may issue flow-through common shares to finance a portion of its Canadian exploration program. Pursuant to the Canadian Income Tax Act and the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Proceeds received from flow-through share agreements are separated into a liability and share capital. The liability, which represents the obligation to renounce flow-through exploration expenditures, is calculated as the excess of cash consideration received over the market price of the Company's shares on the agreement's closing date. Upon qualifying exploration expenditures being incurred, the Company derecognizes the liability and recognizes it as other income. The related deferred tax expense is also recognized at the time the expenditures are incurred.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced, in accordance with the Canadian Income Tax Act flow-through regulations. When applicable, the estimated tax payable is accrued until paid.

STANDARDS ISSUED BUT NOT YET ADOPTED

For the purposes of preparing and presenting the Company's condensed consolidated interim financial statements, the Company has adopted all applicable standards and interpretations issued other than those discussed below. These standards have not been adopted because they are not effective for the Company until subsequent to December 31, 2014. Standards and interpretations issued, but not yet adopted include:

	Effective for the Company
Amendments to IAS 19, <i>Employee Benefits</i>	January 1, 2015
Amendments to IAS 16, <i>Property, Plant and Equipment</i>	January 1, 2016
Amendments to IAS 28, <i>Investments in Associates and Joint Ventures</i>	January 1, 2016
Amendments to IAS 38, <i>Intangibles</i>	January 1, 2016
Amendments to IFRS 10, <i>Consolidated Financial Statements</i>	January 1, 2016
Amendments to IFRS 11, <i>Joint Arrangements</i>	January 1, 2016
IFRS 15, <i>Revenue from Contracts with Customers</i>	January 1, 2017
IFRS 9, <i>Financial Instruments</i>	January 1, 2018

In November 2013, the IASB issued amendments to IAS 19, *Employee Benefits*, which clarify benefit and medical cost actuarial assumptions used in calculation of the present value of defined benefit obligations and current service cost. These amendments are effective for annual periods beginning on or after July 1, 2014. This amendment is not anticipated to impact the Company's consolidated financial statements as there are no defined benefit obligations.

In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangibles*. These amendments prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively. These amendments are not anticipated to impact the Company's consolidated financial statements as it does not use revenue-based depreciation or revenue-based amortization.

In September 2014, the IASB issued amendments to IAS 28, *Investments in Associates and Joint Ventures*, and IFRS 10, *Consolidated Financial Statements*. These amendments address a conflict between IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. These amendments are effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In May 2014, the IAS issued amendments to IFRS 11, *Joint Arrangements*. The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The standard replaces IAS 11, *Construction Contracts*; IAS 18, *Revenue*; IFRIC 13, *Customer Loyalty Programmes*; IFRIC 15, *Agreements for the Construction of Real Estate*; IFRIC 18, *Transfer of Assets from Customers*; and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. This standard establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2017, and permits early adoption. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In July 2014, the IASB issued IFRS 9, *Financial Instruments*, which will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The replacement standard provides a new model for the classification and measurement of financial instruments. The IASB has determined the revised effective date for IFRS 9 will be for annual periods beginning on or after January 1, 2018.

The Company will evaluate the impact of the change to the consolidated financial statements based on the characteristics of financial instruments outstanding at the time of adoption.

CONTROLS AND PROCEDURES

At the end of the third quarter of 2014, an evaluation was carried out under the supervision of and with participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the design of disclosure controls and procedures and internal controls over financial reporting. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures and internal controls over financial reporting are effectively designed as of September 30, 2014, the end of the period covered by this report.

There were no significant changes in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2014, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

SUMMARY OF QUARTERLY FINANCIAL AND OPERATING RESULTS
(in thousands, except ounces, per share amounts, average realized prices, all-in sustaining costs and total cash costs)

	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Gold ounces produced ⁽¹⁾	57,037	56,198	54,214	46,017	38,456	38,186	38,441	43,603
Silver ounces produced ⁽¹⁾	-	-	-	-	-	-	-	301,951
Gold ounces sold ⁽¹⁾	56,970	58,277	54,070	39,855	40,185	41,540	39,333	45,385
Silver ounces sold ⁽¹⁾	-	-	-	-	-	-	-	313,575
Average realized gold price	\$ 1,280	\$ 1,283	\$ 1,297	\$ 1,257	\$ 1,332	\$ 1,369	\$ 1,627	\$ 1,721
Average realized silver price	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32.79
Cash costs per gold ounce, net of by-product revenues and NRV adjustments ⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾	\$ 706	\$ 801	\$ 870	\$ 771	\$ 628	\$ 655	\$ 635	\$ 624
Cash costs per gold ounce, net of by-product revenues ⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾	\$ 784	\$ 801	\$ 870	\$ 1,284	\$ 497	\$ 848	\$ 635	\$ 753
All-in sustaining costs per gold ounce, sold net of by-product revenues and NRV adjustments ⁽¹⁾⁽³⁾	\$ 1,101	\$ 1,191	\$ 1,390	\$ 1,232	\$ 1,210	\$ 1,189	\$ 1,090	\$ 1,482
All-in sustaining costs per gold ounce, sold net of by-product revenues ⁽¹⁾⁽³⁾	\$ 1,179	\$ 1,191	\$ 1,390	\$ 1,807	\$ 1,087	\$ 1,382	\$ 1,090	\$ 1,482
Revenue from mining operations ⁽¹⁾	\$ 73,505	\$ 75,530	\$ 70,953	\$ 50,782	\$ 54,304	\$ 57,660	\$ 64,885	\$ 63,119
Production costs ⁽¹⁾⁽²⁾⁽⁴⁾	\$ 45,463	\$ 48,691	\$ 47,893	\$ 59,972	\$ 21,079	\$ 39,055	\$ 27,875	\$ 26,271
(Loss) / earnings from operations ⁽¹⁾⁽²⁾	\$ (7,337)	\$ (16,293)	\$ (16,064)	\$ (104,518)	\$ 12,230	\$ (103,674)	\$ 17,515	\$ (113,929)
Net (loss) / earnings from continuing operations ⁽¹⁾⁽²⁾	\$ (15,722)	\$ (16,776)	\$ (28,891)	\$ (106,412)	\$ 14,859	\$ (103,491)	\$ 18,274	\$ (135,142)
Net earnings from discontinued operations ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,977
Total net (loss) / earnings ⁽²⁾	\$ (15,722)	\$ (16,776)	\$ (28,891)	\$ (106,412)	\$ 14,859	\$ (103,491)	\$ 18,274	\$ (26,165)
Net (loss) / earnings per share from continuing operations, basic ⁽¹⁾⁽²⁾	\$ (0.06)	\$ (0.07)	\$ (0.12)	\$ (0.43)	\$ 0.06	\$ (0.42)	\$ 0.07	\$ (0.48)
Net earnings per share from discontinued operations, basic ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.39
Total (loss) / earnings per share, basic ⁽²⁾	\$ (0.06)	\$ (0.07)	\$ (0.12)	\$ (0.43)	\$ 0.06	\$ (0.42)	\$ 0.07	\$ (0.09)
Net (loss) / earnings per share from continuing operations, diluted ⁽¹⁾⁽²⁾	\$ (0.06)	\$ (0.07)	\$ (0.12)	\$ (0.43)	\$ 0.04	\$ (0.42)	\$ 0.04	\$ (0.48)
Net earnings per share from discontinued operations, diluted ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.39
Total (loss) / earnings per share, diluted ⁽²⁾	\$ (0.06)	\$ (0.07)	\$ (0.12)	\$ (0.43)	\$ 0.04	\$ (0.42)	\$ 0.04	\$ (0.09)
Operating cash flow from continuing operations ⁽¹⁾⁽²⁾	\$ 2,788	\$ 4,649	\$ 24,491	\$ 11,954	\$ 24,338	\$ 13,875	\$ 13,099	\$ (7,813)
Operating cash flow from discontinued operations ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (528)
Total operating cash flow ⁽²⁾	\$ 2,788	\$ 4,649	\$ 24,491	\$ 11,954	\$ 24,338	\$ 13,875	\$ 13,099	\$ (8,341)
Net free cash flow from continuing operations ⁽¹⁾⁽³⁾	\$ (47,889)	\$ (36,467)	\$ (31,121)	\$ (51,618)	\$ (55,734)	\$ (46,399)	\$ (32,405)	\$ (66,340)
Net free cash flow from discontinued operations ⁽¹⁾⁽³⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (23,784)
Total net free cash flow ⁽³⁾	\$ (47,889)	\$ (36,467)	\$ (31,121)	\$ (51,618)	\$ (55,734)	\$ (46,399)	\$ (32,405)	\$ (90,124)

⁽¹⁾ In 2012, operational data, including ounces produced and sold, and cash costs, include the results of both continuing and discontinuing operations. Certain financial information, including revenues, production costs, and (loss) / earnings from operations are exclusive of discontinued operations as the financial results of these operations are presented separately on the Consolidated Statements of Operations for the year ended December 31, 2012. Properties that were sold during 2012 have been presented as discontinued operations. These properties include: the Ocampo mine and Venus and Los Jarros exploration properties, El Cubo mine and Guadalupe y Calvo exploration property, and Fosterville and Stawell mines and their related subsidiaries.

⁽²⁾ Certain comparative information has been restated as a result of the adoption of IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, which was applied prospectively to production stripping costs incurred on or after January 1, 2012. For further details, refer to note 3(a) to the consolidated financial statements for the year ended December 31, 2013.

⁽³⁾ See the Non-GAAP Measures section on page 18.

⁽⁴⁾ Production costs do not include amortization and depletion or refining costs.

⁽⁵⁾ Gold ounces includes ounces sold at the El Chanate, Ocampo, El Cubo, Fosterville and Stawell mines. For the Young-Davidson mine, gold ounces includes ounces sold in 2014, and ounces produced for all other periods shown.

CAUTIONARY NOTE TO U.S. INVESTORS

Cautionary Note to U.S. Investors Concerning International Financial Reporting Standards: The condensed consolidated financial statements of the Company have been prepared by management in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (see note 2 to the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2014). These accounting principles differ in certain material respects from accounting principles generally accepted in the United States of America. The Company's reporting currency is the United States dollar unless otherwise noted.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information as defined under Canadian and U.S. securities laws. All statements, other than statements of historical fact, are, or may be deemed to be, forward-looking statements. The words "expect", "believe", "anticipate", "will", "intend", "estimate", "forecast", "budget" and similar expressions identify forward-looking statements. Forward-looking statements include information as to strategy, plans or future financial or operating performance, such as the Company's expansion plans, project timelines, production plans and expected sustainable productivity increases, expected increases in underground activities and corresponding cost efficiencies, expected drilling targets, expected sustaining costs, expected improvements in free cash flows and margins, expected level of capital expenditures, forecasted cash shortfalls and the Company's ability to fund them, cost estimates, projected exploration results, reserve and resource estimates, expected mill production rates and use of stockpile inventory, expected mill recoveries, sufficiency of working capital for future commitments and other statements that express management's expectations or estimates of future performance.

Forward-looking statements are necessarily based upon a number of factors and assumptions that, while considered reasonable by management at the time of making such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors and assumptions underlying the forward-looking statements in this document include, but are not limited to: changes to current estimates of mineral reserves and resources; fluctuations in the price of gold; changes in foreign exchange rates (particularly the Canadian dollar, Mexican peso and U.S. dollar); the impact of inflation; changes in our credit rating; any decision to declare a quarterly dividend; employee relations; litigation; disruptions affecting operations; availability of and increased costs associated with mining inputs and labor; development delays at the Young-Davidson mine; operating or technical difficulties in connection with mining or development activities; inherent risks associated with mining and mineral processing; the risk that the Young-Davidson and El Chanate mines may not perform as planned; uncertainty with the Company's ability to secure capital to execute its business plans; the speculative nature of mineral exploration and development, including the risks of obtaining necessary licenses and permits, including the necessary licenses, permits, authorizations and/or approvals from the appropriate regulatory authorities for the Kemess Underground project; contests over title to properties; changes in national and local government legislation in Canada, Mexico and other jurisdictions in which the Company does or may carry on business in the future; risk of loss due to sabotage and civil disturbances; the impact of global liquidity and credit availability and the values of assets and liabilities based on projected future cash flows; risks arising from holding derivative instruments; business opportunities that may be pursued by the Company, as well as those factors discussed under "Risk Factors" in the Company's most recent Annual Information Form.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained herein. Such statements are based on a number of assumptions which may prove to be incorrect, including assumptions about: business and economic conditions; commodity prices and the price of key inputs such as labour, fuel and electricity; credit market conditions and conditions in financial markets generally; revenue and cash flow estimates, production levels, development schedules and the associated costs; ability to procure equipment and supplies and on a timely basis; the timing of the receipt of permits and other approvals for projects and operations; the ability to attract and retain skilled employees and contractors for the operations; the accuracy of reserve and resource estimates; the accuracy of stockpile and ore in process estimates; the impact of changes in currency exchange rates on costs and results; interest rates; taxation; and ongoing relations with employees and business partners. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law. For additional detail regarding risk factors affecting the Company, refer to the Company's Annual Information Form for the year ended December 31, 2013.



Condensed Consolidated Financial Statements

(in United States Dollars, unless otherwise stated)

September 30, 2014



CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands of United States dollars)

As at	September 30 2014	December 31 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 100,213	\$ 142,652
Restricted cash	-	2,204
Receivables	14,867	29,254
Current income tax receivable	4,564	27,936
Inventories (Note 4)	88,887	84,643
Prepays and deposits	4,523	5,250
	<u>213,054</u>	<u>291,939</u>
Non-current assets		
Investments (Note 5)	170	15,551
Long-term inventories (Note 4)	106,021	93,696
Investment in jointly-controlled entity	17,839	17,930
Other long-term assets	60,703	71,988
Property, plant and equipment & mining interests (Note 6)	1,715,600	1,675,955
Intangible assets (Note 7)	42,961	53,656
Goodwill	241,693	241,693
	<u>\$ 2,398,041</u>	<u>\$ 2,462,408</u>
LIABILITIES		
Current liabilities		
Trade payables and accrued liabilities	\$ 34,580	\$ 76,923
Dividend payable (Note 12(b))	-	9,960
Current income tax liability	3,550	3,966
Current portion of debt and equipment financing obligations (Note 9)	6,609	7,355
Obligation to renounce flow-through exploration expenditures (Note 10)	1,299	-
Current portion of provisions (Note 11)	2,246	15,955
	<u>48,284</u>	<u>114,159</u>
Non-current liabilities		
Debt and equipment financing obligations (Note 9)	308,982	244,194
Option component of convertible senior notes	-	413
Provisions	27,755	28,580
Deferred income tax liability	275,156	287,180
	<u>660,177</u>	<u>674,526</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 12)	2,028,885	2,021,837
Contributed surplus	61,268	55,945
Deficit	(352,026)	(284,632)
Accumulated other comprehensive loss	(263)	(5,268)
	<u>1,737,864</u>	<u>1,787,882</u>
	<u>\$ 2,398,041</u>	<u>\$ 2,462,408</u>

Events after the reporting period (Note 20)



CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in thousands of United States dollars, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30	September 30	September 30	September 30
	2014	2013	2014	2013
Revenue from mining operations	\$ 73,505	\$ 54,304	\$ 219,988	\$ 176,849
Cost of sales:				
Production costs (Note 4)	45,463	21,079	142,047	88,009
Refining costs	120	137	415	387
Amortization and depletion (Note 4)	27,998	11,957	91,376	37,880
Reclamation, care and maintenance costs	683	2,048	3,888	4,290
Total cost of sales	74,264	35,221	237,726	130,566
General and administrative	5,664	6,646	20,583	20,768
Exploration and business development	298	207	757	756
Impairment charges (Note 8)	616	-	616	98,688
(Loss) / earnings from operations (Note 13)	(7,337)	12,230	(39,694)	(73,929)
Finance costs	(6,817)	(440)	(14,735)	(1,576)
Foreign exchange gain / (loss)	10,520	(2,746)	9,060	5,820
Other income / (loss) (Note 14)	620	3,260	(14,740)	9,384
Equity in loss / (income) of jointly-controlled entity	-	18	(92)	(38)
(Loss) / earnings before income taxes	(3,014)	12,322	(60,201)	(60,339)
Deferred income tax expense / (recovery) (Note 15)	12,594	(606)	801	6,430
Current income tax expense / (recovery) (Note 15)	114	(1,931)	387	3,589
	12,708	(2,537)	1,188	10,019
Net (loss) / earnings	\$ (15,722)	\$ 14,859	\$ (61,389)	\$ (70,358)
(Loss) / earnings per share (Note 16)				
Basic (loss) / earnings per share	\$ (0.06)	\$ 0.06	\$ (0.25)	\$ (0.28)
Diluted (loss) / earnings per share	\$ (0.06)	\$ 0.04	\$ (0.25)	\$ (0.28)
Weighted average shares outstanding (Note 16)				
Basic	248,731,324	247,131,794	248,550,531	251,245,429
Diluted	248,731,324	262,504,566	248,550,531	251,245,429



CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of United States dollars)

	Three Months Ended		Nine Months Ended	
	September 30	September 30	September 30	September 30
	2014	2013	2014	2013
Net (loss) / earnings	\$ (15,722)	\$ 14,859	\$ (61,389)	\$ (70,358)
Items that may be reclassified subsequently to net (loss) / earnings:				
Unrealized (loss) / gain on investments (Note 5)	(98)	(299)	2,498	(1,036)
Reclassification of accumulated losses on investments to net (loss) / earnings (Note 5)	-	-	2,507	128
Total other comprehensive (loss) / income	(98)	(299)	5,005	(908)
Comprehensive (loss) / income	\$ (15,820)	\$ 14,560	\$ (56,384)	\$ (71,266)



CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of United States dollars)

	Three Months Ended		Nine Months Ended	
	September 30 2014	September 30 2013	September 30 2014	September 30 2013
OPERATING ACTIVITIES				
Net (loss) / earnings	\$ (15,722)	\$ 14,859	\$ (61,389)	\$ (70,358)
Proceeds from settlement of derivative assets	-	-	-	(528)
Payments to settle other liabilities	-	-	-	(2,750)
Payments to settle provisions	(1,039)	(567)	(3,254)	(3,600)
Adjustments to reconcile net (loss) / earnings to operating cash flows (Note 17)	37,376	7,466	110,985	137,807
Change in non-cash operating working capital (Note 17)	(17,827)	2,580	(14,414)	(9,259)
Operating cash flows	<u>2,788</u>	<u>24,338</u>	<u>31,928</u>	<u>51,312</u>
INVESTING ACTIVITIES				
Expenditures on property, plant and equipment, mining interests & intangible assets	(50,677)	(80,072)	(147,405)	(185,850)
Proceeds from retained interest royalty (Note 7)	-	-	2,463	-
Decrease / (increase) in restricted cash	-	-	5,877	(1,686)
Purchase of investments (Note 5)	-	(4,203)	-	(6,491)
Sale of investments (Note 5)	-	-	23,284	-
Proceeds received on transfer of litigation claim (Note 14(a))	3,177	-	3,177	-
Investing cash flows	<u>(47,500)</u>	<u>(84,275)</u>	<u>(112,604)</u>	<u>(194,027)</u>
FINANCING ACTIVITIES				
Repayment of debt and equipment financing obligations (Note 9)	(1,649)	(1,232)	(252,541)	(3,648)
Proceeds from debt and equipment financing obligations (Note 9)	3,264	-	308,578	-
Payment of financing fees on debt	(303)	-	(7,838)	-
Payment of dividends	(896)	(9,290)	(13,899)	(19,161)
Proceeds from exercise of stock options	-	-	2	3,094
Shares repurchased and cancelled (Note 12(a))	-	-	-	(301,066)
Proceeds from issuance of flow-through shares (Note 10)	4,566	-	4,566	-
Financing cash flows	<u>4,982</u>	<u>(10,522)</u>	<u>38,868</u>	<u>(320,781)</u>
Impact of foreign exchange on cash	<u>(631)</u>	<u>855</u>	<u>(631)</u>	<u>196</u>
Net decrease in cash	(40,361)	(69,604)	(42,439)	(463,300)
Cash and cash equivalents, beginning of period	<u>140,574</u>	<u>209,705</u>	<u>142,652</u>	<u>603,401</u>
Cash and cash equivalents, end of period	<u>\$ 100,213</u>	<u>\$ 140,101</u>	<u>\$ 100,213</u>	<u>\$ 140,101</u>



CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(unaudited, in thousands of United States dollars)

For the nine months ended September 30	2014	2013
Capital stock		
Balance, beginning of period	\$ 2,021,837	\$ 2,307,978
Shares repurchased and cancelled (Note 12(a))	-	(295,536)
Shares issued through dividend reinvestment plan	1,906	619
Shares issued through employee share purchase plan	1,680	1,503
Shares issued on redemption of deferred share units	359	499
Shares issued for cash pursuant to exercise of stock options	2	3,094
Fair value of share-based compensation on stock options exercised	4	1,825
Shares issued through flow-through share agreement (Note 10)	3,097	-
Balance, end of period	<u>\$ 2,028,885</u>	<u>\$ 2,019,982</u>
Contributed surplus		
Balance, beginning of period	\$ 55,945	\$ 50,881
Fair value of deferred share units redeemed	(359)	(499)
Fair value of share-based compensation on stock options exercised	(4)	(1,825)
Share-based compensation	5,686	5,697
Balance, end of period	<u>\$ 61,268</u>	<u>\$ 54,254</u>
Deficit		
Balance, beginning of period	\$ (284,632)	\$ (62,917)
Dividends declared (Note 12(b))	(6,005)	(29,632)
Premium on shares repurchased and cancelled (Note 12(a))	-	(5,530)
Net loss	(61,389)	(70,358)
Balance, end of period	<u>\$ (352,026)</u>	<u>\$ (168,437)</u>
Accumulated other comprehensive loss from available-for-sale investments		
Balance, beginning of period	\$ (5,268)	\$ (105)
Other comprehensive income / (loss)	5,005	(908)
Balance, end of period	<u>\$ (263)</u>	<u>\$ (1,013)</u>
Total shareholders' equity	<u>\$ 1,737,864</u>	<u>\$ 1,904,786</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

1. Corporate information

AuRico Gold Inc. and its subsidiaries (collectively, the "Company" or "AuRico Gold") are engaged in the mining, development and exploration of resource properties. AuRico Gold Inc. is a publicly traded company with common shares listed on the Toronto Stock Exchange (TSX: AUQ) and the New York Stock Exchange (NYSE: AUQ). The Company is incorporated and domiciled in Canada and its head office and registered office is located at 110 Yonge Street, Suite 1601, Toronto, Ontario, M5C 1T4.

The condensed consolidated financial statements of the Company and its subsidiaries were authorized for issue in accordance with a resolution of the Board of Directors dated November 6, 2014.

2. Basis of preparation and statement of compliance

These condensed consolidated interim financial statements are prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These statements were prepared using the same accounting policies and methods of computation as the Company's consolidated financial statements for the year ended December 31, 2013, except as disclosed below in note 3(a).

These condensed consolidated interim financial statements do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013 prepared in accordance with IFRS as issued by the IASB.

3. Accounting changes and recent pronouncements

(a) Adoption of new accounting standards

The Company adopted the following accounting standards and amendments to accounting standards, effective January 1, 2014:

IFRIC 21, *Levies*, sets out criteria for the recognition of liabilities for levies imposed by governments. The IFRIC identifies the obligating event for the recognition of a liability as the activity triggers the payment of the levy in accordance with the relevant legislation. There was no impact on the Company's condensed consolidated interim financial statements upon the adoption of this interpretation.

Amendments to IAS 32, *Financial Instruments: Presentation*, clarify situations in which an entity has a legally enforceable right to set-off a financial liability and financial asset. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. There was no impact on the Company's condensed consolidated interim financial statements upon the adoption of these amendments.

Amendments to IAS 36, *Impairment of assets*, were issued by the IASB in May 2013. These amendments address the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce a requirement to disclose the discount rate used in determining impairment (or reversals) where the recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. There was no impact on the Company's condensed consolidated interim financial statements upon the adoption of these amendments.

The following accounting policy was adopted during the three months ended September 30, 2014:

Flow-through share financing

The Company may issue flow-through common shares to finance a portion of its Canadian exploration program. Pursuant to the Canadian Income Tax Act and the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Proceeds received from flow-through share agreements are separated into a liability and share capital. The liability, which represents the obligation to renounce flow-through exploration expenditures, is calculated as the excess of cash consideration received over the market price of the Company's shares on the agreement's closing date. Upon qualifying exploration expenditures being incurred, the Company derecognizes the liability and recognizes it as other income. The related deferred tax expense is also recognized at the time the expenditures are incurred.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced, in accordance with the Canadian Income Tax Act flow-through regulations. When applicable, the estimated tax payable is accrued until paid.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

(b) Standards issued but not yet adopted

For the purposes of preparing and presenting the Company's condensed consolidated interim financial statements, the Company has adopted all applicable standards and interpretations issued other than those discussed below. These standards have not been adopted because they are not effective for the Company until subsequent to December 31, 2014. Standards and interpretations issued, but not yet adopted include:

	Effective for the Company
Amendments to IAS 19, <i>Employee Benefits</i>	January 1, 2015
Amendments to IAS 16, <i>Property, Plant and Equipment</i>	January 1, 2016
Amendments to IAS 28, <i>Investments in Associates and Joint Ventures</i>	January 1, 2016
Amendments to IAS 38, <i>Intangibles</i>	January 1, 2016
Amendments to IFRS 10, <i>Consolidated Financial Statements</i>	January 1, 2016
Amendments to IFRS 11, <i>Joint Arrangements</i>	January 1, 2016
IFRS 15, <i>Revenue from Contracts with Customers</i>	January 1, 2017
IFRS 9, <i>Financial Instruments</i>	January 1, 2018

In November 2013, the IASB issued amendments to IAS 19, *Employee Benefits*, which clarify benefit and medical cost actuarial assumptions used in calculation of the present value of defined benefit obligations and current service cost. These amendments are effective for annual periods beginning on or after July 1, 2014. This amendment is not anticipated to impact the Company's consolidated financial statements as there are no defined benefit obligations.

In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangibles*. These amendments prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively. These amendments are not anticipated to impact the Company's consolidated financial statements as it does not use revenue-based depreciation or revenue-based amortization.

In September 2014, the IASB issued amendments to IAS 28, *Investments in Associates and Joint Ventures*, and IFRS 10, *Consolidated Financial Statements*. These amendments address a conflict between IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. These amendments are effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In May 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements*. The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The standard replaces IAS 11, *Construction Contracts*; IAS 18, *Revenue*; IFRIC 13, *Customer Loyalty Programmes*; IFRIC 15, *Agreements for the Construction of Real Estate*; IFRIC 18, *Transfer of Assets from Customers*; and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. This standard establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2017, and permits early adoption. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In July 2014, the IASB issued IFRS 9, *Financial Instruments*, which will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The replacement standard provides a new model for the classification and measurement of financial instruments. The IASB has determined the revised effective date for IFRS 9 will be for annual periods beginning on or after January 1, 2018. The Company will evaluate the impact of the change to the consolidated financial statements based on the characteristics of financial instruments outstanding at the time of adoption.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

4. Inventories

	September 30 2014	December 31 2013
Supplies	\$ 18,888	\$ 17,391
Ore stockpiles	25,200	35,122
Ore in process	146,672	117,984
Finished goods	4,148	7,842
	<u>194,908</u>	<u>178,339</u>
Less: Long-term inventories	<u>(106,021)</u>	<u>(93,696)</u>
	<u>\$ 88,887</u>	<u>\$ 84,643</u>

As at September 30, 2014, the carrying value of the El Chanate ore in process heap leach inventory and the Young-Davidson low grade stockpile inventory exceeded their net realizable values. As a result, the Company recognized net realizable value adjustments, which impacted production costs and amortization and depletion. As disclosed in the Company's consolidated financial statements for the year ended December 31, 2013, ore stockpile and ore in process inventories include mining and processing costs, along with amortization and depletion related to mining and processing operations. The net realizable value adjustments have been allocated on a pro-rata basis between production costs and amortization and depletion based on their relative values at September 30, 2014.

As at June 30, 2013, the carrying value of the El Chanate ore in process heap leach inventory and the Young-Davidson low grade long-term stockpile inventory exceeded their net realizable values. As a result, the Company recognized net realizable value adjustments, which impacted production costs and amortization and depletion.

As at September 30, 2013, the net realizable value of the El Chanate ore in process heap leach inventory and the Young-Davidson low grade long-term stockpile inventory exceeded their carrying values. As a result, the Company recognized net realizable value adjustment reversals, which impacted production costs and amortization and depletion. The net realizable value adjustments and reversals were allocated on a pro-rata basis between production costs and amortization and depletion based on their relative values at June 30 and September 30, 2013.

The impact on production costs and amortization and depletion is as follows:

	Three months ended		Nine months ended	
	September 30 2014	September 30 2013	September 30 2014	September 30 2013
Operating production costs	\$ 40,909	\$ 26,797	\$ 137,493	\$ 83,623
Net realizable value adjustment / (reversal)				
El Chanate	1,215	(2,434)	1,215	4,087
Young-Davidson	<u>3,339</u>	<u>(3,284)</u>	<u>3,339</u>	<u>299</u>
Production costs	<u>\$ 45,463</u>	<u>\$ 21,079</u>	<u>\$ 142,047</u>	<u>\$ 88,009</u>
Operating amortization and depletion	\$ 25,455	\$ 13,611	\$ 88,833	\$ 37,393
Net realizable value adjustment / (reversal)				
El Chanate	372	(215)	372	357
Young-Davidson	<u>2,171</u>	<u>(1,439)</u>	<u>2,171</u>	<u>130</u>
Amortization and depletion	<u>\$ 27,998</u>	<u>\$ 11,957</u>	<u>\$ 91,376</u>	<u>\$ 37,880</u>

Ore inventories carried at fair value less cost to sell totalled \$162,954 at September 30, 2014 (December 31, 2013 - \$74,074).

Ore in process inventory at September 30, 2014 included \$5,275 (December 31, 2013 - \$6,095) related to the excess of the fair value of El Chanate inventory over its carrying value at the acquisition date, which is being charged to earnings as the related inventory is sold.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

5. Investments

	September 30, 2014		Three months ended September 30, 2014		Nine months ended September 30, 2014	
	Cost	Fair value	Unrealized gains/(losses) included in OCI	Realized & unrealized gains/(losses) included in earnings/(loss)	Unrealized gains/(losses) included in OCI	Realized & unrealized gains/(losses) included in earnings/(loss)
Securities ⁽¹⁾	\$ 1,964	\$ 170	\$ (98)	\$ -	\$ 2,498	\$ 6,631
Reclassification to earnings / (loss)	-	-	-	-	2,507	(2,507)
	\$ 1,964	\$ 170	\$ (98)	\$ -	\$ 5,005	\$ 4,124
Securities ⁽²⁾	235	-	-	-	-	-
Warrants ⁽²⁾	494	-	-	-	-	(42)
	\$ 2,693	\$ 170	\$ (98)	\$ -	\$ 5,005	\$ 4,082

	September 30, 2013		Three months ended September 30, 2013		Nine months ended September 30, 2013	
	Cost	Fair value	Unrealized gains/(losses) included in OCI	Realized & unrealized gains/(losses) included in earnings/(loss)	Unrealized gains/(losses) included in OCI	Realized & unrealized gains/(losses) included in earnings/(loss)
Securities ⁽¹⁾	\$ 6,167	\$ 5,025	\$ (299)	\$ -	\$ (1,036)	\$ -
Reclassification to earnings / (loss)	-	-	-	-	128	(128)
	\$ 6,167	\$ 5,025	\$ (299)	\$ -	\$ (908)	\$ (128)
Securities ⁽²⁾	235	18	-	-	-	(28)
Warrants ⁽²⁾	494	88	-	(121)	-	(409)
	\$ 6,896	\$ 5,131	\$ (299)	\$ (121)	\$ (908)	\$ (565)

⁽¹⁾ Classified as available-for-sale financial assets.

⁽²⁾ Classified as financial assets at fair value through profit or loss.

During the nine months ended September 30, 2014, the Company sold shares in various publicly listed entities for total proceeds of \$23,284. At September 30, 2014, the Company held \$170 in long-term investments in companies with properties adjacent to its operations in Canada and Mexico.

During the three and nine months ended September 30, 2013, the Company purchased investments with a total cost of \$4,203 and \$6,491. In these transactions, warrants were also acquired. The cost of the shares and warrants were determined based on their fair value on the date of acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

6. Property, plant and equipment & mining interests

		Mining interests		Exploration and	
	Plant and equipment	Depletable	Non-depletable	evaluation	Total
Cost					
At December 31, 2013	\$ 661,166	\$ 1,113,092	\$ 23,855	\$ 72,647	\$ 1,870,760
Additions	53,544	62,636	6,638	12,341	135,159
Reclassifications	-	10,777	(10,777)	-	-
Disposals	(3,714)	-	-	-	(3,714)
At September 30, 2014	\$ 710,996	\$ 1,186,505	\$ 19,716	\$ 84,988	\$ 2,002,205
Accumulated amortization and depletion and impairment charges					
At December 31, 2013	\$ (56,330)	\$ (133,901)	\$ (4,574)	\$ -	\$ (194,805)
Amortization and depletion	(24,365)	(68,897)	-	-	(93,262)
Impairment charges	-	-	-	(616)	(616)
Disposals	2,078	-	-	-	2,078
At September 30, 2014	\$ (78,617)	\$ (202,798)	\$ (4,574)	\$ (616)	\$ (286,605)
Carrying value					
At December 31, 2013	\$ 604,836	\$ 979,191	\$ 19,281	\$ 72,647	\$ 1,675,955
At September 30, 2014	\$ 632,379	\$ 983,707	\$ 15,142	\$ 84,372	\$ 1,715,600

The carrying values by component are as follows:

	Plant and equipment	Mining interests		Exploration and evaluation	Total
		Depletable	Non-depletable		
El Chanate	\$ 32,783	\$ 95,506	\$ 1,887	\$ -	\$ 130,176
Young-Davidson	571,037	888,201	13,255	-	1,472,493
Corporate and other	28,559	-	-	84,372	112,931
At September 30, 2014	\$ 632,379	\$ 983,707	\$ 15,142	\$ 84,372	\$ 1,715,600
El Chanate	\$ 35,307	\$ 84,975	\$ 10,945	\$ -	\$ 131,227
Young-Davidson	540,537	894,216	8,336	-	1,443,089
Corporate and other	28,992	-	-	72,647	101,639
At December 31, 2013	\$ 604,836	\$ 979,191	\$ 19,281	\$ 72,647	\$ 1,675,955

The carrying value of construction in progress at September 30, 2014 was \$57,588 (December 31, 2013 - \$70,025), including \$57,420 (December 31, 2013 - \$69,249) relating to projects at the Young-Davidson mine.

The Company has made non-cancellable commitments to acquire property, plant and equipment totaling \$5,360 at September 30, 2014 (December 31, 2013 - \$10,981).

7. Intangible assets

Included in intangible assets is the retained interest royalty received as part of consideration from the sale of the Fosterville and Stawell mines (collectively, the "Australian Operations") on May 4, 2012 to Crocodile Gold Corporation ("Crocodile Gold"). Per the agreement, once the cumulative free cash flow generated by the mines subsequent to closing reaches CAD \$60 million, the Company will receive 100% of the next CAD \$30 million of cumulative free cash flow in excess of CAD \$60 million, and 50% of the next CAD \$30 million of cumulative free cash flow in excess of CAD \$90 million. In addition, the Company will receive 20% of any cumulative free cash flow in excess of CAD \$120 million.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

During 2014, the Company was notified that the Australian Operations had generated in excess of CAD \$60 million and, as a result, received proceeds of \$2,463 from Crocodile Gold. Consistent with the Company's accounting policy, amortization of the retained interest royalty commenced once the Company became entitled to receive cash flows under this arrangement. During the three and nine months ended September 30, 2014, the Company recognized amortization expense of \$2,977 and \$10,255 on the retained interest royalty, which reduced the carrying value of this asset to \$23,749.

8. Impairment

(a) Exploration properties

During the three months ended September 30, 2014, the Company discontinued two of its exploration programs, and recognized an impairment charge of \$616 and a deferred tax recovery of \$185.

(b) El Chanate CGU and retained interest royalty

At June 30, 2013, the Company reassessed its gold price assumptions due to weakness in spot gold prices, which was considered to be an indicator of impairment. As a result, the Company performed impairment tests on the El Chanate cash-generating unit ("CGU") and the retained interest royalty held in the Australian Operations. The Company recognized impairment charges of \$80,000 and \$18,688 on the El Chanate CGU and retained interest royalty intangible asset, respectively, during the nine months ended September 30, 2013. As a result of the impairment charge on the retained interest royalty, the Company also recorded a deferred tax recovery of \$2,186.

9. Debt and equipment financing obligations

	September 30 2014	December 31 2013
(a) Revolving credit facility	\$ -	\$ 75,000
(b) Senior secured notes	297,500	-
(c) Convertible senior notes	621	157,133
(d) Equipment financing obligations	17,002	17,522
(e) Other	468	1,894
	<u>315,591</u>	<u>251,549</u>
Less: Current portion of debt and equipment financing obligations	<u>(6,609)</u>	<u>(7,355)</u>
	<u>\$ 308,982</u>	<u>\$ 244,194</u>

The estimated future minimum payments under debt and equipment financing obligations are as follows:

2014	\$ 7,165
2015	\$ 29,080
2016	\$ 28,723
2017	\$ 26,460
2018	\$ 25,512
2019 and thereafter	\$ 351,619

(a) Revolving credit facility

During the nine months ended September 30, 2014, the Company made a repayment of \$75,000 (nine months ended September 30, 2013 - \$nil).

(b) Senior secured notes

On March 27, 2014, the Company completed an offering of \$315,000 senior secured notes (the "secured notes"), secured by a second-ranking lien on all present and future assets, property and undertaking of the Company. These secured notes were sold at 96.524% of par, resulting in total proceeds of \$304,051. The secured notes pay interest in semi-annual installments on April 1 and October 1 of each year, commencing on October 1, 2014, at a rate of 7.75% per annum, and mature on April 1, 2020. The Company incurred transaction costs of \$7,838, which have been offset against the carrying amount of the secured notes and are amortized using the effective interest rate method.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

(c) *Convertible senior notes*

On March 6, 2014, the Company announced a cash tender offer to redeem all of the outstanding convertible notes. The consideration offered was \$1.04 per \$1.00 note plus accrued and unpaid interest to the payment date. The Company received tender offers for \$166,354 of the \$167,000 principal amount outstanding. This was considered a substantial modification of the existing arrangement with the holders of the Company's convertible notes. As a result, the Company de-recognized the convertible notes on the date of substantial modification. The convertible notes were re-recognized at their fair value on the same date. This resulted in a loss on modification of \$15,645, which has been included in other (loss) / income on the Condensed Consolidated Statement of Operations for the nine months ended September 30, 2014 (refer to note 14). On April 3, 2014, the Company paid \$173,041 including \$32 of accrued interest, to complete the cash tender offer to redeem the outstanding convertible notes tendered.

At September 30, 2014, \$646 (December 31, 2013 - \$167,000) of the convertible notes remained outstanding at a carrying value of \$621 (December 31, 2013 - \$157,133) for the debt component and \$nil (December 31, 2013 - \$413) for the option component.

As required by conditions surrounding the completion of the senior secured notes offering, at September 30, 2014, the Company has restricted \$680 of proceeds from the senior secured notes offering for repayment of all principal and interest relating to any convertible notes that were not tendered. These restricted proceeds are included within other long-term assets on the Condensed Consolidated Balance Sheets at September 30, 2014.

(d) *Equipment financing obligations*

The Company has entered into financing obligations for equipment, which expire at various dates between 2015 and 2019 and are secured by the financed assets. Interest payable on the various obligations ranges from fixed rates of 2.71% to 5.77%. During the three and nine months ended September 30, 2014, the Company received proceeds of \$3,264 and \$4,527 (three and nine months ended September 30, 2013 - \$nil) from equipment financing arrangements.

(e) *Other*

During 2013, the Company purchased land near the El Chanate mine and entered into loan agreements as part of the consideration. During the three and nine months ended September 30, 2014, the Company made repayments of \$392 and \$1,426 on these loan agreements (three and nine months ended September 30, 2013 - \$nil).

10. Flow-through shares

On September 17, 2014, the Company completed a flow-through financing for gross proceeds of \$4,566 (\$5,000 Canadian dollars ("CAD")). As a result, the Company issued 833,334 common shares at a price of CAD \$6.00 per share.

Pursuant to the terms of the flow-through agreement, the Company is required to incur and renounce \$5,000 CAD in qualifying Canadian Exploration Expenses to subscribers by December 31, 2015. As at September 30, 2014, \$4,525 CAD in exploration expenses are remaining to be incurred.

Of the \$4,566 in proceeds received, \$3,097 was recorded as share capital and \$1,469 was recorded as a current liability. The following is a continuity schedule of the liability portion of the flow-through share issuance:

	September 30, 2014
Obligation to renounce flow-through exploration expenditures	\$ 1,469
Settlement of obligation upon incurring expenses	(136)
Foreign exchange revaluation adjustment at period end	(34)
Balance, end of period	<u>\$ 1,299</u>

11. Current portion of provisions

Provision for lawsuit

The Company was named as a defendant in a claim originally filed by Ed J. McKenna, which was certified as a class action lawsuit with damages sought ranging from \$80 million to \$160 million. On October 5, 2012, the Company reached an agreement to settle this class action lawsuit, subject to approval of the court and the right of the Company to terminate the agreement under certain circumstances. Following the completion of the claims administration process which was conducted pursuant to a court-approved settlement agreement, funds related to this lawsuit were distributed by an administrator to eligible class members in April 2014. At the settlement payment date, the Company reduced the current

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

portion of provisions on the Condensed Consolidated Balance Sheets by \$12,016, which was partially offset by a corresponding decrease in insurance receivable of \$9,890 and restricted cash of \$2,126, the latter of which represents the net settlement amount paid by the Company.

The remaining balance of the current portion of provisions relates to planned reclamation expenditures in the next twelve months at Kemess South, and the current portion of cash-settled compensation plans.

12. Shareholders' equity

(a) Capital stock

Authorized:

Unlimited number of common shares.

The Company's shares have no par value.

Issued and outstanding:

	September 30, 2014		September 30, 2013	
	Number of common shares	Ascribed value	Number of common shares	Ascribed value
Balance, beginning of period	247,569,811	\$ 2,021,837	282,326,547	\$ 2,307,978
Shares repurchased and cancelled	-	-	(36,144,578)	(295,536)
Shares issued through dividend reinvestment plan	483,376	1,906	129,793	619
Shares issued through employee share purchase plan	417,500	1,680	260,670	1,503
Shares issued on redemption of deferred share units	52,065	359	71,845	499
Shares issued on exercise of stock options	548	2	458,168	3,094
Fair value of share-based compensation on stock options exercised	-	4	-	1,825
Shares issued through flow-through financing (Note 10)	833,334	3,097	-	-
Balance, end of period	249,356,634	\$ 2,028,885	247,102,445	\$ 2,019,982

During the nine months ended September 30, 2013, the Company repurchased and cancelled 36,144,578 common shares under a "modified Dutch auction" substantial issuer bid, for a total purchase price of \$301,066, including transaction costs. Of the \$301,066 paid, \$295,536 was recognized in capital stock to reduce the book value of the shares repurchased, transaction costs of \$5,353 were recognized in deficit, and \$177 was recognized as deferred tax.

(b) Dividends

Commencing in 2014, quarterly dividends representing 20% of operating cash flow generated in the preceding quarter will be declared and paid. The following dividends were declared and paid during 2014:

- On May 8, 2014, the Company's Board of Directors approved a dividend of \$0.02 per share, payable to shareholders of record on May 20, 2014, and paid on June 3, 2014.
- On August 7, 2014, the Company's Board of Directors approved a dividend of \$0.00375 per share, payable to shareholders of record on August 18, 2014, and paid on September 2, 2014.

The third quarter dividend was declared on November 6, 2014 (refer to note 20).

In 2013, the Company paid an annual dividend of \$0.16 per share (\$0.04 paid quarterly).

(c) Stock options (in Canadian dollars)

The Company has a long-term incentive plan under which share-based compensation, including stock options, deferred share units, performance share units, and restricted share units may be granted to directors, officers, employees, and consultants of the Company. The maximum number of common shares that may be reserved and set aside for issuance under the plan is 6.5% of the common shares outstanding at the time of granting the award (on a non-diluted basis). Stock options are generally exercisable for a maximum period of five to seven years from the grant date, and have vesting periods of three to four years or as determined by the Company's Board of Directors.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

Stock option disclosures are in Canadian dollars as the Canadian dollar is the source currency of the Company's stock option grants.

The fair value of the options granted during the nine months ended September 30, 2014 and September 30, 2013 were calculated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	September 30 2014	September 30 2013
Dividend yield	2.43%	2.19%
Expected volatility	55.45%	54.03%
Risk free interest rate	1.17%	1.28%
Expected life	2.5 years	3.35 years
Exercise price	\$ 4.10	\$ 7.27
Share price	\$ 4.34	\$ 7.35
Grant date fair value	\$ 1.38	\$ 2.52

Expected volatility was determined based on historical share price volatility over the expected life of the option granted.

	September 30, 2014		September 30, 2013	
	Options	Weighted average price	Options	Weighted average price
Outstanding, beginning of period	11,313,300	\$ 7.29	10,239,564	\$ 8.24
Granted	35,000	\$ 4.10	878,476	\$ 7.27
Forfeited	(65,000)	\$ 6.67	(167,500)	\$ 9.87
Expired	(420,445)	\$ 10.08	(1,516,300)	\$ 8.39
Exercised	(548)	\$ 2.85	(458,168)	\$ 6.76
Outstanding, end of period	10,862,307	\$ 7.18	8,976,072	\$ 8.16
Options exercisable, end of period	5,952,341	\$ 8.00	4,386,720	\$ 8.13

During the nine months ended September 30, 2014, employees, consultants, officers and directors of the Company exercised 548 options (nine months ended September 30, 2013 - 458,168) for total proceeds of \$2 (nine months ended September 30, 2013 - \$3,091). The weighted average share price at the date of exercise for stock options exercised during the nine months ended September 30, 2014 was \$5.05 (nine months ended September 30, 2013 - \$7.39).

Set forth below is a summary of the outstanding options to purchase common shares as at September 30, 2014:

Option Price	Options outstanding			Options exercisable	
	Number outstanding	Weighted average exercise price	Average life (yrs)	Number exercisable	Weighted average exercise price
\$ 2.51 - 4.00	325,136	\$ 3.01	1.73	275,136	\$ 2.84
\$ 4.01 - 6.00	2,384,878	\$ 4.05	4.15	49,675	\$ 5.37
\$ 6.01 - 7.00	1,600,500	\$ 6.71	3.12	1,311,250	\$ 6.71
\$ 7.01 - 7.50	888,226	\$ 7.15	3.27	488,966	\$ 7.20
\$ 7.51 - 9.00	3,327,174	\$ 8.11	3.25	2,116,255	\$ 8.10
\$ 9.01 - 9.50	742,500	\$ 9.29	4.10	396,250	\$ 9.29
\$ 9.51 - 10.00	919,143	\$ 9.72	2.63	811,309	\$ 9.74
\$ 10.01 - 10.50	175,000	\$ 10.09	3.55	131,250	\$ 10.09
\$ 10.51 - 11.00	250,000	\$ 10.95	4.12	125,000	\$ 10.95
\$ 11.01 - 12.50	249,750	\$ 11.61	2.68	247,250	\$ 11.61
Total	10,862,307			5,952,341	

(d) Employee share purchase plan

The Company has an Employee Share Purchase Plan which enables employees to purchase Company shares through payroll deduction. Employees can contribute up to 10% of their annual base salary, and the Company will match 75% of the employees' contributions. The common shares are purchased based on the volume weighted average closing price of the last five days prior to the end of the quarter. During the three and nine months ended September 30, 2014, the Company recognized \$279 and \$777 as an expense (three and nine months ended September 30, 2013 - \$178 and \$562) related to



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

this plan. At September 30, 2014, all of the expense for the three months ended September 30, 2014 was payable by the Company (December 31, 2013 - \$217).

The following is a summary of the Deferred Share Units ("DSUs"), Performance Share Units ("PSUs"), and Restricted Share Units ("RSUs") outstanding during the three and nine months ended September 30, 2014 and 2013:

	Three months ended		Nine months ended	
	September 30 2014	September 30 2013	September 30 2014	September 30 2013
Deferred Share Units (e)				
Granted	7,104	-	52,599	61,683
Grant date fair value	\$ 27	\$ -	\$ 228	\$ 337
Dividend-equivalent units granted	198	2,412	3,902	3,515
Dividend-equivalent units grant date fair value	\$ 1	\$ 12	\$ 27	\$ 19
Redeemed	-	-	52,066	71,845
Performance Share Units (f)				
Granted	-	-	80,000	115,114
Grant date fair value	\$ -	\$ -	\$ 298	\$ 559
Dividend-equivalent units granted	350	1,043	6,801	1,786
Dividend-equivalent units grant date fair value	\$ 1	\$ 5	\$ 27	\$ 10
Expense	\$ 453	\$ -	\$ 343	\$ -
Redeemed	-	-	-	-
Restricted Share Units (g)				
Granted	16,575	18,061	113,764	104,955
Grant date fair value	\$ 64	\$ 76	\$ 492	\$ 610
Dividend-equivalent units granted	363	950	6,261	1,513
Dividend-equivalent units grant date fair value	\$ 2	\$ 5	\$ 28	\$ 8
Expense	\$ 245	\$ 106	\$ 828	\$ 352
Redeemed	-	-	-	-

(e) *Deferred share unit plan*

The Company awards Deferred Share Units as an alternative form of compensation for employees, officers, consultants, and members of the Company's Board of Directors. Each unit entitles the participant to receive one common share of the Company from treasury upon redemption. DSUs are measured on the grant date using the Company's closing price on that date. At September 30, 2014, 253,032 DSUs were vested and outstanding (December 31, 2013 - 248,596).

(f) *Performance share unit plan*

The Company awards Performance Share Units as an alternative form of compensation for employees, officers, consultants, and members of the Company's Board of Directors. Each unit entitles the participant to receive a cash payment equal to the market price of one share as of the PSU vesting date, one share, or any combination of cash and shares equal to the market price of one share as of the PSU vesting date, assuming certain performance conditions are met. PSUs are measured using the volume weighted average closing share price of the last five days prior to granting of the units. At September 30, 2014, 434,834 PSUs were outstanding (December 31, 2013 - 348,040). At September 30, 2014, no outstanding PSUs had vested (December 31, 2013 - nil).

(g) *Restricted share unit plan*

The Company awards Restricted Share Units as an alternative form of compensation for employees, officers, consultants, and members of the Company's Board of Directors. Each unit entitles the participant to receive a cash payment equal to the market price of one share as of the RSU vesting date, one share, or any combination of cash and shares equal to the market price of one share as of the RSU vesting date. The Company records RSUs that will be cash-settled in provisions and RSUs that will be share-settled within shareholders' equity. RSUs are measured using the volume weighted average closing share



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

price of the last five days prior to granting of the units. At September 30, 2014, 467,356 RSUs were outstanding (December 31, 2013 - 356,155). At September 30, 2014, 110,951 of the outstanding RSUs had vested (December 31, 2013 - 35,843).

13. (Loss) / earnings from operations

The Company's (loss) / earnings from operations includes the following expenses presented by function:

	Three months ended		Nine months ended	
	September 30	September 30	September 30	September 30
	2014	2013	2014	2013
Cost of sales	\$ 74,264	\$ 35,221	\$ 237,726	\$ 229,254
General and administrative	5,664	6,646	20,583	20,768
Exploration and business development	914	207	1,373	756
	<u>\$ 80,842</u>	<u>\$ 42,074</u>	<u>\$ 259,682</u>	<u>\$ 250,778</u>

Included in general and administrative expense for the three and nine months ended September 30, 2014 is \$1,878 and \$5,686 of share-based compensation expense (three and nine months ended September 30, 2013 - \$2,006 and \$5,697)

Exploration and business development expense for the three and nine months ended September 30, 2014 includes impairment charges of \$616 relating to the impairment of exploration properties.

Costs of sales for the three and nine months ended September 30, 2013 includes impairment charges of \$80,000 and \$18,688 relating to the El Chanate mine and the retained interest royalty, respectively.

14. Other income / (loss)

	Three months ended		Nine months ended	
	September 30	September 30	September 30	September 30
	2014	2013	2014	2013
Fair value adjustment on option component of convertible senior notes	\$ -	\$ 3,875	\$ 413	\$ 14,850
Income from retained interest royalty (Note 7)	-	-	2,463	-
Amortization expense from retained interest royalty (Note 7)	(2,977)	-	(10,255)	-
Unrealized loss on contingent consideration	-	(63)	-	(6,912)
Unrealized and realized gain on derivative assets and liabilities	-	301	-	2,183
Interest income	145	192	914	795
Unrealized and realized (losses) / gains on investments (Note 5)	-	(121)	6,589	(437)
Reclassification of accumulated losses on available-for-sale investments (Note 5)	-	-	(2,507)	(128)
Loss on modification of convertible notes (Note 9(c))	-	-	(15,645)	-
Income from transfer of litigation claim (a)	3,177	-	3,177	-
Reduction of flow-through share premium (Note 10)	136	-	136	-
Other	<u>139</u>	<u>(924)</u>	<u>(25)</u>	<u>(967)</u>
	<u>\$ 620</u>	<u>\$ 3,260</u>	<u>\$ (14,740)</u>	<u>\$ 9,384</u>

(a) Income from transfer of litigation claim

During the three months ended September 30, 2014, the Company transferred its claim in bankruptcy proceedings that resulted from past losses on auction-rate securities for net proceeds of \$3,177.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

15. Income taxes

Income tax expense recognized during the three and nine months ended September 30, 2014 is based on the Company's best estimate of the average annual income tax rate expected for the full year, applied to the earnings before income taxes for the period. The Company determines the expected effective tax rate based on the estimated taxable profit or loss for the period, and thereby excludes non-tax deductible items from this determination.

16. (Loss) / earnings per share

Basic (loss) / earnings per share is calculated based on the weighted average number of common shares and common share equivalents outstanding during the three and nine months ended September 30, 2014 and 2013. Diluted (loss) / earnings per share is calculated using the treasury method, except the if-converted method is used in assessing the dilution impact of convertible senior notes and share-based instruments. The treasury method assumes that outstanding stock options and warrants with an average exercise price below the market price of the underlying shares, are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average market price of the common shares for the period. The if-converted method assumes that all convertible senior notes, RSUs, and PSUs have been converted in determining fully diluted (loss) / earnings per share if they are in-the-money, except where such conversion would be anti-dilutive. Net (loss) / earnings and basic weighted average shares outstanding are reconciled to diluted net (loss) / earnings and diluted weighted average shares outstanding, respectively, as follows:

	Three months ended		Nine months ended	
	September 30 2014	September 30 2013	September 30 2014	September 30 2013
Net (loss) / earnings from operations	\$ (15,722)	\$ 14,859	\$ (61,389)	\$ (70,358)
Dilution adjustments:				
Convertible senior notes	-	(3,875)	-	-
Diluted net (loss) / earnings	\$ (15,722)	\$ 10,984	\$ (61,389)	\$ (70,358)
Basic weighted average shares outstanding	248,731,324	247,131,794	248,550,531	251,245,429
Dilution adjustments:				
Stock options	-	122,919	-	-
Convertible senior notes	-	15,249,853	-	-
Restricted share units	-	-	-	-
Performance share units	-	-	-	-
Diluted weighted average shares outstanding	248,731,324	262,504,566	248,550,531	251,245,429

The following items were excluded from the computation of diluted weighted average shares outstanding for the three and nine months ended September 30, 2014 and 2013 because their effect would have been anti-dilutive:

	Three months ended		Nine months ended	
	September 30 2014	September 30 2013	September 30 2014	September 30 2013
Stock options	10,862,307	8,700,388	10,862,307	8,819,147
Warrants issued	-	835,000	-	835,000
Convertible senior notes	60,974	-	60,974	15,216,155
Restricted share units	356,405	70,979	356,405	70,979
Performance share units	434,834	116,900	434,834	116,900



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

17. Supplemental cash flow information

	Three months ended		Nine months ended	
	September 30 2014	September 30 2013	September 30 2014	September 30 2013
Adjustments to reconcile net (loss) / earnings to operating cash flows:				
Impairment charges	\$ 616	\$ -	\$ 616	\$ 98,688
Amortization and depletion	27,998	11,957	91,376	37,880
Net realizable value adjustments	4,554	(5,718)	4,554	4,386
Loss on modification of convertible notes	-	-	15,645	-
Fair value adjustment on option component of convertible senior notes	-	(3,875)	(413)	(14,850)
Unrealized foreign exchange (gain) / loss	(11,230)	2,482	(9,595)	(7,195)
Unrealized loss on contingent consideration	-	63	-	6,912
Share-based compensation, net of forfeitures	1,878	2,006	5,686	5,697
Deferred income tax expense / (recovery)	12,594	(606)	801	6,430
Equity in (loss) / earnings of jointly-controlled entity	-	(18)	92	38
Unrealized and realized gains on derivative assets and liabilities	-	(301)	-	(2,183)
Unrealized and realized losses / (gains) on investments	-	121	(6,589)	437
Reclassification of accumulated losses on available-for-sale investments	-	-	2,507	128
Income from retained interest royalty	-	-	(2,463)	-
Amortization of retained interest royalty	2,977	-	10,255	-
Reduction of flow-through share premium	(136)	-	(136)	-
Other non-cash items	(1,875)	1,355	(1,351)	1,439
	<u>\$ 37,376</u>	<u>\$ 7,466</u>	<u>\$ 110,985</u>	<u>\$ 137,807</u>
Change in non-cash operating working capital:				
Receivables	\$ 793	\$ (588)	\$ 2,427	\$ 1,359
Current income tax receivable	590	7,371	22,323	10,195
Prepays and deposits	(465)	808	527	707
Inventories	(3,894)	(2,796)	(17,758)	(18,253)
Trade payables and accrued liabilities	(14,877)	624	(21,689)	1,248
Current income tax liability	26	(2,839)	(244)	(4,515)
	<u>\$ (17,827)</u>	<u>\$ 2,580</u>	<u>\$ (14,414)</u>	<u>\$ (9,259)</u>
Supplemental information:				
Interest paid	\$ 12,679	\$ 3,106	\$ 16,882	\$ 6,772
Interest received	\$ 86	\$ 136	\$ 783	\$ 888
Income taxes paid	\$ 32	\$ 1,227	\$ 1,144	\$ 3,822



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

18. Financial instruments and risk management

Fair values of financial instruments

The following table sets forth the Company's financial assets and liabilities that are measured at fair value on a recurring basis by level within the fair value hierarchy. The Company does not have any non-recurring fair value measurements. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable or unobservable, as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are based on inputs which have a significant effect on fair value that are observable, either directly or indirectly from market data; and
- Level 3 inputs are unobservable (supported by little or no market activity).

	September 30, 2014		December 31, 2013	
	Level 1	Level 2	Level 1	Level 2
Cash	\$ 100,064	\$ -	\$ 141,125	\$ -
Short term deposits	149	-	1,527	-
Financial assets at fair value through profit or loss				
Warrants held	-	-	-	41
Available-for-sale financial assets				
Equity investments (a)	170	-	15,510	-
Financial liabilities at fair value through profit or loss				
Option component of convertible senior notes	-	-	-	(413)
	<u>\$ 100,383</u>	<u>\$ -</u>	<u>\$ 158,162</u>	<u>\$ (372)</u>

The methods of measuring each of these financial assets and liabilities have not changed during 2014. The Company does not have any financial assets or liabilities measured at fair value based on unobservable inputs (Level 3).

The fair values of financial instruments measured at amortized cost, except for the senior secured notes, approximate their carrying amounts at September 30, 2014. The fair value of the senior secured notes was \$315,000 at September 30, 2014, compared to a carrying value of \$297,500. This fair value was determined based on observable market information.

(a) Equity investments

The Company's available-for-sale equity investments are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of investment securities is calculated as the closing market price of the investment equity security multiplied by the quantity of shares held by the Company.

19. Segmented information

The Company's reportable segments are consistent with the Company's operating segments and consist of the geographical regions in which the Company operates. In determining the Company's segment structure, the Company considered the basis on which management, including the chief operating decision maker, reviews the financial and operational performance of the Company, and whether any of the Company's mining operations share similar economic, operational and regulatory characteristics. The Company has two reportable segments, as follows:

- Mexico: El Chanate mine
- Canada: Young-Davidson mine

Corporate and other consists of the Company's corporate offices and exploration properties.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

The following are the operating results by reportable segment:

	Three months ended September 30, 2014			
	Mexico	Canada	Corporate and other	Total
Revenue from mining operations	\$ 20,701	\$ 52,804	\$ -	\$ 73,505
Production costs	12,351	33,112	-	45,463
Refining costs	79	41	-	120
Amortization and depletion	4,746	23,171	81	27,998
Reclamation, care and maintenance costs	-	-	683	683
General and administrative	230	-	5,434	5,664
Exploration and business development	-	-	298	298
Impairment charges	-	-	616	616
	<u>17,406</u>	<u>56,324</u>	<u>7,112</u>	<u>80,842</u>
Earnings / (loss) from operations	\$ 3,295	\$ (3,520)	\$ (7,112)	\$ (7,337)
Expenditures on property, plant and equipment, mining interests & intangible assets	\$ 7,005	\$ 37,416	\$ 6,256	\$ 50,677
	Three months ended September 30, 2013			
	Mexico	Canada	Corporate and other	Total
Revenue from mining operations	\$ 24,720	\$ 29,584	\$ -	\$ 54,304
Production costs	9,578	11,501	-	21,079
Refining costs	99	38	-	137
Amortization and depletion	3,939	7,942	76	11,957
Reclamation, care and maintenance costs	-	-	2,048	2,048
General and administrative	282	-	6,364	6,646
Exploration and business development	-	-	207	207
	<u>13,898</u>	<u>19,481</u>	<u>8,695</u>	<u>42,074</u>
Earnings / (loss) from operations	\$ 10,822	\$ 10,103	\$ (8,695)	\$ 12,230
Expenditures on property, plant and equipment, mining interests & intangible assets	\$ 11,745	\$ 63,741	\$ 4,586	\$ 80,072



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

	Nine months ended September 30, 2014			
	Mexico	Canada	Corporate and other	Total
Revenue from mining operations	\$ 66,122	\$ 153,866	\$ -	\$ 219,988
Production costs	34,405	107,642	-	142,047
Refining costs	293	122	-	415
Amortization and depletion	13,394	77,667	315	91,376
Reclamation, care and maintenance costs	-	-	3,888	3,888
General and administrative	750	-	19,833	20,583
Exploration and business development	-	-	757	757
Impairment charges	-	-	616	616
	<u>48,842</u>	<u>185,431</u>	<u>25,409</u>	<u>259,682</u>
Earnings / (loss) from operations	\$ 17,280	\$ (31,565)	\$ (25,409)	\$ (39,694)
Expenditures on property, plant and equipment, mining interests & intangible assets	\$ 20,922	\$ 114,261	\$ 12,222	\$ 147,405
	Nine months ended September 30, 2013			
	Mexico	Canada	Corporate and other	Total
Revenue from mining operations	\$ 83,830	\$ 93,019	\$ -	\$ 176,849
Production costs	42,332	45,677	-	88,009
Refining costs	280	107	-	387
Amortization and depletion	12,385	25,252	243	37,880
Reclamation, care and maintenance costs	-	-	4,290	4,290
General and administrative	1,122	-	19,646	20,768
Exploration and business development	-	-	756	756
Impairment charges	80,000	-	18,688	98,688
	<u>136,119</u>	<u>71,036</u>	<u>43,623</u>	<u>250,778</u>
(Loss) / earnings from operations	\$ (52,289)	\$ 21,983	\$ (43,623)	\$ (73,929)
Expenditures on property, plant and equipment, mining interests & intangible assets	\$ 33,806	\$ 146,496	\$ 5,548	\$ 185,850
The following are total assets by reportable segment:				
	Mexico	Canada	Corporate and other	Total
Total assets at September 30, 2014	\$ 289,022	\$ 1,835,964	\$ 273,055	\$ 2,398,041
Total assets at December 31, 2013	\$ 265,028	\$ 1,822,533	\$ 374,847	\$ 2,462,408

The Company's revenue is derived from the sale of gold and silver in Mexico and Canada, as disclosed in the tables above. The Company sells all gold and silver produced to two customers. The Company is not economically dependent on these customers for the sale of its product because gold and silver can be sold through numerous commodity market traders worldwide.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of United States dollars unless otherwise stated)

20. Events after the reporting period

Declaration of dividend

On November 6, 2014, the Company's Board of Directors approved a dividend of \$0.00225 per share, payable to shareholders of record on November 17, 2014.
