No securities regulatory authority has expressed an opinion about the Purchase Rights or the Common Shares (each as defined below) and it is an offence to claim otherwise. This prospectus constitutes a public offering of Common Shares only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The Common Shares have not been, nor will they be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws. Accordingly, the Common Shares may not be offered or sold in the United States unless an exemption from the registration requirements of the U.S. Securities Act is available. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Purchase Rights and, except as described herein, this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Common Shares within the United States. See "*Plan of Distribution*".

THE PURCHASE RIGHTS MAY ONLY BE EXERCISED IN THE UNITED STATES BY "QUALIFIED INSTITUTIONAL BUYERS" WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT. IF YOU ARE IN THE UNITED STATES AND YOU ARE NOT A QUALIFIED INSTITUTIONAL BUYER YOU MAY NOT EXERCISE YOUR RIGHTS AND, IN ORDER TO RECEIVE ANY VALUE FOR YOUR RIGHTS, YOU MUST ARRANGE TO SELL YOUR RIGHTS OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH THE REQUIREMENTS OF REGULATION S UNDER THE U.S. SECURITIES ACT. A TRADING MARKET IN THE PURCHASE RIGHTS MAY NOT DEVELOP, AND YOU MAY NOT BE ABLE TO SELL YOUR PURCHASE RIGHTS ON THE TORONTO STOCK EXCHANGE OR OTHERWISE. SEE "RISK FACTORS".

PROSPECTUS

Initial Public Offering by way of Secondary Offering November 17, 2016

BrioGold

BRIO GOLD INC.

C$196,484,363

59,225,957 Outstanding Common Shares Transferable
Upon Exercise of 59,225,957 Brio Gold Purchase Rights Distributed by Yamana Gold Inc.

and

1,230,770 Outstanding Common Shares

Yamana Gold Inc. ("**Yamana**") is distributing, as a dividend in-kind, to holders (the "**Yamana Shareholders**") of its common shares (the "**Yamana Shares**") of record as at 5:00 p.m. (Toronto time) on November 25, 2016 (the "**Record Date**"), transferrable Brio Gold purchase rights (the "**Purchase Rights**") to purchase common shares ("**Common Shares**" or "**Brio Shares**") of Brio Gold Inc. ("**Brio Gold**" or the "**Company**") held by Yamana at a price (the "**Exercise Price**") equal to C$3.25 per whole Common Share, on the terms set forth herein (the "**Offering**"). See "*Plan of Distribution*", "*Principal Shareholder and Selling Securityholder*" and "*Risk Factors – Risks Relating to Holding the Common Shares – Yamana may continue to be a significant shareholder and may have interests that conflict with the interests of the Company's other shareholders*". This prospectus qualifies the distribution of the Common Shares transferrable upon exercise of the Purchase Rights in each of the provinces and territories of Canada, being up to 59,225,957 Common Shares for gross proceeds to Yamana of up to C$192,484,360 (assuming all Purchase Rights are exercised).

Each Yamana Shareholder of record on the Record Date (other than Yamana Shareholders in Ineligible Jurisdictions (as defined herein)) will receive, at no charge, 0.0625 of a Purchase Right for each Yamana Share held (or one whole Purchase Right for every 16 Yamana Shares held). For each whole Purchase Right held, the holder thereof (the "**Holder**") is entitled to acquire one Common Share upon payment of the Exercise Price (the "**Basic Purchase Right**") commencing on December 1, 2016 (the "**Commencement Time**") and expiring at 5:00 p.m. (Toronto time) (the "**Expiry Time**") on December 21, 2016 (the "**Expiry Date**"). See "*Plan of Distribution*" and "*Details of the Offering – Basic Purchase Right*". Holders who exercise their Purchase Rights in full are entitled to exercise additional Purchase Rights to acquire, at the Exercise Price, additional Common Shares (the "**Additional Common Shares**") on a *pro rata* basis (but subject to certain limitations), if available, pursuant to an additional purchase privilege (the "**Additional Purchase Privilege**"). See "*Details of the Offering – Additional Purchase Privilege*". A Holder of a Purchase Right is not, by virtue of such Purchase Right, a shareholder of Brio Gold and does not have any of the rights of a shareholder. The Exercise Price was determined by Yamana in consultation with the Managing Dealers. Further particulars concerning the attributes of the Purchase Rights are set out under *"Details of the Offering*".

PROSPECTIVE INVESTORS SHOULD BE AWARE THAT (I) THE INITIAL DISTRIBUTION OF THE PURCHASE RIGHTS, (II) THE EXERCISE OF THE PURCHASE RIGHTS, (III) THE EXPIRY OF UNEXERCISED PURCHASE RIGHTS AND (IV) THE DISPOSITION OF PURCHASE RIGHTS IN CERTAIN CIRCUMSTANCES MAY HAVE TAX CONSEQUENCES IN CANADA AND THE UNITED STATES DEPENDING ON A PARTICULAR PROSPECTIVE INVESTOR'S SPECIFIC CIRCUMSTANCES. THIS PROSPECTUS MAY NOT FULLY DESCRIBE THESE TAX CONSEQUENCES. PROSPECTIVE INVESTORS SHOULD READ THE TAX DISCUSSION IN THIS PROSPECTUS AND CONSULT THEIR OWN TAX ADVISORS. SEE "*CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS" AND "CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS*".

Based on the 947,615,319 Yamana Shares outstanding as of the date hereof, the Offering would entitle Holders to subscribe for and purchase up to an aggregate of 59,225,957 Common Shares upon the exercise of Purchase Rights for gross proceeds to Yamana of approximately C$192,484,360. Brio Gold will not receive any proceeds from the Offering.

As of the date hereof, Yamana currently holds all of the Company's issued and outstanding Common Shares, and certain members of the Company's management hold restricted share units ("**Brio RSUs**"), representing the right, subject to certain vesting conditions, to receive Common Shares representing approximately 5% of the Company's issued and outstanding Common Shares on a fully diluted basis. If all of the Purchase Rights are exercised and the Additional Distribution is completed, Yamana will hold approximately 46.3% of the issued and outstanding Common Shares, on a non-diluted basis (or approximately 44%, on a fully diluted basis).

It is a condition of the Offering that the Purchase Rights and the Common Shares are listed on the Toronto Stock Exchange (the "**TSX**") and, as such, the Company must ensure that it is able to satisfy, in addition to other TSX initial listing requirements, the minimum distribution requirements of the TSX. Accordingly, the Managing Dealers have agreed to underwrite the distribution of 1,230,770 Common Shares (the "**Additional Distribution**"). Additionally, the Company has undertaken to distribute, by way of gifting (the "**Employee Distribution**") up to 30,000 Common Shares held by Yamana to up to 300 non-insider employees in the event that the minimum distribution requirement of 300 non-insiders holding at least a board lot is not met through the Offering and the Additional Distribution. This prospectus qualifies the distribution of the Common Shares pursuant to the Employee Distribution and the Additional Distribution.

Yamana has applied to list the Purchase Rights distributed under this prospectus and the Company has applied to list the Common Shares distributed under this prospectus, as well as its additional issued and outstanding Common Shares, on the TSX. The TSX has approved the listing of the Purchase Rights under the symbol "YRI.RT" and has conditionally approved the listing of the Common Shares under the symbol "BRIO". Listing of the Common Shares is subject to fulfilling all of the requirements of the TSX on or before February 15, 2017. It is currently expected that Yamana Shares will begin trading on an ex-Purchase Rights basis on the TSX on November 23, 2016, two trading days before the Record Date, meaning that persons who acquire Yamana Shares on or after such date will not be entitled to receive Purchase Rights. The Yamana Shares will not be quoted ex-rights on the New York Stock Exchange (the "**NYSE**").

There is currently no market through which the Purchase Rights or the Common Shares may be sold, and purchasers may not be able to resell the Purchase Rights or the Common Shares purchased under this prospectus. This may affect the pricing of the Purchase Rights and the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Purchase Rights and the Common Shares, and the extent of issuer regulation. See "*Risk Factors*".

The Offering

Exercise Price of C$3.25 per Common Share
(On exercise of one whole Purchase Right per Common Share)

	Exercise Price for the Holders[(1)] (C$)	Offering Fee[(2)] (C$)	Net Proceeds to Yamana[(3)] (C$)
Per Common Share	3.25	0.0585	3.1915
Total	192,484,360	3,464,718	189,019,642

Notes:

(1) The Exercise Price was determined by Yamana in consultation with the Managing Dealers.

(2) Yamana has retained CIBC World Markets Inc., National Bank Financial Inc., Canaccord Genuity Corp. and Cormark Securities Inc. (the "**Managing Dealers**") to solicit, on a commercially reasonable efforts basis, the exercise of the Purchase Rights. In consideration for such services, Yamana has agreed to pay the Managing Dealers fees of 1.8% of the proceeds received by Yamana from the exercise of Purchase Rights, allocated as to 29% of such fees to each of CIBC World Markets Inc., National Bank Financial Inc. and Canaccord Genuity Corp., and as to 13% to Cormark Securities Inc. (the "**Offering Fees**"). In addition, Canaccord Genuity Corp. is being paid US$250,000 in advisory fees in connection with the delivery of the Fairness Opinion (as defined herein) and CIBC World Markets Inc. and National Bank Financial Inc. are each being paid US$900,000 in financial advisory fees in connection with ongoing advisory work performed for Yamana over the past approximately 18 months in connection with a review of strategic alternatives related to Brio Gold and its assets (collectively, with the Offering Fees, the "**Managing Dealer Fees**"). See "*Plan of Distribution*".

(3) Before deducting expenses of the Offering, estimated to be C$5.7 million. The expenses of the Offering will be paid entirely by Yamana from the proceeds of the Offering. See "*Plan of Distribution*".

The Additional Distribution

C$3.25 per Common Share

	Price to the Public[(1)] (C$)	Underwriter Fee[(2)] (C$)	Net Proceeds to Yamana[(3)] (C$)
Per Common Share	3.25	0.13	3.12
Total	4,000,003	160,000	3,840,002

Notes:

(1) The offering price of the Common Shares under the Additional Distribution will be equal to the Exercise Price under the Offering. The Exercise Price was determined by Yamana in consultation with the Managing Dealers.

(2) The Managing Dealers have agreed to underwrite the distribution of 1,230,770 Common Shares pursuant to the Additional Distribution. In consideration for such services, Yamana has agreed to pay the Managing Dealers a cash fee equal to 4.0% of the gross proceeds of the Additional Distribution (the "**Underwriter Fee**"). See "*Plan of Distribution*".

(3) Before deducting expenses of the Offering, estimated to be C$5.7 million. The expenses of the Offering will be paid entirely by Yamana from the proceeds of the Offering. See "*Plan of Distribution*".

The Managing Dealers, as principals, conditionally offer the Common Shares under the Additional Distribution, subject to prior sale, if, as and when sold by Yamana and accepted by the Underwriters in accordance with the conditions contained in the Managing Dealer Agreement (as defined herein). Subscriptions under the Additional Distribution will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Common Shares offered pursuant to the Additional Distribution are to be taken up by the Managing Dealers, if at all, on or before a date that is not later than 42 days after the date of the receipt for this prospectus.

CIBC World Markets Inc. and National Bank Financial Inc. are each affiliates, respectively, of Canadian chartered banks that have conditionally committed to lead and arrange for the Credit Facility to be provided to Brio Gold, which the Company currently anticipates will be finalized for execution on or about the closing date of the Offering. Consequently, Brio Gold may be considered a "connected issuer" of each of CIBC World Markets Inc. and National Bank Financial Inc. under applicable Canadian securities laws. See "*Prospectus Summary – Brio Gold Overview - Strong Balance Sheet and Liquidity with Existing Assets Generating Cash Flow* and "*Plan of Distribution*".

The Purchase Rights distributed to registered holders of Yamana Shares will be evidenced by certificates in registered form (the "**Purchase Rights Certificates**"). In order to exercise the Purchase Rights represented by a Purchase Rights Certificate, a completed Purchase Rights Certificate, together with payment in full of the Exercise Price for each whole Common Share, must be received by CST Trust Company (the "**Purchase Rights Agent**") by mail at P.O. Box 1036, Adelaide Street Postal Station, Toronto, Ontario, M5C 2K4, Attention: Corporate Actions or by hand, courier or registered mail at 320 Bay Street, Basement Level (B1), Toronto, Ontario, M5H 4A6, Attention: Corporate Actions (the "**Applicable Purchase Rights Agent Office**") by the Expiry Time on the Expiry Date. Exercises of Purchase Rights to purchase Common Shares made in connection with the Offering will be irrevocable and Holders will be unable to withdraw an exercise to purchase Common Shares once submitted. Purchase Rights not exercised at or before the Expiry Time will be void and of no value. No fractional Common Shares will be transferred on exercise of the Purchase Rights pursuant to the Offering and no cash or other consideration will be paid in lieu thereof. Where the exercise of Purchase Rights would otherwise entitle a Holder to receive a fractional Common Share, the Holder's entitlement will be reduced to the next lowest whole number of Common Shares and no cash or other consideration will be paid in lieu thereof.

For Yamana Shares held through a securities broker or dealer, bank or trust company or other participant (a "**CDS Participant**") in the book-based system administered by CDS Clearing and Depository Services Inc. ("**CDS**"), a Holder may exercise Purchase Rights for Common Shares by instructing the CDS Participant holding the Holder's Purchase Rights to exercise all or a specified number of such Purchase Rights and forwarding the Exercise Price for each Common Share to such CDS Participant, together with any prescribed forms, in accordance with the terms of the Offering. A Holder wishing to exercise for Additional Common Shares pursuant to the Additional Purchase Privilege must forward its request to the CDS Participant that holds the Holder's Purchase Rights prior to the Expiry Time, along with payment for the number of Additional Common Shares requested. Any excess funds will be returned by mail or credited to the Holder's account with its CDS Participant without interest or deduction. Exercises for Common Shares made through a CDS Participant will be irrevocable and Holders will be unable to withdraw their exercises for Common Shares once submitted. CDS Participants will have an earlier deadline for receipt of instructions and payment than the Expiry Date. Yamana Shareholders should contact their particular CDS Participant for complete details on how to exercise their Basic Purchase Right and the Additional Purchase Privilege. See "*Details of the Offering – Purchase Rights Certificate – Yamana Shares Held Through CDS*".

CST Trust Company has been appointed as the Purchase Rights Agent for the Offering. Laurel Hill Advisory Group (the "**Information Agent**") is acting as the information agent for the Offering. Questions with respect to the information contained in this prospectus may be directed to the Information Agent, Laurel Hill Advisory Group at 1-877-452-7184 toll-free (1-416-304-0211 for collect calls) or by e-mail at assistance@laurelhill.com.

This prospectus qualifies the distribution of the Common Shares pursuant to the Offering, the Employee Distribution and the Additional Distribution in each of the provinces and territories of Canada, but does not qualify the distribution of the Common Shares in the United States (as defined in Regulation S under the U.S. Securities Act, the "**United States**") or any other jurisdiction. See "*Notice to United States Investors*" and "*Plan of Distribution*" for a description of the applicable restrictions on the exercise of Purchase Rights by persons in the United States and on the transfer of Purchase Rights. For purposes of this prospectus, the term "**Eligible Jurisdictions**" collectively refers to (i) the provinces and territories of Canada and (ii) the United States. Except under the circumstances described herein, the Purchase Rights are not being distributed in any jurisdiction other than the Eligible Jurisdictions (each, an "**Ineligible Jurisdiction**") and, except under the circumstances described herein, Purchase Rights may not be exercised by or on behalf of a Holder who appears to be, or whom Yamana has reason to believe is, resident in an Ineligible Jurisdiction (an "**Ineligible Holder**"). This prospectus is not, and under no circumstances is to be construed as, an offering of any Purchase Rights or Common Shares for sale in any Ineligible Jurisdiction or a solicitation therein of an offer to buy any securities. Except under the circumstances described herein, Purchase Rights Certificates will not be sent to Yamana Shareholders with addresses of record in any Ineligible Jurisdiction. Ineligible Holders who are not Approved Eligible Holders (as defined herein) will be sent a letter advising them that their Purchase Rights Certificates will be held by the Purchase Rights Agent, who will hold such Purchase Rights as agent for the benefit of all such Ineligible Holders. See "*Details of the Offering – Ineligible Holders and Approved Eligible Holders*".

The Purchase Rights and the Common Shares should be considered speculative investments due to various factors, including the nature of the industry in which the Company operates, the present state of development of its business and the foreign jurisdiction in which it carries on business. The Purchase Rights should only be exercised by persons who can afford the total loss of their investment in the Common Shares. Prospective investors should carefully consider certain risk factors in connection with an exercise of Purchase Rights, including the risk factors identified under the headings "*Risk Factors*" and "*Statement Regarding Forward-Looking Information*". See "*Risk Factors*", "*Statement Regarding Forward-Looking Information*" and "*Plan of Distribution*".

The Company's board of directors (the "**Brio Board**") and Yamana's board of directors (the "**Yamana Board**") make no recommendation to you about whether you should exercise any Purchase Rights. You are urged to make an independent investment decision about whether to exercise your Purchase Rights based on your own assessment of the Company's business, properties, financial condition and prospects. **Purchase Rights not exercised before the Expiry Time on the Expiry Date will become void and be of no value.**

Gilmour Clausen, a director of the Company, resides outside of Canada and has appointed Cassels Brock & Blackwell LLP, 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3C2, as his agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

The Company's registered office is located at 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3C2. The Company's head office is located at Royal Bank Plaza, North Tower, 200 Bay Street, Suite 2200, Toronto, Ontario, M5J 2J3.

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ABOUT THIS PROSPECTUS

Prospective investors should rely only on the information contained in this prospectus and should not rely on some parts of this prospectus to the exclusion of others. Neither the Company nor Yamana nor any of the Managing Dealers has authorized anyone to provide investors with additional or different information.

The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus, the distribution of the Purchase Rights or any sale of the Common Shares. The Company's business, financial condition, results of operations and prospects may have changed since the date of this prospectus.

Neither the Company nor Yamana nor any of the Managing Dealers is offering to distribute or solicit the exercise of Purchase Rights for the Common Shares in any jurisdiction where such distribution is not permitted. For investors outside of Canada, none of the Company, Yamana or any of the Managing Dealers has done anything that would permit the Offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about, and to observe any restrictions relating to, the Offering, the Additional Distribution, the distribution of the Common Shares and the distribution of this prospectus.

Any graphs, tables, pictures or other information demonstrating the historical performance or current or historical attributes of the Company or any other entity contained in this prospectus are intended only to illustrate past performance or current or historical attributes of such entities and are not necessarily indicative of future performance of the Company or such entities.

MEANING OF CERTAIN REFERENCES

Unless otherwise noted or the context otherwise indicates, references to "Brio Gold" or the "Company" are to Brio Gold Inc. and its subsidiaries, and references to "Yamana" are to Yamana Gold Inc. and its subsidiaries, as constituted on the date of this prospectus.

All dollar amounts in this prospectus are expressed in U.S. dollars, except as otherwise indicated. References to "U.S. dollars", "USD" or "US$" are to United States dollars. References to "CAD" or "C$" are to Canadian dollars. References to "BRL" or "R$" are to the Brazilian *Real*, the currency of Brazil.

MARKET DATA

Certain market, independent third party and industry data contained in this prospectus is based upon information from government or other independent industry publications and reports or based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but none of the Company, Yamana nor the Managing Dealers have conducted their own independent verification of such information. This prospectus also includes certain data, including production, capital expenditures and other operational results, derived from public filings made by independent third parties. While the Company and Yamana believe this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. None of the Company, Yamana nor the Managing Dealers have independently verified any of the data from independent third party sources referred to in this prospectus or ascertained the underlying assumptions relied upon by such sources.

STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus contains "forward-looking information" within the meaning of applicable Canadian securities laws. Forward looking information includes statements that use forward-looking terminology such as "may", "could", "would", "will", "intend", "plan", "expect", "budget", "estimate", "forecast", "schedule", "anticipate", "believe", "continue", "potential" or the negative or grammatical variation thereof or other variations thereof or comparable terminology. Such forward-looking information includes, without limitation: statements with respect to completion of the Offering, the Employee Distribution or the Additional Distribution; the Company's outlook for 2016 and future periods; Mineral Reserve and Mineral Resource estimates (as such terms are defined herein); estimates for future mineral production and sales; estimates of future gold prices; estimates of currency exchange rates; estimates of future costs, including mining costs, total cost of sales, cost of sales excluding depletion, depreciation and amortization, co-product cash costs, co-product all-in sustaining costs, mine site costs per tonne and other expenses; estimates of future capital expenditures, exploration expenditures and other cash needs, and expectations as to the funding thereof; expected terms and timing of the Credit Facility (as defined herein); statements regarding projected exploration, development and exploitation of certain ore deposits, including estimates of exploration, development and production or decisions with respect thereto; estimates of cash flows; estimates of mine life; the Company's expectations, strategies and plans for its Pilar, Caiamar and Maria Lázara gold mines and Três Buracos deposit (collectively, the "**Pilar Operation**"), Fazenda Brasileiro gold mine (the "**Fazenda Brasileiro Mine**"), Santa Luz gold mine (the "**Santa Luz Project**") and Riacho dos Machados gold mine (the "**RDM Mine**"); anticipated timing of events with respect to the Company's mine sites, mine construction or expansion projects and exploration projects, including the expected commencement of production at the Santa Luz Project in the first quarter of 2018 and the timing and amount of future production at the Santa Luz Project; estimates of future costs and other liabilities for environmental remediation; the Company's future financial or operating performance and condition and its business, operations and properties; statements and information regarding anticipated legislation and regulation and estimates of the impact on the Company; the impact of the new mining laws in Brazil on the Company; and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements.

Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions based on management's beliefs regarding trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, as of the date of this prospectus including, without limitation, assumptions about: favourable capital markets; the ability to raise any necessary additional capital on reasonable terms; gold and other metal prices; the accuracy of Mineral Reserve and Mineral Resource estimates; the price of other commodities such as fuel; currency exchange rates (such as the Brazilian *Real* and the Canadian dollar versus the U.S. dollar) and interest rates; operating conditions being favourable; political and regulatory stability; the receipt of governmental and third party approvals, licences and permits on favourable terms; obtaining required renewals for existing approvals, licences, permits and obtaining all other required approvals, licences, permits on favourable terms; sustained labour stability; stability in financial and capital goods markets; availability of equipment; and positive relations with local groups. While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual actions, events, conditions, results, performance or achievements to be materially different from those projected in the forward-looking information. Many assumptions are based on factors and events that are not within the Company's control and there is no assurance they will prove to be correct.

Furthermore, forward-looking information involves a variety of known and unknown risks, uncertainties and other factors which may cause the Company's actual plans, intentions, activities, results, performance or achievements to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking information. Such risks include, without limitation: general business, social, economic, political, regulatory and competitive uncertainties; changes in project parameters as plans continue to be refined; changes in project development, construction, production and commissioning time frames; possibility of project cost overruns or unanticipated costs and expenses; potential impairment charges; higher prices for fuel, steel, power, labour and other consumables contributing to higher costs; and general risks of the mining industry, including but not limited to: failure of plant, equipment or processes to operate as anticipated; unexpected changes in mine life; unanticipated results of future studies; seasonality and unanticipated weather changes; costs and timing of the development of new deposits; success in exploration activities; permitting timelines; environmental and governmental regulation and the risk of government expropriation or nationalization of mining operations; risks related to the influence of Yamana; risks related to relying on local advisors and consultants in foreign jurisdictions; occurrence of any material accidents; environmental risks; unanticipated reclamation expenses; title disputes or claims; limitations on insurance coverage and timing and possible outcome of pending and outstanding litigation and labour disputes; risks relating to enforcing legal rights in foreign jurisdictions; as well as those risk factors discussed or referred to herein. Although the Company has attempted to identify important factors that could cause actual actions, events, conditions, results, performance or achievements to differ materially from those described in forward-looking information, there may be other factors that cause actions, events, conditions, results, performance or achievements to differ from those anticipated, estimated or intended. See "*Risk Factors*" for a discussion of certain factors investors should carefully consider before deciding to invest in the Common Shares.

The Company cautions that the foregoing lists of important assumptions and risks are not exhaustive. Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, the forward-looking information contained herein. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, investors should not place undue reliance on forward-looking information.

Forward-looking information contained herein is made as of the date of this prospectus and the Company disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or results or otherwise, except as and to the extent required by applicable securities laws.

EXCHANGE RATE INFORMATION

The following table sets forth, for each period indicated, the exchange rate of one U.S. dollar to the Canadian dollar at the end of such period and the average, high and low exchange rates for such period (such rates, which are expressed in Canadian dollars, are based on the noon exchange rate for U.S. dollars reported by the Bank of Canada).

	Year ended December 31, 2015 (C$)	Nine months ended September 30, 2016 (C$)
Rate at end of period	1.3840	1.3127
Average rate during period	1.2787	1.3232
Highest rate during period	1.3990	1.4637
Lowest rate during period	1.1728	1.2526

On November 16, 2016, the last business day before the date of this prospectus, the Bank of Canada noon exchange rate for the purchase of one U.S. dollar using Canadian dollars was C$1.3416 (C$1.00 = US$0.7454).

The following table sets forth, for each period indicated, the exchange rate of one U.S. dollar to the Brazilian *Real* at the end of such period and the average, high and low exchange rates for such period (such rates, which are expressed in Brazilian *Real*, are based on the historical exchange rates reported by the Central Bank of Brazil).

	Year ended December 31, 2015 (R$)	Nine months ended September 30, 2016 (R$)
Rate at end of period	3.90420	3.24620
Average rate during period	3.33807	3.55740
Highest rate during period	4.19420	4.16080
Lowest rate during period	2.57480	3.13380

On November 16, 2016 the last business day before the date of this prospectus, the Central Bank of Brazil exchange rate for the purchase of one U.S. dollar using Brazilian *Real* was R$3.4183 (R$1.00 = US$0.2925).

SCIENTIFIC AND TECHNICAL INFORMATION

The following are the technical reports (the "**Technical Reports**") prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"), from which certain scientific and technical information with respect to the Company's material mineral projects contained in this prospectus has been derived, as well as the qualified persons involved in preparing such reports.

- Fazenda Brasileiro Mine – "Technical Report on the Fazenda Brasileiro Mine, Bahia State, Brazil" dated May 12, 2016, prepared by or under the supervision of Chester M. Moore, P.Eng., Robert L. Michaud, P.Eng. and Andrew P. Hampton, P.Eng., all of Roscoe Postle Associates Inc., each of whom are qualified persons pursuant to NI 43-101 (the "**Fazenda Brasileiro Technical Report**");

- Pilar Operation – "Technical Report on the Pilar Operations, Goiás State, Brazil" dated May 12, 2016, prepared by or under the supervision of Chester M. Moore, P.Eng., Robert L. Michaud, P.Eng. and Andrew P. Hampton, P.Eng., all of Roscoe Postle Associates Inc., each of whom are qualified persons pursuant to NI 43-101 (the "**Pilar Technical Report**");

- Santa Luz Project – "Technical Report on the Santa Luz Project, Bahia State, Brazil" dated September 30, 2016, prepared by or under the supervision of Stuart E. Collins, P.E., Mark B. Mathisen, C.P.G. and Hugo M. Miranda, MBA, RM (ChMC), all of Roscoe Postle Associates Inc., and Jeffery Bowen, MAusIMM (CP), of Ausenco Services Pty Ltd., each of whom are qualified persons pursuant to NI 43-101 (the "**Santa Luz Technical Report**"); and

- RDM Mine – "Technical Report on the Riacho dos Machados Gold Mine, Minas Gerais, Brazil" dated December 16, 2015, prepared by or under the supervision of Kathleen Ann Altman, Ph.D., P.E., Stuart E. Collins, P.E., and Mark B. Mathisen, C.P.G., all of Roscoe Postle Associates Inc., each of whom are qualified persons pursuant to NI 43-101 (the "**RDM Mine Technical Report**").

Summaries of the information included in the Technical Reports are included in this prospectus, including under "*Brio Gold Properties*". Reference should be made to the full text of the Technical Reports, which are available for review under the Company's profile on SEDAR at www.sedar.com.

CIM Definition Standards

The Mineral Reserves and Mineral Resources for the Company's properties (including as used in the Technical Reports) have been estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for Mineral Resources and Mineral Reserves adopted by the CIM Council on May 10, 2014 (the "**CIM Definition Standards**"). The following definitions are reproduced from the CIM Definition Standards:

"**Mineral Resource**" means a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

"**Inferred Mineral Resource**" means that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource (as defined herein) and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

"**Indicated Mineral Resource**" means that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors (as defined herein) as described below in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource (as defined herein) and may only be converted to a Probable Mineral Reserve (as defined herein).

"**Measured Mineral Resource**" means that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve (as defined herein) or to a Probable Mineral Reserve.

"**Mineral Reserve**" means the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Mineral Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a Mineral Reserve must be demonstrated by a pre-feasibility study or feasibility study.

"**Probable Mineral Reserve**" means the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.

"**Proven Mineral Reserve**" means the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.

For the purposes of the CIM Definition Standards, "**Modifying Factors**" are considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.

LIST OF ABBREVIATIONS

In this prospectus, the following abbreviations have the respective meanings set forth opposite the abbreviation::

Au	gold
G or g	gram
g/t	grams per tonne
ha	hectare
km	kilometre
koz	thousands of Troy ounces
LOM	Life of mine
m	metre
masl	metres above sea level
CARL	low carbonaceous ores
CARH	high carbonaceous ores
mm	millimetre
Mt	millions of metric tonnes
MW	megawatt
MWh/yr	megawatt hours per year
oz.	Troy ounce (31.1035 g)
t	metric tonne
tpa	metric tonne per annum
tpd	metric tonne per day
tph	metric tonne per hour

ELIGIBILITY FOR INVESTMENT

In the opinion of Cassels Brock & Blackwell LLP, legal counsel to the Company and Yamana, and Norton Rose Fulbright Canada LLP, legal counsel to the Managing Dealers, Purchase Rights and Common Shares will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan (**"RRSP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan, registered education savings plan, registered disability savings plan or a tax-free savings account (a "**TFSA**") (collectively "**Plans**"), at any particular time, provided that, at that time, the Purchase Rights and Common Shares, as applicable, are listed on a "designated stock exchange" (which currently includes the TSX and Tiers 1 and 2 of the TSX Venture Exchange (the "**TSXV**")). The Purchase Rights will also be a qualified investment for Plans if the Common Shares are listed on a designated stock exchange and the Purchase Rights are not listed on a designated stock exchange, provided Yamana is not a "connected person" under the Plan. A "connected person" is, in relation to a Plan, a person who is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the Plan as well as any other person who does not deal at arm's length with that person.

Notwithstanding the foregoing, if the Purchase Rights or Common Shares are a "prohibited investment" for the purposes of an RRSP, RRIF or TFSA, the annuitant of such RRSP or RRIF or the holder of the TFSA, as the case may be, will be subject to a penalty tax as set out in the Tax Act (as defined herein). The Purchase Rights and Common Shares will not be a prohibited investment for an, RRSP, RRIF or TFSA provided the annuitant or the holder thereof, as the case may be, (i) deals at arm's length with Brio Gold for purposes of the Tax Act, and (ii) does not have a "significant interest" (as defined in subsection 207.01(4) of the Tax Act) in Brio Gold. In addition, the Common Shares will not be a "prohibited investment" for an RRSP, RRIF or TFSA if such shares are "excluded property" as defined in the Tax Act for trusts governed by such RRSP, RRIF or TFSA. Resident Holders who intend to hold Purchase Rights or Common Shares in an RRSP, RRIF or TFSA are advised to consult their own tax advisors.

PRESENTATION OF FINANCIAL INFORMATION AND ACCOUNTING PRINCIPLES

The Company presents its financial statements in U.S. dollars and prepares its financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee and the former Standing Interpretations Committee ("**IFRS**").

FINANCIAL STATEMENTS

The Company was formed on July 11, 2014. Since that time, in a series of transactions, certain assets and liabilities of Yamana and its subsidiaries were transferred to the Company and its subsidiaries.

Brio Gold Consolidated Financial Statements

The Brio Gold consolidated financial statements as set out below have been included in the prospectus:

- Audited consolidated financial statements as at December 31, 2015 and 2014 and for the year ended December 31, 2015 and for the period from the date of incorporation, July 11, 2014, to December 31, 2014 (the "**Brio Audited**

Financial Statements"). The results of operations include the results of operation of the Pilar Operation, the Fazenda Brasileiro Mine and the Santa Luz Project (collectively the "**Properties**") which were transferred into the Company during the period from June to August 2015. The results of operations presented in these consolidated financial statements are included in the Audited Carve-Out Combined Financial Statements discussed below.

- Condensed interim consolidated financial statements as at September 30, 2016 and December 31, 2015 and for the three and nine months ended September 30, 2016 and 2015 (the "**Brio Condensed Interim Financial Statements**"). The results of operations of the Properties are included in the financial statements for the period following the transfer of the Properties. Similar to the above discussion for the Brio Audited Financial Statements, the results of operations presented in Brio Condensed Interim Financial Statements are included in the Condensed Carve-Out Combined Interim Financial Statements discussed below. The results of Mineração Riacho dos Machados Ltda. ("**MRDM**") are included from the date of acquisition on April 29, 2016.

All production of the Properties is sold by Brio Gold to Yamana at 97.15% of market value. These consolidated financial statements of Brio Gold reflect unsettled accounts receivable from Yamana within current assets.

Brio Gold Carve-Out Combined Financial Statements

The Brio Gold carve-out combined financial statements as set out below have been included in the prospectus:

- Audited carve-out combined financial statements as at December 31, 2015 and 2014 and for each of the years in the three year period ending December 31, 2015 (the "**Audited Carve-Out Combined Financial Statements**"). The Properties were transferred from Yamana to its wholly-owned subsidiary, Brio Gold. The Properties were continuously under common control of Yamana during the three year period ending December 31, 2015. The Properties represent the predecessor business of Brio Gold. The results of operations for the Pilar Operation, the Fazenda Brasileiro Mine and the Santa Luz Project have been presented for the previous three year period ending December 31, 2015 on a combined basis to show the continuous results of operations for the Properties. Some portion of the period included in these Audited Carve-Out Combined Financial Statements overlap with the results of operations reflected in the Brio Audited Financial Statements for the respective periods.

- Unaudited condensed carve-out combined interim financial statements as at and for the three and nine months ended September 30, 2016 and 2015 (the "**Condensed Carve-Out Combined Interim Financial Statements**"). The financial results include the result of operations of the Properties transferred for the periods presented and the results of MRDM from the date of acquisition. Similar to the above discussion regarding the Audited Carve-Out Combined Financial Statements, portions of the period included in these Condensed Carve-Out Combined Interim Financial Statements overlap with the results of operations that is reflected in the Brio Condensed Interim Financial Statements for the respective period.

The Audited Carve-Out Combined Financial Statements present the net investment by Yamana in the business rather than the shareholders' equity. Yamana's net investment comprises the accumulated earnings of the transferred operations, contributions by, less distributions to, Yamana. The financial results of the business presented in the Audited Carve-Out Combined Financial Statements reflect the revenues from the sale of production to third parties at 100% of market value. Results for MRDM are included from its date of acquisition by Brio Gold on April 29, 2016.

MRDM Financial Statements

MRDM was acquired by Brio Gold on April 29, 2016. MRDM is considered to be the predecessor business of Brio Gold, and as such the MRDM financial statements as set out below have been included in the prospectus.

- Audited financial statements as at December 31, 2015 and 2014 and for each of the two years then ended, and Audited financial statements as at December 31, 2014 and 2013 and for each of the two years then ended (the "**MRDM Audited Financial Statements**").

- Condensed interim financial statements as at and for the three and six months ended June 30, 2016 and 2015 (the "**MRDM Condensed Interim Financial Statements**").

Condensed Interim Financial Statements as at and for the three and nine months ended September 30, 2016 have not been included in this prospectus, as for the third quarter of 2016, operations of MRDM and its financial results are fully integrated in the Brio Condensed Interim Financial Statements and Condensed Carve-Out Combined Interim Financial Statements.

Emphasis of Matter Paragraphs

The independent auditors' reports to the MRDM financial statements as at December 31, 2015, 2014 and 2013 and for the years ended December 31, 2015, 2014 and 2013, included in this prospectus, contain emphasis of matter paragraphs related to MRDM having incurred losses, and related to MRDM's current liabilities exceeding its current assets by US$295,074,298 as at December 31, 2015 and by US$221,966,239 as at December 31, 2014, which, together with the other matters described in Note 1 to those financial statements, raises a significant doubt about the ability of MRDM to continue as a going concern.

Pro Forma Financial Statements

The prospectus also includes an unaudited pro forma balance sheets as at September 30, 2016 and statement of operations for the year ended December 31, 2015 and the nine months ended September 30, 2016 (the "**Pro Forma Financial Statements**"), which gives effect to the Offering and to the transfer of assets and liabilities from Yamana and its subsidiaries and to the Company, the acquisition of MRDM, as if such transactions had occurred as of January 1, 2015. The Pro Forma Financial Statements are not necessarily indicative of the Company's results of operations that would have occurred if these transactions had occurred as of January 1, 2015.

Unless otherwise stated, all references in this prospectus to the Company's financial results are derived from, or relate to the periods of, the Brio Audited Financial Statements, the Brio Condensed Interim Financial Statements, the Audited Carve-Out Combined Financial Statements, the Condensed Carve-Out Combined Interim Financial Statements, the MRDM Audited Financial Statements and the MRDM Condensed Interim Financial Statements and not its actual historical financial results. Unless otherwise stated, all references in this prospectus to the Company's pro forma financial results for the year ended December 31, 2015 and period ended September 30, 2016 are derived from the Pro Forma Financial Statements. Prospective investors are cautioned that the summary and selected financial and production data included in this prospectus that is derived from the Audited Carve-Out Combined Financial Statements, Condensed Carve-Out Combined Interim Financial Statements, the MRDM Audited Financial Statements, MRDM Condensed Interim Financial Statements or periods are not necessarily indicative of the Company's results of operation or financial condition that the Company may have achieved as a stand-alone company. See the Audited Carve-Out Combined Financial Statements, the MRDM Audited Financial Statements, the MRDM Condensed Interim Financial Statements and the Pro Forma Financial Statements, as well as "*Management's Discussion and Analysis*", included elsewhere in this prospectus.

NON-GAAP FINANCIAL MEASURES

The Company has included certain non-GAAP financial measures including co-product cash costs per ounce of gold produced, co-product all-in sustaining costs per ounce of gold produced, Adjusted earnings (loss), and Adjusted EBITDA to supplement its consolidated financial statements, which are presented in accordance with IFRS. The term IFRS and generally accepted accounting principles ("GAAP") are used interchangeably throughout this prospectus.

The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. Non-GAAP financial measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Co-Product Cash Costs

The Company uses the non-GAAP financial measure "co-product cash costs" on a per ounce of gold produced basis because it believes this measure provides investors and analysts with useful information about the Company's underlying cash costs of operations and is a relevant metric used to understand the Company's operating profitability, and ability to generate cash flow. Co-product cash costs figures are calculated based on the standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard remains the generally accepted standard of reporting cash costs of production in North America. Adoption of the standard is voluntary and the cost measures presented herein may not be comparable to other similarly titled measures of other companies.

Co-product cash costs include mine site operating costs such as mining, processing, administration, production taxes and royalties, which are not based on sales or taxable income calculations, but are exclusive of amortization, reclamation, capital, development, and exploration costs. Co-product cash costs per ounce of gold produced are calculated on a weighted average basis.

The term "co-product cash costs" has no standard meaning and therefore, the Company's definitions are unlikely to be comparable to similar measures presented by other companies and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS and is not necessarily indicative of operating costs, operating profit or cash flows presented under IFRS. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for:

- reconciliation of total cost of sales to co-product cash costs consolidated, including on a per ounce basis, and reconciliation of total cost of sales to co-product all-in-sustaining costs consolidated, including on a per ounce basis;
- reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis;
- reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis, and reconciliation of total cost of sales to co-product all-in-sustaining costs consolidated and per mine, including on a per ounce basis;
- reconciliation of quarterly trailing total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis; and
- reconciliation of annual trailing total cost of sales to co-product cash costs per mine, including on a per ounce basis.

Co-Product All-in-Sustaining Costs

The Company uses the non-GAAP financial measure "co-product all-in-sustaining costs", also referred to as "co-product AISC", on a per ounce of gold produced basis because it believes this measure provides investors with useful information about the Company's underlying cash costs of operations, after deducting certain non-discretionary items such as sustaining capital expenditures, exploration expenses and certain general and administrative costs and is a relevant metric used to understand the Company's operating profitability, and ability to generate cash flow. Co-product all-in-sustaining costs are based on cash costs, including cost components of mine sustaining capital expenditures and exploration and evaluation expense. Co-product all-in-sustaining costs on a consolidated basis do not include capital expenditures attributable to projects or mine expansions, exploration and evaluation costs attributable to growth projects, Yamana general and administrative expenses allocated to Brio Gold, stock-based compensation, income tax payments, financing costs and dividend payments. Co-product all-in-sustaining costs for a mine do not include capital expenditures attributable to projects or mine expansions, exploration and evaluation costs attributable to growth projects, Brio Gold corporate general and administrative expenses, Yamana general and administrative expenses allocated to Brio Gold or stock-based compensation, income tax payments, financing costs and dividend payments. Consequently, this measure is not representative of all of the Company's cash expenditures. In addition, the calculation of co-product all-in-sustaining costs does not include depletion, depreciation and amortization expense as it does not reflect the impact of expenditures incurred in prior periods. The term "co-product all-in-sustaining costs" has no standard meaning and therefore, the Company's definitions are unlikely to be comparable to similar measures presented by other companies and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS and is not necessarily indicative of operating costs, operating profit or cash flows presented under IFRS. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for:

- reconciliation of total cost of sales to co-product cash costs consolidated, including on a per ounce basis, and reconciliation of total cost of sales to co-product all-in-sustaining costs consolidated, including on a per ounce basis; and
- reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis, and reconciliation of total cost of sales to co-product all-in-sustaining costs consolidated and per mine, including on a per ounce basis.

Adjusted Earnings or Loss

The Company uses the non-GAAP financial measure "Adjusted earnings or loss" because it believes this measure provides useful information to investors to evaluate the Company's performance by excluding certain cash and non cash charges. The presentation of Adjusted earnings or loss is not meant to be a substitute for net earnings or loss or net earnings or loss per share presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures. Adjusted earnings or loss is calculated as net earnings excluding (a) share based payments, (b) unrealized foreign exchange (gains) losses related to revaluation of deferred income tax asset and liability on non monetary items, (c) unrealized foreign exchange (gains) losses related to other items, (d) impairment losses and reversals, (e) deferred income tax expense (recovery) on the translation of foreign currency inter corporate debt, (f) periodic tax adjustments to historical deferred income tax balances relating to changes in enacted tax rates and (g) non-cash provisions and any other non recurring adjustments. Non-recurring adjustments from unusual events or circumstances are reviewed from time to time based on materiality and the nature of the event or circumstance. Earnings adjustments for the comparative period reflect continuing operations.

The term "Adjusted earnings or loss" has no standardized meaning prescribed by IFRS and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for a reconciliation of net earnings (loss) attributable to equity holders to Adjusted earnings or loss.

For more information, see the Audited Carve-Out Combined Financial Statements, Brio Audited Financial Statements and the related notes thereto appearing elsewhere in this prospectus.

Adjusted EBITDA

The Company uses the non-GAAP financial measure "Adjusted EBITDA" because it believes it provides investors with useful information to evaluate its performance and understand its ability to service and/or incur indebtedness. The Company defines Adjusted EBITDA as net earnings (loss) attributable to equity holders, before income tax recovery (expense), depletion, depreciation and amortization, impairment and reversals of mining properties, interest expense, share-based compensation, and non-recurring provisions and other adjustments.

The term "Adjusted EBITDA" has no standard meaning and therefore, the Company's definitions are unlikely to be comparable to similar measures presented by other companies and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS and is not necessarily indicative of operating costs, operating profit or cash flows presented under IFRS. See "*Management's Discussion and Analysis – Non GAAP Financial Measures*" for a reconciliation of net earnings (loss) attributable to equity holders to Adjusted EBITDA.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

Gilmour Clausen, a director of the Company, resides outside of Canada. Mr. Clausen has appointed Cassels Brock & Blackwell LLP, 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3C2 as agent for service of process. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

MARKETING MATERIALS

The following "marketing materials" (as such term is defined in National Instrument 41-101 – *General Prospectus Requirements*), filed with the securities commission or similar authority in each of the provinces and territories of Canada are incorporated by reference into this prospectus:

1. the initial template version of the investor presentation dated October 17, 2016 and titled "Brio Gold Purchase Rights Offering Roadshow Presentation"; and
2. the revised template version of the investor presentation dated November 17, 2016 and titled "Brio Gold Purchase Rights Offering Roadshow Presentation" .

The above marketing materials are available for review under the Company's profile on SEDAR at www.sedar.com.

This prospectus modifies the following statements of material fact that appeared in the initial template version of the investor presentation:

- the size of the land packages that comprise the mineral projects of the Company;
- descriptions of the Company's non-GAAP financial measures; and
- the Company's cash balance.

The Company has prepared a revised template version of the investor presentation, which has been blacklined to show the modified statements. The foregoing summary of modifications to the investor presentation is not exhaustive and is qualified by the information contained in the revised template version of the investor presentation, which has been filed with the securities commission or similar authority in each of the provinces and territories of Canada and are available for review under the Company's profile on SEDAR at www.sedar.com. Any template version of any marketing materials that has been utilized by the Managing Dealers in connection with the Offering or the Additional Distribution is not part of this prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this prospectus. In addition, any template version of any other marketing materials filed with the securities commission or similar authority in each of the provinces and territories of Canada in connection with the Offering or the Additional Distribution after the date of this prospectus, but prior to the termination of the distribution of Common Shares under this prospectus (including any amendments to, or an amended version of, any template version of any marketing materials), is deemed to be incorporated by reference herein.

NOTICE TO UNITED STATES INVESTORS

The Common Shares have not been, nor will they be, registered under the U.S. Securities Act or any state securities laws. Accordingly, the Common Shares may be not offered or sold in the United States unless an exemption from the registration requirements of the U.S. Securities Act is available. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Purchase Rights and, except as described herein, this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Common Shares within the United States.

In making a decision as to whether to exercise Purchase Rights or purchase Common Shares, investors must rely on their own examination of the Company and the terms of the Offering, including the merits and risks involved. Investors should be aware that they may be required to bear the financial risks of an investment in the Common Shares for an indefinite period of time.

THE PURCHASE RIGHTS MAY ONLY BE EXERCISED IN THE UNITED STATES BY QUALIFIED INSTITUTIONAL BUYERS. IF YOU ARE IN THE UNITED STATES AND YOU ARE NOT A QUALIFIED INSTITUTIONAL BUYER YOU MAY NOT EXERCISE YOUR RIGHTS AND, IN ORDER TO RECEIVE ANY VALUE FOR YOUR RIGHTS, YOU MUST ARRANGE TO SELL YOUR RIGHTS OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH THE REQUIREMENTS OF REGULATION S UNDER THE U.S. SECURITIES ACT. A TRADING MARKET IN THE PURCHASE RIGHTS MAY NOT DEVELOP, AND YOU MAY NOT BE ABLE TO SELL YOUR PURCHASE RIGHTS ON THE TORONTO STOCK EXCHANGE OR OTHERWISE. SEE "*RISK FACTORS*".

Qualified Institutional Buyers ("**QIBs**") that wish to exercise their Purchase Rights in the United States must complete Form 5 (the "**United States Exercise Form**") included in each Purchase Rights Certificate confirming, among other things, their status as QIBs, making certain representations with respect to resales of Common Shares and, if exercising in certain U.S. states, providing additional certifications confirming that such exercises comply with applicable state securities or "blue sky" laws. Any QIBs who hold their Purchase Rights within the CDS system will be required to withdraw their rights and tender their United States Exercise Form directly to the Purchase Rights Agent. Yamana and the Company reserve the right to reject United States Exercise Forms for any reason in their sole discretion.

The Purchase Rights may be transferred only in transactions outside of the United States in accordance with Regulation S under the U.S. Securities Act ("**Regulation S**"). Regulation S permits the resale of the Purchase Rights by persons through the facilities of any designated offshore securities market (which currently includes the TSX and the TSXV), provided that the offer is not made to a person in the United States, neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, and no "directed selling efforts", as that term is defined in Regulation S, are conducted in the United States in connection with the resale. Certain additional conditions are applicable to the Company's "affiliates", as that term is defined under the U.S. Securities Act. In order to enforce this resale restriction, U.S. holders of Purchase Rights may be required to provide a certification or other evidence satisfactory to the Company to the effect that any such resale is being made outside the United States in accordance with Regulation S. Certificates, if any, and book entries representing the Purchase Rights will bear legends referring to the foregoing restrictions.

In addition, the Common Shares initially transferred pursuant to the exercise of Purchase Rights to persons in the United States will be "restricted securities" and may not be transferred or resold except (i) to the Company; or (ii) outside the United States in accordance with Regulation S. Each QIB exercising Purchase Rights in the United States will be required to agree to the foregoing transfer restrictions.

Prospective investors should also be aware that (i) the initial distribution of the Purchase Rights, (ii) the exercise of the Purchase Rights, (iii) the expiry of unexercised Purchase Rights, and (iv) the disposition of the Purchase Rights, in certain circumstances, may have tax consequences in Canada and the United States depending on each particular prospective investor's specific circumstances. This prospectus may not fully describe these tax consequences.

Prospective investors should read the tax discussion in this prospectus and consult their own tax advisors. See "*Certain Canadian Federal Income Tax Considerations*" and "*Certain United States Federal Income Tax Considerations*".

Neither the Purchase Rights nor the Common Shares have been approved or disapproved by the Securities and Exchange Commission (the "SEC") or by any State securities commission, nor have any of the foregoing authorities passed on the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Cautionary Note Regarding Mineral Reserve and Mineral Resource Estimates

The disclosure in this prospectus uses mineral reserve and mineral resource classification terms that comply with reporting standards in Canada set forth in NI 43-101, which establishes standards for all Canadian public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all mineral reserve and mineral resource estimates contained in this prospectus have been prepared in accordance with NI 43-101. Please see "*Scientific and Technical Information*" above. These standards differ significantly from the mineral reserve disclosure requirements of the SEC set forth in Industry Guide 7. Consequently, information regarding mineralization contained in this prospectus is not comparable to similar information that would generally be disclosed by U.S. companies in accordance with the rules of the SEC.

In particular, the SEC's Industry Guide 7 applies different standards in order to classify mineralization as a reserve. As a result, the definitions of proven and probable reserves used in NI 43-101 differ from the definitions used by the SEC in Industry Guide 7. Under SEC standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or the issuance must be imminent in order to classify mineralized material as reserves under the SEC standards. NI 43-101 does not include a similar requirement. Accordingly, mineral reserve estimates contained in this prospectus may not qualify as "reserves" under SEC standards.

In addition, this prospectus uses the terms "Mineral Resource," "Measured Mineral Resources," "Indicated Mineral Resources" and "Inferred Mineral Resources," which comply with the reporting standards in Canada. The SEC does not recognize Mineral Resources and U.S. companies are generally not permitted to disclose Mineral Resource estimates of any category in documents filed with the SEC. Investors are specifically cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves as defined in NI 43-101 or Industry Guide 7. Furthermore, "Inferred Resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, investors are also cautioned not to assume that all or any part of an Inferred Resource exists. It cannot be assumed that all or any part of "Measured Mineral Resources," "Indicated Mineral Resources," or "Inferred Mineral Resources" will ever be upgraded to a higher category. Investors are cautioned not to assume that any part of the reported "Measured Mineral Resources," "Indicated Mineral Resources" or "Inferred Mineral Resources" in this prospectus is economically or legally mineable. For the above reasons, information contained in this prospectus containing descriptions of the Company's Mineral Reserve and Mineral Resource estimates is not comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.

Presentation of Financial Information

The Company presents its financial statements in U.S. dollars and prepares its financial statements in accordance with IFRS. IFRS differs in certain material respects from U.S. generally accepted accounting principles ("**U.S. GAAP**") and, as such, the Company's financial statements are not comparable to the financial statements of U.S. companies prepared in accordance with U.S. GAAP. This prospectus does not include any explanation of the principal differences or any reconciliation between IFRS and U.S. GAAP. In making an investment decision, investors must rely upon their own examination of the Company's financial position, earnings and cash flows, the terms of this offering and the other financial information included herein. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, and of how those differences might affect the historic financial information presented herein.

Enforceability of Civil Liabilities

The Company is incorporated under the laws of the Province of Ontario, Canada, and all but one of its subsidiaries are organized under the laws of various jurisdictions outside of Canada and the United States. Certain of the Company's directors and officers, as well as certain of the experts named in this prospectus, are residents of jurisdictions outside the United States, and substantially all of the Company's assets and much of such persons' assets are located outside the United States. All of the Company's mining assets are located in Brazil. It may be difficult for shareholders to effect service within the United States upon directors, officers and experts who are not residents of the United States or to realize outside the United States upon judgments of courts of the United States predicated upon civil liability under U.S. federal or state securities laws or other laws of the United States. The Company has been advised by Cassels Brock & Blackwell LLP, Canadian legal counsel, that there is doubt as to the enforceability in Canada against the Company or against its directors, officers and experts who are not residents of the United States, in original actions or in actions for enforcement of judgments of courts of the United States, of liabilities predicated solely upon U.S. federal or state securities laws. The Company has also been advised by Pinheiro Neto Advogados, Brazilian legal counsel, that that there is doubt as to the enforceability in Brazil against the Company's directors and officers who are resident of Brazil, in original actions or in actions for enforcement of judgments of courts of the United States, of liabilities predicated solely upon U.S. federal or state securities laws.

PROSPECTUS SUMMARY

The following is a summary and should be read together with the more detailed information and financial statements contained elsewhere in this prospectus.

This summary highlights information contained elsewhere in this prospectus. It may not contain all the information that is important to you. You should read the entire prospectus carefully before making an investment decision, including the information under the headings "Risk Factors", "Statement Regarding Forward-Looking Information", "Management's Discussion and Analysis" and the Audited Carve-Out Combined Financial Statements, the MRDM Audited Financial Statements, the Pro Forma Financial Statements, the Brio Audited Financial Statements and the related notes thereto appearing elsewhere in this prospectus.

All financial information presented in this prospectus for the years ended December 31, 2015, 2014 and 2013 and the nine months ended September 30, 2016 is derived from the Brio Audited Financial Statements, the Brio Condensed Interim Financial Statements, the Audited Carve-Out Combined Financial Statements, the Condensed Carve-Out Combined Interim Financial Statements and the MRDM Audited Financial Statements. All information related to six months ended June 30, 2016 is derived from the MRDM Condensed Interim Financial Statements for the three and six months ended June 30, 2016. All pro forma financial and production results for the year ended December 31, 2015 and nine months ended September 30, 2016 presented in this prospectus give effect to the transfer of assets and liabilities from Yamana and its subsidiaries to the Company and the acquisition of MRDM, as if such transactions had occurred as of January 1, 2015 and not the Company's actual financial and production results, as of such dates. All Mineral Reserves and Mineral Resources estimates, as applicable, presented in this prospectus for the Fazenda Brasileiro Mine and the Pilar Operation are as of December 31, 2015, for the Santa Luz Project as of June 30, 2016, and for the RDM Mine as of September 30, 2015.

BRIO GOLD OVERVIEW

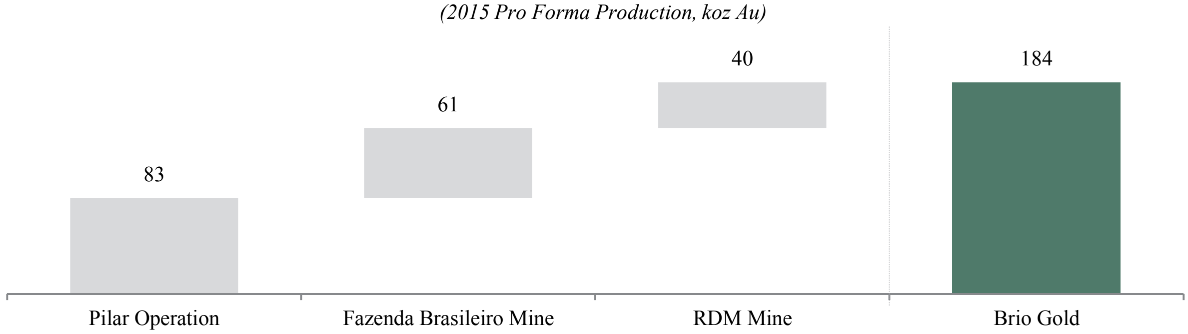
Brio Gold is a Canadian mining company with significant gold producing, development and exploration stage properties in Brazil. The Company was formed in 2014 by Yamana as a strategic initiative to surface value in certain non-core assets in Brazil. Brio Gold's portfolio includes three operating mines, the Fazenda Brasileiro Mine, the Pilar Operation and the RDM Mine, as well as the Santa Luz Project, which is a fully-permitted, fully-constructed mine currently on care and maintenance and expected to be recommissioned in the first quarter of 2018. See "*Business – Reorganization*". On April 29, 2016, the Company acquired the RDM Mine pursuant to the Assumption Agreement (as defined herein) and the Restructuring Agreement (as defined herein) in connection with a restructuring of Carpathian Gold Inc. ("**Carpathian**"). See "*Business – Acquisition of RDM Mine*".

Brio Gold Asset Locations

For the year ended December 31, 2015, on a pro forma basis, the Company would have had production of 184.0 koz Au, at a total cost of sales of US$1,002/oz Au sold, cost of sales excluding depletion, depreciation and amortization of US$710/oz Au sold, co-product cash cost of US$695/oz Au produced and co-product all-in sustaining costs of US$956/oz Au produced.

Brio Gold Production from Stable Operating Base

(2015 Pro Forma Production, koz Au)



As of the applicable estimate dates in the Technical Reports, the Company's properties had attributable Mineral Reserves of approximately 2.67 Moz Au, Measured and Indicated Mineral Resources of approximately 1.56 Moz Au and Inferred Mineral Resources of approximately 2.94 Moz Au.

Gold	Tonnes	Grade	Contained oz.
	(000's)	(g/t)	(000's)
Proven & Probable Mineral Reserves[1]……….…………...	56,350	1.47	2,666
Measured & Indicated Mineral Resources[1][2]………………	25,310	1.92	1,559
Inferred Mineral Resources [1][2]………………………………	34,148	2.68	2,941

Notes:
(1) CIM definitions were followed. For details of the Company's Mineral Reserves and Mineral Resources as of the applicable effective dates, see "*Business - Mineral Resources and Mineral Reserves*".
(2) Measured and Indicated Mineral Resources are shown exclusive of Mineral Reserves.

The Company has a strong balance sheet with approximately US$4.5 million in cash and no debt as of September 30, 2016.

Relationship with Yamana

The Company is currently a wholly-owned subsidiary of Yamana, a Canadian-based gold producer whose common shares are listed on the NYSE and the TSX. Yamana has significant gold production, gold development stage properties, exploration properties and land positions in Brazil, Chile, Argentina and Canada. Yamana's portfolio, excluding Brio Gold, includes six, soon to be seven producing mines producing gold, silver, copper, zinc, and various near development stage projects and exploration properties.

Upon completion of the Offering (assuming exercise of all of the Purchase Rights under the Offering) and the Additional Distribution, it is anticipated Yamana will hold approximately 46.3% of the Company's issued and outstanding Common Shares, or approximately 44% on a fully diluted basis. It is Yamana's intention to continue to provide sponsorship and support to Brio Gold and to retain a residual equity interest in the Company. Over time, Yamana will consider diluting its interest in the Company through various methods, including dividends to shareholders and secondary offerings to an ownership level of approximately 20%. See "*Risk Factors – Risks Relating to Holding the Common Shares – Yamana may continue to be a significant shareholder and may have interests that conflict with the interests of the Company's other shareholders*" and "*Certain Relationships and Related Party Transactions*".

Reasons for the Offering

Beginning in 2014, Yamana implemented a four stage plan to surface value from its Brio Gold division, which holds certain of Yamana's non-core properties in Brazil. The first stage of the plan was the appointment of a dedicated management team responsible for focusing on improving and optimizing the Brio Gold assets. The second stage of the plan involved implementation of the improvements and optimization of the Brio Gold assets. The third stage of the plan has been an ongoing education of public markets and Yamana Shareholders, in particular, as to the value potential of the Brio Gold portfolio. The final stage of the plan is to surface optimal value for Yamana and Yamana Shareholders.

To that end, over the past year, Yamana has extensively considered strategic alternatives relating to surfacing value for its interest in Brio Gold, including a sale of a portion of such interest or Brio Gold as a whole and engaging in discussions with Canadian financial institutions to explore the possibility of an underwritten secondary offering of Yamana's interest in the Company. The Yamana Board has determined that the Offering is in the best interests of Yamana and Yamana Shareholders and is expected to immediately surface value for Yamana Shareholders by providing, among other things, financial and operational benefits to Yamana while continuing to give Yamana Shareholders exposure to the Brio Gold assets through a distinct public company.

Following the Offering, Yamana will have a streamlined portfolio of large scale, high quality assets including three, soon to be four, world class mines, enabling a greater focus on internal growth with a significantly strengthened balance sheet and strong cash flow generation. This streamlined portfolio would be managed by a high quality operational management team in an enhanced management structure. The chart below provides an overview of Yamana's streamlined portfolio of high quality assets in the Americas pro forma the Brio Gold spinout.

Notes:
(1) Refer to Yamana's July 28, 2016 press release.
(2) Constitutes Forward-Looking Information. See "*Statement Regarding Forward-Looking Information*" in this prospectus for additional details.

Yamana intends to continue to proportionally consolidate Brio Gold production as appropriate, with the spinout resulting in an improved Yamana consolidated cost profile. Yamana also intends to continue sponsorship of Brio Gold in the interim, after which it will evaluate monetization opportunities through shareholder distribution or other actions to reach a lower level of ownership. The Offering repositions Yamana with a strengthened balance sheet facilitating organic growth and increases its Canadian presence through advanced exploration and development projects as well as optimization initiatives including Cerro Moro; Suruca; Chapada optimizations; Jacobina grade and throughput optimization; Minera Florida exploration; Odyssey; Kirkland Lake (Upper Beaver); Monument Bay; and Gualcamayo Deep Carbonates.

INVESTMENT HIGHLIGHTS

High Quality Producing Assets in the Americas

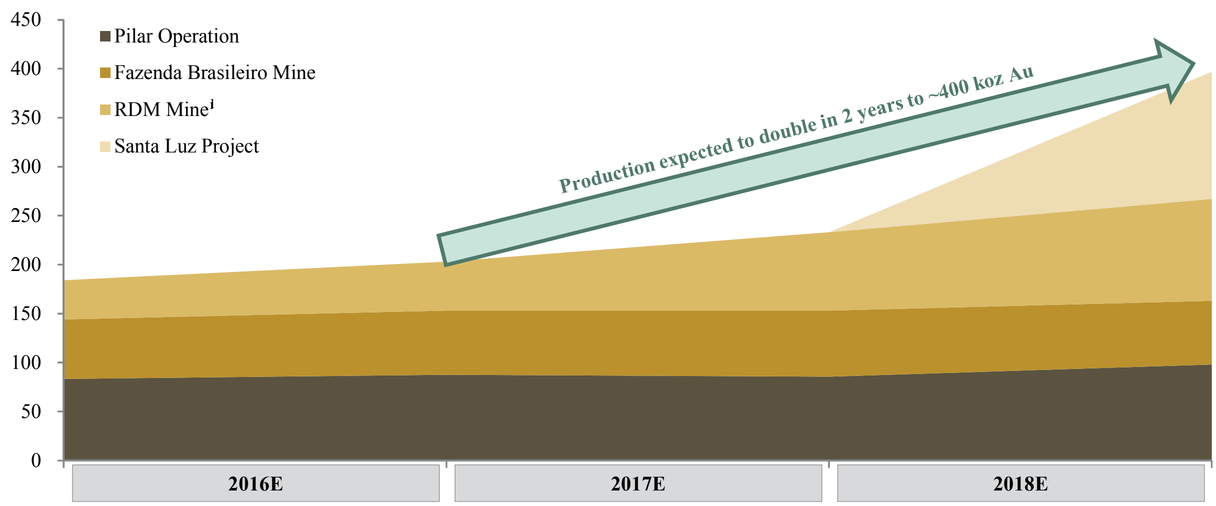
Brio Gold has a stable operating base with expected 2017 production of approximately 223 to 243 koz Au sourced from three operating mines in Brazil - Fazenda Brasileiro Mine, the Pilar Operation and the RDM Mine. In addition, the Company has a fourth mine, the Santa Luz Project, which is currently on care and maintenance and expected to be recommissioned in the first quarter of 2018. All of the Company's mines have demonstrated potential for sustainable profitable production.

Brazil is a mining-friendly jurisdiction with a long history of mining and an experienced labour force. Brazil is a member of the Multilateral Investment Guarantee Agency and was ranked among the top five most attractive countries in Latin America for mining investment by the Fraser Institute's 2015 Survey of Mining Companies. Approximately 80% to 90% of Brio Gold's operating costs are denominated in Brazilian *Real*s, which positions the Company favourably given the recent strengthening of the U.S. dollar relative to the Brazilian *Real* over the past five years.

Peer-Leading Production Growth Profile Through Fully Funded Internal Growth Opportunities

Brio Gold maintains one of the strongest growth profiles in the industry, with production expected to more than double from expected 2016 pro forma production of approximately 200 koz Au to approximately 400 koz Au in 2018, representing a compound annual growth rate in excess of 40%. This expected production growth will be driven by the ramp-up of the RDM Mine and restart of the Santa Luz Project, both requiring only modest capital expenditures, which the Company expects to fund from current and future cash flow, supplemented by the Credit Facility that the Company is in the process of arranging. The Company currently anticipates that the Credit Facility will be finalized for execution on or about the closing date of the Offering. The result is a balanced production profile for Brio Gold, with relatively even production contribution from each of the Company's four mines at expected production levels in 2018.

<u>Brio Gold Expected Production Profile</u>



[1] RDM Mine production shown on a pro forma basis and includes production prior to acquisition by Brio Gold for comparative purposes.
Source: Company guidance.

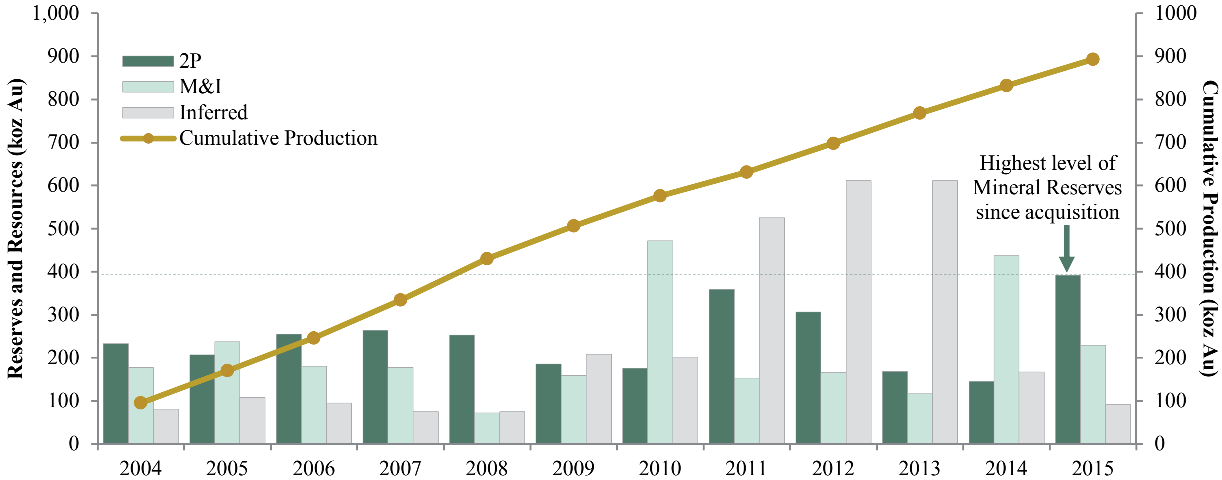
Significant Exploration Potential with Large Prospective Land Packages Covering Over 165,000 Hectares

Brio Gold's properties have attributable Mineral Reserves of approximately 2.67 Moz Au, Measured and Indicated Mineral Resources of approximately 1.56 Moz Au and Inferred Mineral Resources of approximately 2.94 Moz Au, with significant opportunities for Mineral Resource expansion. See "*Brio Gold Properties*".

The Fazenda Brasileiro Mine covers an area totalling 63,371 ha and has a mine life of six and a half years based on current Mineral Reserves, but has been operating for over 30 years with a history of mine life extensions and reserve replacements. At the end of 2015, Mineral Reserves increased 171% to 392,000 ounces of gold, the highest level since acquisition of the mine in 2003.

Fazenda Brasileiro Mine Historical Reserve Replacement

(Historical Reserves, Resources & Production)



Source: Based on Yamana's historical annual Mineral Reserve and Mineral Resource estimates found in the Annual Information Form for 2004 to 2015 filed on SEDAR at www.sedar.com.

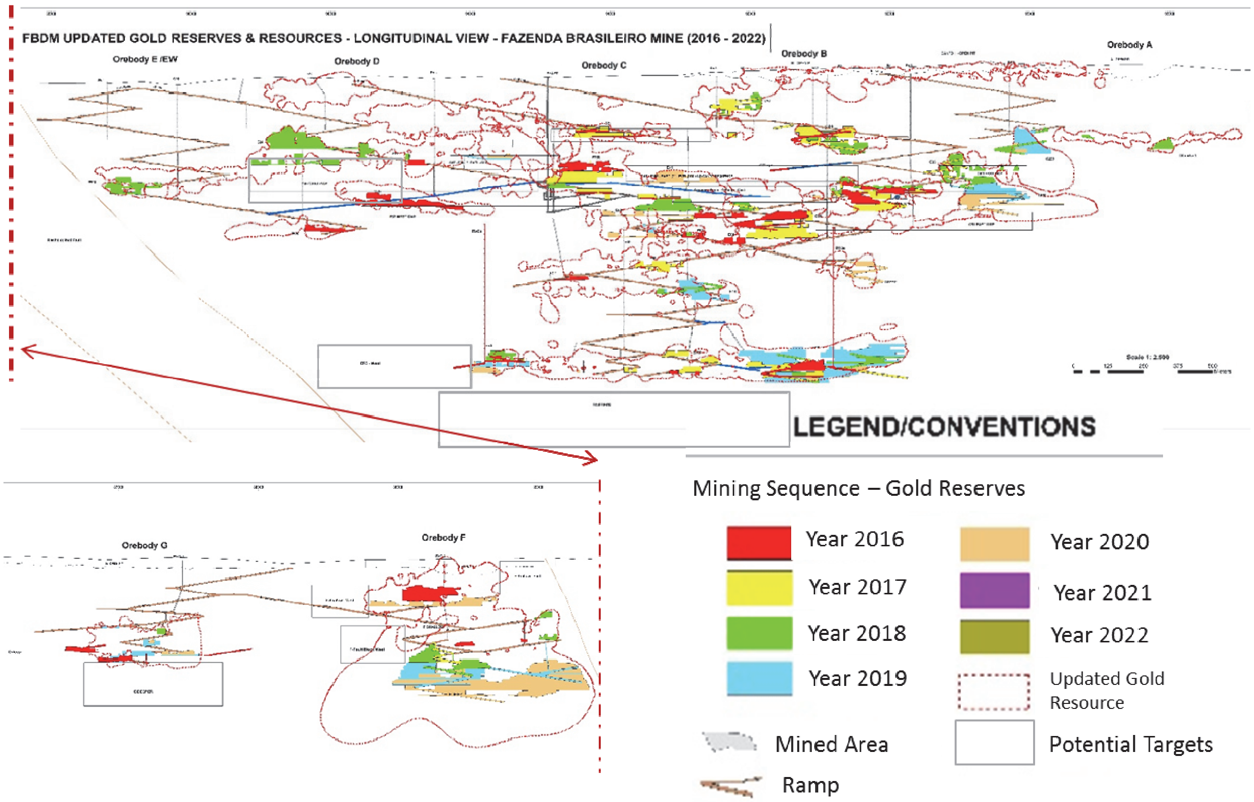
Drilling continues to be successful at the Fazenda Brasileiro Mine, with the discovery of E388, a mineralized zone at shallow depths (350 m) and near existing primary infrastructure, and the C32G area which continues to show potential for significant new Mineral Resources. Further, the Fazenda Brasileiro Mine exhibits quick exploration turnaround from discovery to mineable ounces, as demonstrated by E388, which the Company began mining within six months of discovery.

The Pilar Operation covers a total area of 17,812 ha, with the Company currently forecasting an eight year mine life. The Company believes potential exists for mine life extension through near mine satellite deposits, including Três Buracos, which is expected to be a low cost open pit mine, as well as further upside potential in surrounding concessions.

The RDM Mine covers an area of 22,628 ha with limited prior drilling completed. However, past drilling has led to the discovery of two gold zones, 50 metres long and seven metres wide, with reported grades of 3.0 g/t. The Company believes that exploration potential exists to further expand the Mineral Resources with additional drilling.

The Santa Luz Project covers an area totalling 62,604 ha and, based on the recently completed Santa Luz Technical Report prepared by Roscoe Postle Associates Inc. (“**RPA**”), is estimated to have a ten year mine life based on current Mineral Reserves with considerable exploration potential given the significant surrounding land position.

Significant exploration efforts continue at each of the four assets. The 2016 drilling program includes approximately 61,200 m at the Pilar Operation and 90,000 m at the Fazenda Brasileiro Mine. At the Fazenda Brasileiro Mine, for the remainder of 2016, drilling continues to focus on the C32G area which continues to show potential for significant new Mineral Resources as well as other high potential target areas as there is significant opportunity for grade improvements in “Gap Zones” and increase in production at depth with investment in mine infrastructure.



The RDM Mine is open down dip where the mineralization shows potential for underground mining and significant Mineral Resources have been identified. In addition, a clear 14 km trend of mineralization that has yet to be comprehensively drill tested offers further expansion potential along trend to the north and to the south.

At the Santa Luz Project, additional drilling could upgrade the significant underground mineralization currently defined and potential exists to further expand along strike and further down dip, which remain open.

Strong Balance Sheet and Liquidity with Existing Assets Generating Cash Flow

The Company is in the process of finalizing a three-year US$75 million senior secured credit facility (the "**Credit Facility**") to be led by two Canadian chartered banks (the "**Lenders**") pursuant to the terms of a commitment letter executed with the Company, which commitment letter contains certain customary conditions for transactions of this nature. Each of the two Lenders has conditionally committed US$25 million of the Credit Facility amount pursuant to the terms of the commitment letter. The Credit Facility, which includes a US$25 million accordion option, will be further syndicated to a group of banks and the Lenders' commitments are conditional upon, among other things, successful syndication. The Company currently anticipates that the Credit Facility will be finalized for execution on or about the closing date of the Offering.

The Company's Consolidated Interim Balance Sheet as at September 30, 2016, without the Credit Facility, provides US$4.5 million of cash, with a working capital deficit of $3.0 million and no debt. The Company's three mining operations provide a diverse source of cash flow, sufficient to maintain the Company's liquidity while funding necessary development activities. Carve-out combined cash flows provided by operating activities for the nine months ended September 30, 2016 were US$57.0 million, showing the ability of the Company to generate positive operating cash flows in the current market environment. The Company has US$66.6 million of contractual commitment due in the following twelve months. Out of this value, US$57.5 million is related to operating contracts associated with inputs to the Company's production including but not limited to labour and consumables, and as such, is already covered by the Company's operational cash flows as they are regular ongoing costs of production. The remainder of US$9.1 million represent certain contracts associated with the re-commissioning of the Santa Luz Project and decommissioning, restoration and other liabilities.

Upon closing of the Credit Facility, the Company anticipates it will have access to US$75 million in senior debt funding on a revolving basis to provide for short term liquidity and continue to ensure that enough funding will be available to fully fund operations and assisting in funding the Company's capital expenditure program to 2018. The Santa Luz Project, which has an expected cost of US$84.2 million would be subject to modified timeline in the event the Credit Facility is unsuccessful. This provides Brio Gold the flexibility to execute on its business plan while pursuing strategic growth.

Management is of the view that the Company's planned growth, development activities, expenditures and commitments will be sufficiently funded by its currently available financial resources and future operating cash flows and that the Credit Facility would further enhance its ability to do so. Upon the Credit Facility's maturity, being the third anniversary of the date of the Credit Facility, the Company expects that it will have the ability to refinance the Credit Facility to support the execution of the Company's business strategy.

In addition, the Company generated revenue, net loss and Adjusted EBITDA of US$211.5 million, US$(142.2) million and US$57.7 million, respectively on a pro forma basis in 2015.

Experienced and Market Known Management Team with an Established Track Record

Brio Gold has a seasoned and experienced management team with extensive knowledge of the mining sector and a successful track record of developing and operating mines and delivering shareholder value. The Company's Chief Executive Officer, Gilmour Clausen, has over 30 years of senior executive, finance, development and operations experience in the precious and base metals industries. He was most recently Chief Executive Officer of Augusta Resource Corporation ("**Augusta**"), which was acquired by HudBay Minerals Inc. in 2014. The senior leadership team also includes Joseph Longpré, Chief Financial Officer, Nelson Munhoz, Vice President Operations, Lance Newman, Vice President Technical Services, Mark Stevens, Vice President Exploration, and Letitia Wong, Vice President Corporate Development, all, with the exception of Mr. Munhoz, of whom worked with Mr. Clausen at Augusta and have an average of almost 25 years of industry experience. Mr. Munhoz previously was the Vice President Operations – Brazil for Yamana. See "*Directors and Executive Officers*".

Since their appointment in late 2014, the management team has already delivered operationally through increased production and lower costs for both the Fazenda Brasileiro Mine and the Pilar Operation. In addition, key milestones were achieved for Brio Gold, including a positive restart decision for the Santa Luz Project and exploration success at both the Fazenda Brasileiro Mine and the Pilar Operation.

Brio Gold is Well Positioned to Pursue Other Strategic Opportunities

As an independent public company, Brio Gold anticipates having greater flexibility to pursue attractive growth opportunities. In addition to a strong balance sheet and cash flow generation, the Company will have greater access to equity and debt financing. As such, Brio will be well positioned to act as a consolidator in the Americas and pursue other strategic opportunities. As the Company achieves additional scale, Brio Gold shareholders would stand to benefit from any potential re-rating of the Common Shares.

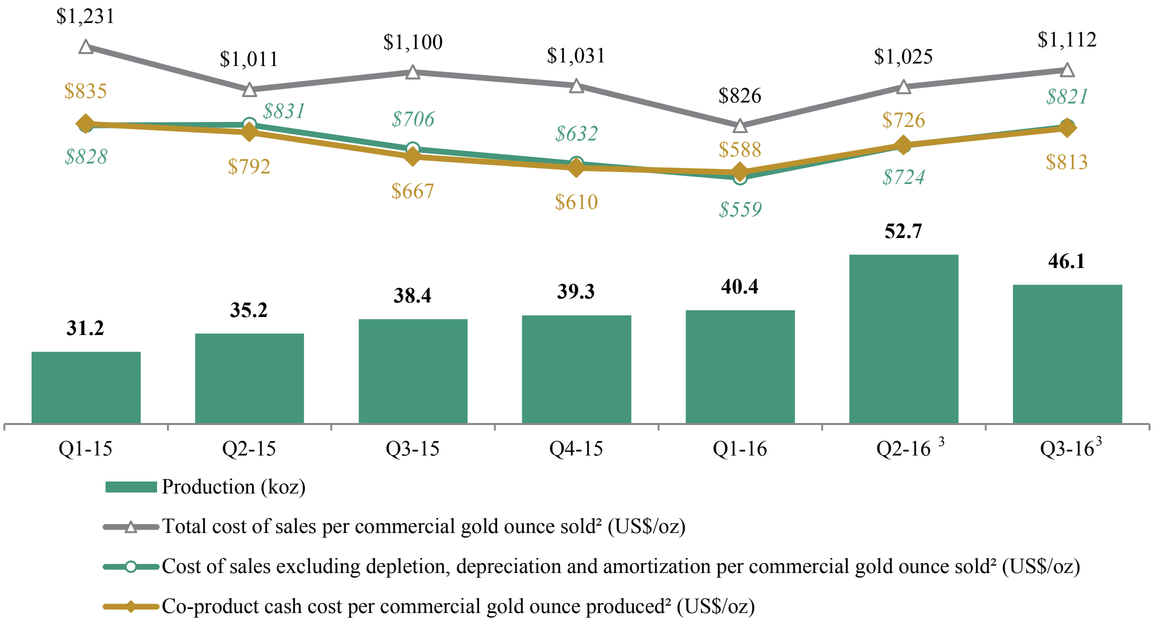
BRIO GOLD'S PROPERTIES

The Company's portfolio includes three operating mines, Fazenda Brasileiro Mine, the Pilar Operation and the RDM Mine, as well as the Santa Luz Project, which is a fully-constructed mine currently on care and maintenance and is expected to be recommissioned in the first quarter of 2018. All of the Company's mines are located in Brazil, a mining-friendly jurisdiction with a long history of mining and an experienced labour force. Brazil is a member of the Multilateral Investment Guarantee Agency and was ranked among the top five most attractive countries in Latin America for mining investment by the Fraser Institute's 2015 Survey of Mining Companies.

Improved Operating Performance

Gilmour Clausen and the Brio Gold management team were appointed to run Yamana's Brio Gold portfolio in December 2014 and have made several operational improvements at each of the Company's properties. In addition, key milestones were achieved for Brio Gold, including a positive restart decision for the Santa Luz Project and exploration success at both the Fazenda Brasileiro Mine and the Pilar Operation.

Brio Gold Historical Quarterly Performance Since Management Appointment[1]



1 *Brio Gold changed management in December 2014.*
2 *A non-GAAP financial measure. See "Management's Discussion and Analysis – Non-GAAP Financial Measures" for a reconciliation of quarterly trailing total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis.*
3 *Cost inflation driven mainly by processing of lower grade material at Fazenda Brasileiro Mine in Q2 2016, stripping and reduced production at RDM Mine in Q3 2016, and strengthening of the Brazilian Real; includes attributable production from RDM Mine.*

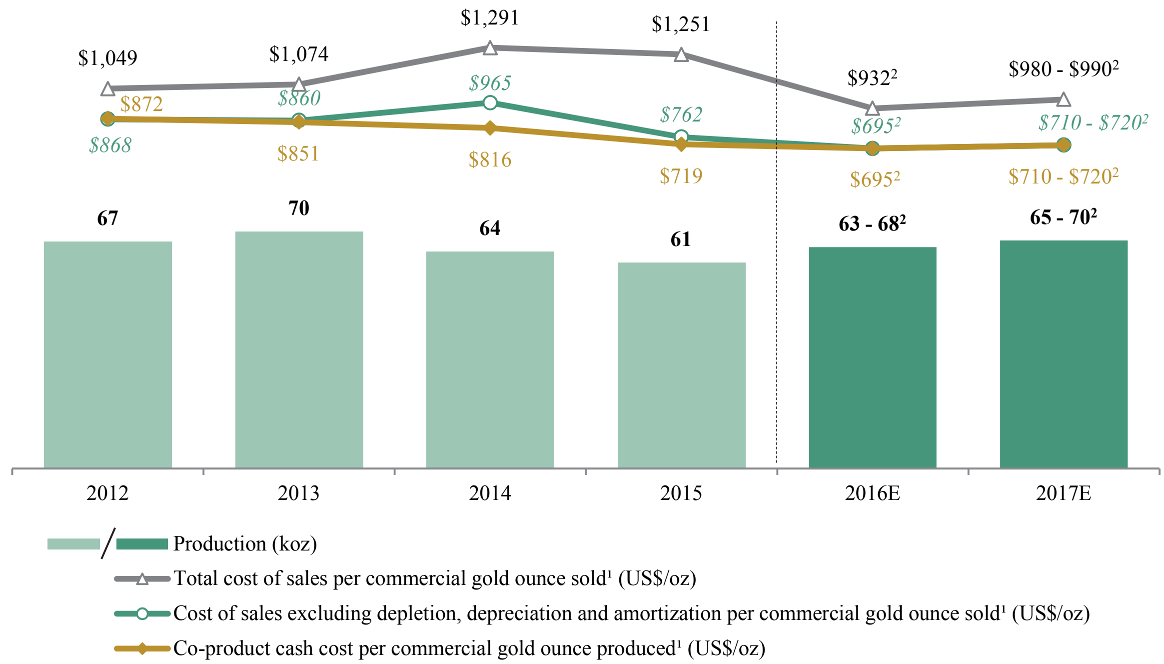
Fazenda Brasileiro Mine

Acquired by Yamana in 2003, the Fazenda Brasileiro Mine is an established underground mine with a 30 year operating history of consistent production and successful Mineral Reserves replacement. With current Mineral Reserves, the mine has an estimated mine life of six and a half years, although significant exploration upside remains.

Gold	**Tonnes (000's)**	**Grade (g/t)**	**Contained oz. (000's)**
Proven & Probable Mineral Reserves(1)(2)………………..	6,496	1.88	392
Measured & Indicated Mineral Resources(1)(3)………….	1,912	3.72	229
Inferred Mineral Resources(1)(3)…………………………….	1,020	2.80	90

Notes:
(1) CIM definitions were followed. Mineral Resources are exclusive of Mineral Reserves. See "*Business – Mineral Resources and Mineral Reserves*".
(2) Mineral Reserve estimates are as of December 31, 2015. Mineral Reserves are reported at cut-off grades of 1.06 g/t Au for underground and 0.4 g/t Au for open pit. Mineral Reserves are estimated using a gold price of US$1,150 per ounce and an exchange rate of US$1.00 = R$3.80. The metallurgical recovery for gold is 91%.
(3) Mineral Resource estimates are as of December 31, 2015. Mineral Resources are reported at a cut-off grade of 0.5g/t Au for open pit and underground. Mineral Resources are estimated using a US$1,500 per ounce gold price, an exchange rate of US$1.00 = R$3.80 and assume just the pillars and stopes that could be economic.

Fazenda Brasileiro Production and Costs



[1] *A non-GAAP financial measure. See "Management's Discussion and Analysis – Non-GAAP Financial Measures" for a reconciliation of annual trailing total cost of sales to co-product cash costs per mine, including on a per ounce basis.*

[2] *Constitutes Forward-Looking Information; please refer to "Statement Regarding Forward-Looking Information" in this Prospectus for additional details. For greater certainty, expected 2016E-2017E gold production equals expected gold sales.*

The Fazenda Brasileiro Mine has a processing rate of 1.3 Mtpa. Production at the Fazenda Brasileiro Mine was 60.9 koz Au for the year ended December 31, 2015, at a total cost of sales US$1,251/oz Au sold, cost of sales excluding depletion, depreciation and amortization of US$762/oz Au sold and co-product cash cost of US$719/oz Au produced, compared to 64.2 koz Au in 2014, at total cost of sales US$1,291/oz Au sold, cost of sales excluding depletion, depreciation and amortization of US$965/oz Au sold and co-product cash cost of US$816/oz Au produced. The Company expects total cost of sales per ounce sold of $932 and production in 2016 to be between 63 and 68 koz Au with co-product cash costs of US$695 /oz Au produced. In 2017, the Company expects total cost of sales per ounce sold of $980 to $990 and production is expected to be between 65 and 70 koz, co-product cash costs of US$710 to US$720/oz Au produced. The Company assumes ounces produced will equal ounces sold for both 2016 and 2017. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for a reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis.

The Fazenda Brasileiro Mine is located within the Maria Preta mining district in Bahia State in east central Brazil, approximately 180 km northwest of the state capital city of Salvador. The Fazenda Brasileiro Mine covers an area totalling 63,371 ha, including 50 exploration permits (an "**EP**") (50,009 ha), two exploration claims (3,074 ha), eight mining concessions (7,732 ha), and three mining concessions in application (2,556 ha).

The property, which is within the Rio Itapicuru Greenstone Belt (the "**RIGB**"), can be roughly divided into two parts. One part covers the east-west trending Weber Belt, which hosts the mine, operating open pits and areas of immediate exploration potential. The other part covers large portions of the north-south trending portion of the RIGB and several EPs southwest of the mining area.

The Fazenda Brasileiro Mine began production in 1984 as an open pit mining operation with gold extraction by means of conventional heap leaching. In 1988, underground production operations commenced. The majority of the underground ore has been processed in a carbon-in-pulp ("**CIP**") plant that has operated continuously since commissioning in 1988. A small amount of heap leach production continued until after 2003, when oxide resources were mostly exhausted. The Fazenda Brasileiro Mine has produced approximately 3.1 Moz Au since 1984.

Yamana acquired the Fazenda Brasileiro Mine from Companhia Vale do Rio Doce ("**CVRD**") (now Vale SA), in 2003. Since August 2003, Yamana has conducted an exploration and infill drilling program at the Fazenda Brasileiro Mine designed to upgrade the current Probable Mineral Reserves to Proven Mineral Reserves and replace mined Mineral Reserves and a drilling program designed to extend the mine's underground Mineral Resources laterally and at depth. Drilling has been focused on underground ore bodies adjacent to the mine, on underground ore bodies at or near the level of existing mine workings, on ore bodies beneath the existing mine workings and along geological structures with no previous exploration (CLX2 and Canto).

See "*Brio Gold Properties – Fazenda Brasileiro Mine*" for a summary of the Fazenda Brasileiro Technical Report.

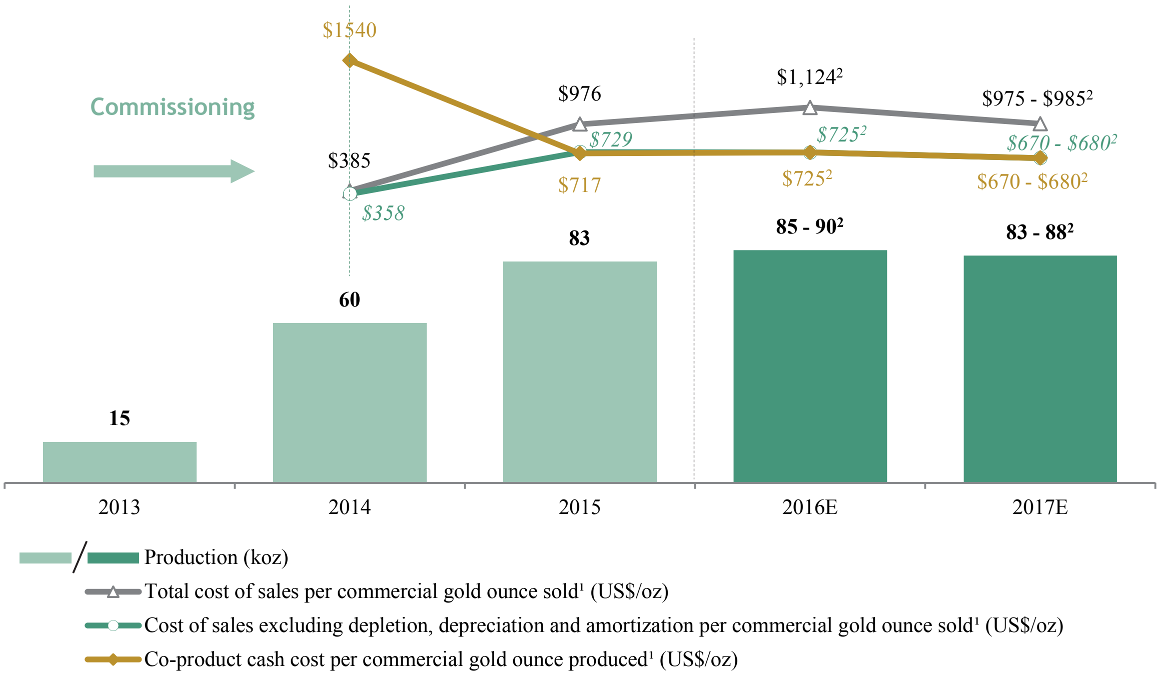
Pilar Operation

The Pilar Operation is a complex of producing underground mines with an attractive combined production and cost profile with significant exploration upside from its current, large Mineral Resources base.

Gold	**Tonnes**	**Grade**	**Contained oz.**
	(000's)	**(g/t)**	**(000's)**
Proven & Probable Mineral Reserves(1)(2)………………..	4,306	2.47	342
Measured & Indicated Mineral Resources(1)(3)………….	3,981	2.81	360
Inferred Mineral Resources (1)(3)…………………………….	18,670	3.40	2,040

Notes:
(1) CIM definitions were followed. Mineral Resources are exclusive of Mineral Reserves. See "*Business – Mineral Resources and Mineral Reserves*".
(2) Mineral Reserve estimates are as of December 31, 2015. Mineral Reserves are reported at cut-off grades of 1.17 g/t Au for the Pilar gold mine and 1.01 g/t Au for the Maria Lázara gold mine. Mineral Reserves are estimated using an average long-term gold price of US$1,150 per ounce and an exchange rate of US$1.00 = R$3.80. The metallurgical recovery for gold is 95%.
(3) Mineral Resource estimates are as of December 31, 2015. Mineral Resources are reported using a 2.0 g/t Au cut-off except the Três Buracos open pit resource which used a cut-off grade of 0.5 g/t Au. Mineral Resources at Pilar mine, Caiamar mine and Maria Lázara mine are estimated using a long-term gold price of US$1,300 per ounce, and an exchange rate of US$1.00 = R$3.80. Mineral Resources at Três Buracos are estimated using a long-term gold price of US$1,500 per ounce, and an exchange rate of US$1.00 = R$2.70.

Pilar Operation Production and Costs

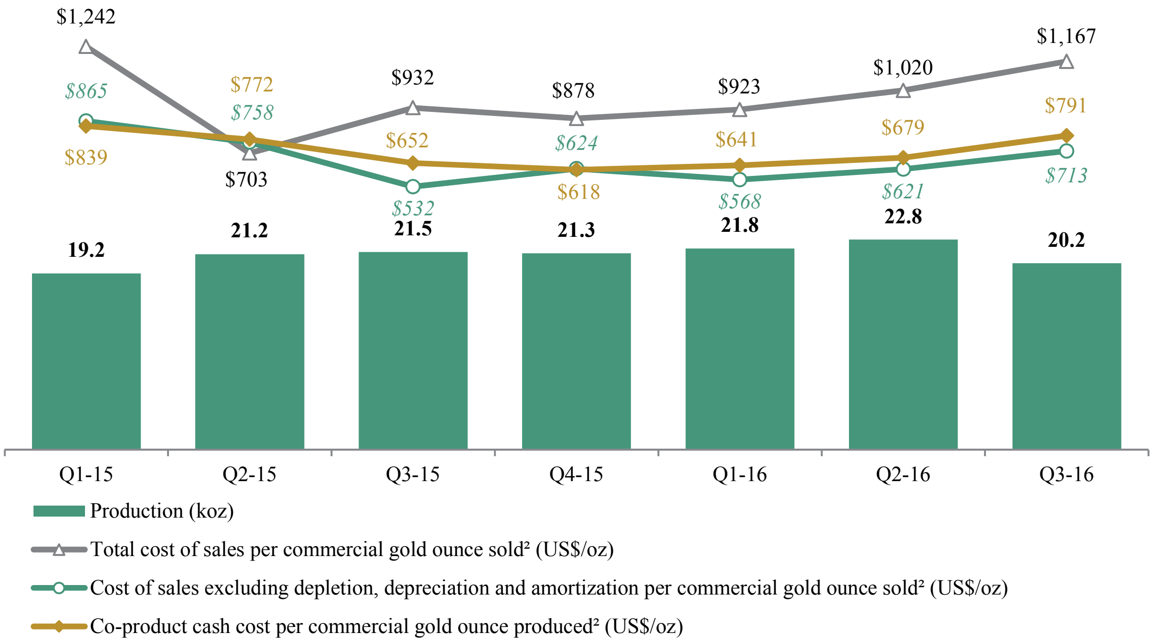


[1] *A non-GAAP financial measure. See "Management's Discussion and Analysis – Non-GAAP Financial Measures" for a reconciliation of annual trailing total cost of sales to co-product cash costs per mine, including on a per ounce basis.*

[2] *Constitutes Forward-Looking Information; please refer to "Statement Regarding Forward-Looking Information" in this Prospectus for additional details. For greater certainty, expected 2016E-2017E gold production equals expected gold sales.*

The Pilar Operation achieved commercial production in October 2014 and has a processing capacity of 1.0 Mtpa. Production at the Pilar Operation was 83.2 koz Au for the year ended December 31, 2015, at a total cost of US$976/oz Au sold, cost of sales excluding depletion, depreciation and amortization of US$729/oz Au sold and co-product cash cost of US$717/oz Au produced, compared to 60.1 koz Au in 2014, at a total cost of US$385/oz Au sold, cost of sales excluding depletion, depreciation and amortization of US$358/oz Au sold and co-product cash cost of US$1,540/oz Au produced. Production has increased and costs have declined since the property came under the Brio Gold management team's direction as a result of a change in mining method that was introduced in the fourth quarter of 2014, which allowed for more efficient mining and better dilution control. The Company expects total cost of sales per ounce sold of $1,124 and production in 2016 to be between 85 and 90 koz Au with co-product cash costs of US$725 /oz Au produced. In 2017, the Company expects total cost of sales per ounce sold of US$975 to US$985 and production is expected to be between 83 and 88 koz, co-product cash costs of US$670 to US$680/oz Au produced. The Company assumes ounces produced will equal ounces sold for both 2016 and 2017. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for a reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis.

Pilar Operation Historical Quarterly Performance Since Management Appointment[1]



[1] *Brio Gold changed management in December 2014.*
[2] *A non-GAAP financial measure. See "Management's Discussion and Analysis – Non-GAAP Financial Measures" for a reconciliation of quarterly trailing total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis.*

The Pilar Operation consists of the Pilar, Maria Lázara and past-producing Caiamar gold mines as well as the Três Buracos deposit and is located in Goiás State in central Brazil. The Pilar Operation is divided into 11 EPs and three exploration claims covering a combined area totalling 11,957 ha and six mining concessions (two of which are in various stages of application) covering an area of 5,855 ha.

During 2014, construction of a decline to expose the Maria Lázara gold mine mineralization was initiated and development continued into 2015. Full underground production at the Maria Lázara gold mine began in August 2015 and supplements ore from the Pilar mine. Further drilling to expand the Mineral Resource and upgrade Mineral Resources to Mineral Reserves is planned for 2016.

The next stage of production is expected to come from the Três Buracos deposit, which is currently in the exploration stage, and is envisioned to be an open pit mine with plans to commence production in 2019.

See "*Brio Gold Properties – Pilar Operation*" for a summary of the Pilar Technical Report.

Santa Luz Project

The Santa Luz Project is a fully-permitted, fully-constructed mine with excellent infrastructure that is currently on care and maintenance. The property is expected to be re-commissioned in the first quarter of 2018.

The Santa Luz Project is located within the Maria Preta mining district in Bahia State in east central Brazil, approximately 240 km northwest of the state capital, Salvador, 115 km from Fazenda Brasileiro Mine, and 163 km from Yamana's Jacobina Mine. The Santa Luz Project covers an area totalling 62,604 ha including 47 EPs at various stages of application (54,679 ha); one exploration claim (1,993 ha); five mining concessions (2,544 ha); and five mining concessions in application (3,389 ha).

The Santa Luz Project processing facilities were commissioned in 2013, operated for approximately 15 months, and were put on care and maintenance in September 2014. Non-commercial production totaled 13.0 koz Au in 2013 (June to December) and 20.4 koz Au in 2014 (January to August). In September 2014, Yamana announced that the Santa Luz Project's ramp-up activities would be temporarily suspended due to lower than expected recoveries associated with the processing of carbonaceous ores. The project was put on care and maintenance while several identified alternative metallurgical processes were evaluated.

In late 2014 and 2015, the Company initiated a metallurgical testing program to evaluate the existing process facilities at the Santa Luz Project, determine the causes of the low gold recoveries and develop a new flowsheet and recommendations for plant modifications to successfully process the carbonaceous material at the project. Following a preliminary economic assessment in 2015, a new metallurgical testwork program commenced, broken into two phases: flowsheet development and optimization followed by variability testing. The latest testwork program, which commenced in January 2016, was designed to further develop the whole ore leach flowsheet and formed the basis for preparing the design criteria, process flow diagrams, mass balance, and equipment sizing.

Santa Luz Technical Report Highlights[(1)]

Total Material Mined	*(Mt)*	179.3	Average Annual Production (First 7 Years)	*(koz Au)*	114
Total Waste	*(Mt)*	152.6	Total Gold Produced	*(koz Au)*	1,028
Stripping Ratio	*(waste:ore)*	5.7	Total Life of Mine	*(years)*	10
Total Ore Processed	*(Mt)*	26.7	Total Initial Capital Cost	*(US$ mm)*	$84.2
Average Gold Head Grade	*(g/t)*	1.42	After-tax NPV (5%)	*(US$ mm)*	$268
Mining Cost	*(US$/t moved)*	$1.90	After-tax IRR	*(%)*	71%
Processing Cost - Dacite	*(US$/t milled)*	$12.97	Gold Price	*(US$/oz)*	US$1,300
Processing Cost - Carbonaceous	*(US$/t milled)*	$15.79			
G&A and Other	*(US$/t milled)*	$2.59			

Note:
(1) See "*Brio Gold Properties – Santa Luz Project*" for a summary of the Santa Luz Technical Report.

Mining of mineralized material is anticipated to occur over a LOM of ten years beginning in 2018 at rates ranging from 6,900 tpd to 8,300 tpd, or 2.5 Mtpa to 3.0 Mtpa. The detailed mine production schedule for the Santa Luz Project outlines the quantities of mineralized material and waste rock that will be mined from the C1 and Antas 3 open pit areas.

The Santa Luz Project is expected to contribute approximately 114 koz Au per year over the first seven years of production.

Gold	**Tonnes (000's)**	**Grade (g/t)**	**Contained oz. (000's)**
Proven & Probable Mineral Reserves[(1)(2)]………………..	26,679	1.42	1,221
Measured & Indicated Mineral Resources[(1)(3)]………….	12,448	1.95	780
Inferred Mineral Resources[(1)(3)]…………………………….	5,900	2.07	395

Notes:
(1) CIM definitions were followed. Mineral Resources are exclusive of Mineral Reserves See "*Business – Mineral Resources and Mineral Reserves*".
(2) Mineral Reserve estimates are as of June 30, 2016. Open Pit Mineral Reserves are reported at cut-off grades for dacite = 0.49 g/t Au, CARL ores= 0.63 g/t Au, and CARH ores = 0.65 g/t Au. Mineral Reserves are estimated using a short-term gold price of US$1,250 per ounce, and constrained by designed pit. Metal recoveries used in the constraint of the Mineral Reserves were 90% for dacite ores, 81% for CARL ores and 78% for CARH ores.
(3) Mineral Resource estimates are as of June 30, 2016. Mineral Resources are reported at a cut-off grade of 0.5 g/t Au for open pit resources and a 1.5 g/t Au cut-off for underground. Mineral Resources are estimated using a US$1,500 per ounce gold price and constrained by a Whittle pit shell.

All relevant permits are in place and no environmental liabilities associated with the Santa Luz Project have been identified. The Company is currently renewing its operational license and has requested an adjustment in its general terms, due to changes made to the planned operational process. Upon completing the re-commissioning of the Santa Luz Project, the project will be a conventional truck and shovel open pit mining operation. The mineralized material and waste rock will be drilled and blasted, loaded onto trucks, and hauled to a crusher or waste rock pile. Mining operations are scheduled to restart in the first quarter of 2018.

See "*Brio Gold Properties – Santa Luz Project*" for a summary of the Santa Luz Technical Report.

RDM Mine

The RDM Mine is an operating conventional open pit mine, which commenced production in early 2014 and is currently operating at reduced capacity due to limited water availability. The Company currently expects the RDM Mine to produce approximately 30.0 koz Au attributable to Brio Gold in 2016 (May to December) at total cost of sales per ounce sold of US$1,123 and at co-product cash costs of approximately US$880/oz produced. The property is expected to produce approximately 50 koz Au on a pro forma basis in 2016. In 2017, production is expected to be between 75 and 85 koz Au with estimated total cost of sales per ounce sold between US$1,080 to US$1,090 and co-product cash costs of between US$870 and US$880/oz Au, assuming that sales will equal production.

The RDM Mine, located in the northern portion of the State of Minas Gerais in Brazil, is 145 km by road northeast of the city Montes Claros and 25 km from the nearest town, Riacho dos Machados. The RDM Mine property consists of 13 tenements and two mining concessions with a total area of approximately 22,628 ha. The mine is a conventional open pit and carbon-in-leach ("**CIL**") operation, and the process plant is designed to process 7,000 tpd, with the potential to expand to 9,000 tpd with some modifications.

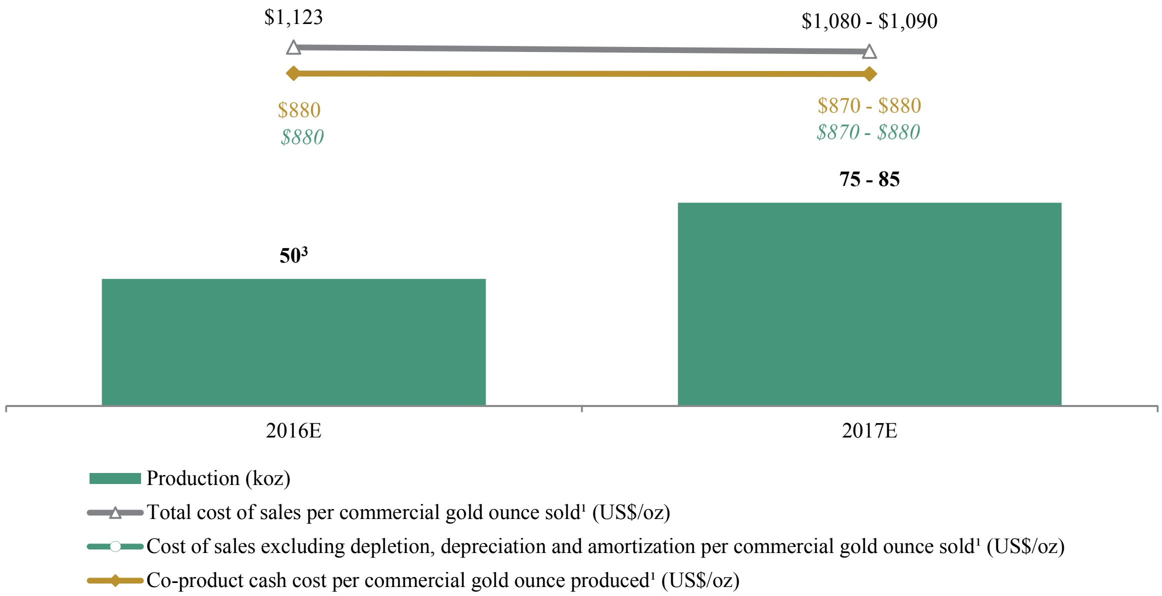
Improvements to water availability are currently underway to increase the production capacity of the RDM Mine to approximately 100 koz Au per year. The license required for the construction of the water storage facility has been received and construction is in progress. The water storage facility is expected to be functionally complete by the end of 2016 for 2017 production. A plant expansion is planned for 2018 to further increase processing capacity.

The mine has an estimated mine life of seven years based on current Mineral Reserves, however significant exploration upside exists including a clear 14 km trend of mineralization that has yet to be comprehensively drill tested, and potential for underground mining as a subsequent phase to current open pit operations.

Gold	**Tonnes (000's)**	**Grade (g/t)**	**Contained oz. (000's)**
Proven & Probable Mineral Reserves(1)(2)………………..	18,869	1.17	711
Measured & Indicated Mineral Resources(1)(3)………….	6,969	0.85	190
Inferred Mineral Resources(1)(3)…………………………….	8,558	1.51	416

Notes:
(1) CIM definitions were followed. Mineral Resources are exclusive of Mineral Reserves. See "*Business – Mineral Resources and Mineral Reserves*".
(2) Mineral Reserve estimates are as of September 30, 2015. Mineral Reserves are reported at cut-off grades of 0.3 g/t Au for oxide, 0.4 g/t Au for transition and 0.4 g/t for fresh rock. Mineral Reserves are estimated using a long term gold price of US$1,250 per ounce. Process recovery of 90%.
(3) Mineral Resource estimates are as of September 30, 2015. Mineral Resources are reported at a cut-off grade of 1.0 g/t Au for underground and 0.35 g/t Au for open pit. Mineral Resources are estimated using a short term gold price of US$1,500 per ounce and constrained by a pit shell.

RDM Mine Production and Costs[1,2]



[1] *A non-GAAP financial measure.*
[2] *Constitutes Forward-Looking Information; please refer to "Statement Regarding Forward-Looking Information" in this Prospectus for additional details. For greater certainty, expected 2016E-2017E gold production equals expected gold sales.*
[3] *RDM Mine production shown on a pro forma basis and includes production prior to acquisition by Brio Gold.*

See "*Brio Gold Properties – RDM Mine*" for a summary of the RDM Mine Technical Report.

BRIO GOLD'S MINERAL RESERVES AND MINERAL RESOURCES

Mineral Reserves

The following table sets forth the Company's attributable Mineral Reserves, estimated as of December 31, 2015 for the Fazenda Brasileiro Mine and the Pilar Operation, as of June 30, 2016 for the Santa Luz Project and as of September 30, 2015 for the RDM Mine. The Mineral Reserves estimates presented below are based on the Technical Reports prepared by RPA in respect of the Company's properties. See "*Scientific and Technical Information*" and "*Experts*" for a listing of the qualified persons responsible for these estimates. The Company's attributable Mineral Reserves are in addition to its attributable Mineral Resources.

	Proven(1)			**Probable(1)**			**Proven & Probable(1)**		
Gold	**Tonnes (000's)**	**Grade (g/t)**	**Contained oz. (000's)**	**Tonnes (000's)**	**Grade (g/t)**	**Contained oz (000's)**	**Tonnes (000's)**	**Grade (g/t)**	**Contained oz. (000's)**
Fazenda Brasileiro Mine(2) ..	4,599	1.94	286	1,897	1.74	106	6,496	1.88	392
Pilar Operation(3).................	390	4.09	51	3,916	2.31	291	4,306	2.47	342
Santa Luz Project(4).............	22,354	1.50	1,081	4,326	1.01	140	26,679	1.42	1,221
RDM Mine(5).......................	1,249	0.74	30	17,619	1.20	682	18,869	1.17	711

Notes:
(1) CIM definitions were followed.
(2) Mineral Reserve estimates are as of December 31, 2015. Mineral Reserves are reported at cut-off grades of 1.06 g/t Au for underground and 0.4 g/t Au for open pit. Mineral Reserves are estimated using a gold price of US$1,150 per ounce and an exchange rate of US$1.00 = R$3.80. The metallurgical recovery for gold is 91%.
(3) Mineral Reserve estimates are as of December 31, 2015. Mineral Reserves are reported at cut-off grades of 1.17 g/t Au for the Pilar gold mine and 1.01 g/t Au for the Maria Lázara gold mine. Mineral Reserves are estimated using an average long-term gold price of US$1,150 per ounce and an exchange rate of US$1.00 = R$3.80. The metallurgical recovery for gold is 95%.
(4) Mineral Reserve estimates are as of June 30, 2016. Open Pit Mineral Reserves are reported at cut-off grades for dacite = 0.49 g/t Au, CARL ores = 0.63 g/t Au, and CARH ores = 0.65 g/t Au. Mineral Reserves are estimated using a short-term gold price of US$1,250 per ounce, and constrained by designed pit. Metal recoveries used in the constraint of the Mineral Reserves were 90% for dacite ores, 81% for CARL ores and 78% for CARH ores.
(5) Mineral Reserve estimates are as of September 30, 2015. Mineral Reserves are reported at cut-off grades of 0.3 g/t Au for oxide, 0.4 g/t Au for transition and 0.4 g/t for fresh rock. Mineral Reserves are estimated using a long term gold price of US$1,250 per ounce. Process recovery of 90%.

Mineral Resources

The following table sets forth the Company's attributable Mineral Resources, estimated as of December 31, 2015 for the Fazenda Brasileiro Mine and the Pilar Operation, as of June 30, 2016 for the Santa Luz Project, and as of September 30, 2015 for the RDM Mine. The Mineral Resources estimates presented below are based on the Technical Reports prepared by RPA, in respect of the Company's properties. See "*Scientific and Technical Information*" and "*Experts*" for a listing of the qualified persons responsible for these estimates.

	Measured[1]			Indicated[1]			Measured & Indicated[1]			Inferred[1]		
Gold	**Tonnes**	**Grade**	**Contained oz.**	**Tonnes**	**Grade**	**Contained oz.**	**Tonnes**	**Grade**	**Contained oz.**	**Tonnes**	**Grade**	**Contained oz.**
	(000's)	**(g/t)**	**(000's)**	**(000's)**	**(g/t)**	**(000's)**	**(000's)**	**(g/t)**	**(000's)**	**(000's)**	**(g/t)**	**(000's)**
Fazenda Brasileiro Mine[2] ...	1,539	3.86	191	372	3.15	38	1,912	3.72	229	1,020	2.80	90
Pilar Operation[3]	266	5.07	43	3,715	2.65	316	3,981	2.81	360	18,670	3.40	2,040
Santa Luz Project[4]	4,384	1.34	189	8,064	2.28	591	12,448	1.95	780	5,900	2.07	395
RDM Mine [5]	62	0.81	2	6,907	0.85	188	6,969	0.85	190	8,558	1.51	416

Notes:

(1) CIM definitions were followed. Mineral Resources are exclusive of Mineral Reserves.

(2) Mineral Resource estimates are as of December 31, 2015. Mineral Resources are reported at a cut-off grade of 0.5g/t Au for open pit and underground. Mineral Resources are estimated using a US$1,500 per ounce gold price, an exchange rate of US$1.00 = R$3.80 and assume just the pillars and stopes that could be economic.

(3) Mineral Resource estimates are as of December 31, 2015. Mineral Resources are reported using a 2.0 g/t Au cut-off except the Três Buracos open pit resource which used a cut-off grade of 0.5 g/t Au. Mineral Resources at Pilar mine, Caiamar mine and Maria Lázara mine are estimated using a long-term gold price of US$1,300 per ounce, and an exchange rate of US$1.00 = R$3.80. Mineral Resources at Três Buracos are estimated using a long-term gold price of US$1,500 per ounce, and an exchange rate of US$1.00 = R$2.70.

(4) Mineral Resource estimates are as of June 30, 2016. Mineral Resources are reported at a cut-off grade of 0.5 g/t Au for open pit resources and a 1.5 g/t Au cut-off. Mineral Resources are estimated using a US$1,500 per ounce gold price and constrained by a Whittle pit shell.

(5) Mineral Resource estimates are as of September 30, 2015. Mineral Resources are reported at a cut-off grade of 1.0 g/t Au for underground and 0.35 g/t Au for open pit. Mineral Resources are estimated using a short term gold price of US$1,500 per ounce and constrained by a pit shell.

SUMMARY FINANCIAL AND PRODUCTION DATA

The summary consolidated financial data as at September 30, 2016 and for the nine months ended September 30, 2016 is derived from the Brio Condensed Interim Financial Statements. The summary consolidated financial data as of December 31, 2015 and for the year ended December 31, 2015 is derived from the Brio Audited Financial Statements, and related notes, included elsewhere in this prospectus. The selected carve-out, combined financial data as of and for the nine months ended September 30, 2016 and for the years ended December 31, 2015, 2014, and 2013 is derived from the Condensed Carve-Out Combined Interim Financial Statements and the Audited Carve-Out Combined Financial Statements, respectively, prepared in accordance with IFRS, included elsewhere in this prospectus. The summary MRDM financial data as of and for the six months ended June 30, 2016 and for the years ended December 31, 2015, 2014, and 2013 is derived from the MRDM Audited Financial Statements and the MRDM Condensed Interim Financial Statements, respectively, prepared in accordance with IFRS, included elsewhere in this prospectus. The selected pro forma balance sheet and pro forma statement of operations data for the nine months ended September 30, 2016 and for the year ended December 31, 2015 is derived from the Pro Forma Financial Statements, which are prepared based on financial statements that are in accordance with IFRS and included elsewhere in this prospectus. See "*Presentation of Financial Information and Accounting Principles*" and "*Financial Statements*".

The summary financial and production data set out below are not necessarily indicative of the Company's future results of operations or financial condition. The Condensed Carve-Out Combined Interim Financial Statements and the Audited Carve-Out Combined Financial Statements are not necessarily indicative of the results of operation or financial condition that the Company may have achieved as a stand-alone company. The Pro Forma Financial Statements are not necessarily indicative of the Company's results of operations that would have occurred if the transfer of Brio Gold's assets and liabilities from Yamana and its subsidiaries to the Company and the acquisition of the RDM Mine had occurred as of January 1, 2015. The selected combined carve-out financial data for the years ended December 31, 2015, 2014 and 2013 and the selected pro forma balance sheet and statement of operations data for the year ended December 31, 2015 presented below are qualified in their entirety by reference to, and should be read in conjunction with, "*Management's Discussion and Analysis*", the Audited Carve-Out Combined Financial Statements, the Condensed Carve-Out Combined Interim Financial Statements, the Pro Forma Financial Statements, the MRDM Audited Financial Statements, the MRDM Condensed Interim Financial Statements, the Brio Audited Financial Statements, the Brio Condensed Interim Financial Statements and the and related notes, all of which are included elsewhere in this prospectus.

Carve-Out Statement of Operations

Brio Gold

	For the nine months ended September 30,		For the year ended December 31,		
(In thousands of U.S. dollars)	**2016**	**2015**	**2015**	**2014**	**2013**
Sales	$176,791	$121,846	$163,606	$106,086	$96,119
Cost of sales excluding depletion, depreciation and amortization	(99,842)	(80,681)	(106,816)	(82,853)	(59,606)
Gross margin excluding depletion, depreciation and amortization	76,949	41,165	56,790	23,233	36,513
Depletion, depreciation and amortization	(40,543)	(36,266)	(50,342)	(22,353)	(14,653)
Impairment of mineral properties	—	—	(12,717)	(207,626)	—
Mine operating earnings (loss)	36,406	4,899	(6,269)	(206,746)	21,860
Expenses:					
General and administrative	(20,466)	(14,304)	(19,301)	(23,091)	(23,806)
Exploration and evaluation	(52)	(394)	(583)	(5)	(2,416)
Other operating expenses	(14,429)	(27,768)	(24,840)	(35,733)	(30,833)
Impairment of non-operating mining properties	—	—	(7,360)	(360,760)	—
Operating earnings (loss)	1,459	(37,567)	(58,353)	(626,335)	(35,195)
Foreign exchange gain (loss)	(10,389)	15,340	26,727	6,038	(20,779)
Finance expense	(3,512)	(2,204)	(3,272)	(1,231)	(1,305)
Loss before tax	(12,442)	(24,431)	(34,898)	(621,528)	(57,279)
Income tax recovery (expense)	13,758	(47,869)	(36,387)	30,751	(36,351)
Net earnings (loss) attributable to equity holders	$1,316	$(72,300)	$(71,285)	$(590,777)	$(93,630)

Mineração Riacho dos Machados Ltda. (RDM Mine)

(In thousands of U.S. dollars)	Six months ended June 30, 2016	Six months ended June 30, 2015	For the year ended December 31, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013
Revenue	$35,262	$36,775	$47,916	$17,932	$—
Cost of sales excluding depletion, depreciation and amortization	(21,345)	(20,436)	(23,819)	(9,829)	—
Gross margin excluding depletion, depreciation and amortization	13,917	16,339	24,097	8,103	—
Depletion, depreciation and amortization	(2,887)	(1,880)	(3,193)	(5,741)	(307)
Impairment reversal (charge) on mineral properties	42,511	—	(25,268)	(107,867)	(116,178)
Mine operating earnings (loss)	53,541	14,459	(4,364)	(105,505)	(116,485)
Expenses:					
General and administration	(3,900)	(4,816)	(8,572)	(5,186)	(3,485)
Other Operating Expenses	(37,527)	—	—	—	—
Operating loss	12,114	9,643	(12,936)	(110,691)	(119,970)
Loss on derivative financial instruments, net	—	(4,921)	(16,779)	(5,459)	68,339
Loss on gold streaming transaction	—	—	—	(27,550)	—
Finance expense, net	(10,016)	(16,683)	(38,794)	(8,022)	(614)
Net earnings (loss) for the year	$2,098	$(11,961)	$(68,509)	$(151,722)	$(52,245)

Condensed Interim Financial Statements as at and for the three and nine months ended September 30, 2016 have not been included in this prospectus, as for the third quarter of 2016, operations of MRDM and its financial results are fully integrated in the Brio Condensed Interim Financial Statements and Condensed Carve-Out Combined Interim Financial Statements.

Pro Forma Income Statement

(In thousands of U.S. dollars)	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Sales	$197,066	$211,522
Cost of sales excluding depletion, depreciation and amortization	(112,161)	(130,635)
Gross margin excluding depletion, depreciation and amortization	84,905	80,887
Depletion, depreciation and amortization	(42,541)	(53,820)
Impairment of mineral properties	—	(37,985)
Mine operating earnings (loss)	42,364	(10,918)
Expenses:		
General and administrative	(24,116)	(27,873)
Exploration and evaluation	(52)	(583)
Other operating expenses	(11,771)	(27,140)
Impairment of non-operating mining properties	—	(7,360)
Operating earnings (loss)	6,425	(73,874)
Foreign exchange (loss) gain	(7,139)	27,013
Finance expense	(3,841)	(58,969)
Loss before tax	(4,555)	(105,830)
Income tax recovery (expense)	13,758	(36,387)
Net earnings (loss) attributable to equity holders	$9,203	$(142,217)

Selected Carve-Out Balance Sheet Information

Brio Gold

(In thousands of U.S. dollars)	For the year ended December 31, 2015	For the year ended December 31, 2014
Cash and cash equivalents	$3,966	$—
Property, plant and equipment	428,129	478,479
Total assets	473,577	516,880
Current liabilities	47,241	59,185
Non-current liabilities	57,458	36,557
Total liabilities	104,699	95,742
Total equity	$368,878	$421,138

Mineração Riacho dos Machados Ltda. (RDM Mine)

	For the year ended December 31,	
(In thousands of U.S. dollars)	**2015**	**2014**
Cash and cash equivalents	$72	$99
Property, plant and equipment	7,020	27,956
Total assets	59,592	70,637
Current liabilities	306,401	236,117
Non-current liabilities	11,369	24,190
Total liabilities	317,771	260,307
Total equity	$(258,179)	$(189,670)

Selected Pro Forma Balance Sheet Information

(In thousands of U.S. dollars)	**As at September 30, 2016**
Cash and cash equivalents	$4,531
Property, plant and equipment	497,894
Total assets	557,738
Current liabilities	54,861
Non-current liabilities	60,021
Total liabilities	114,882
Total equity[(1)]	$442,856

Note:

(1) The equity value on the pro forma financial statements (i.e., total equity) and the valuation metric of net asset value are wholly unrelated. Total equity is a measure that shows the residual fair value of the accounting assets of the Issuer, after deduction of liabilities, as of the balance sheet date. Net asset value, which is used by analysts and others, is a valuation technique that estimates future cash flows and discounts them to the present, and may not be consistently applied by those calculating net asset value estimates. Balance sheet asset values are not used to estimate these cash flows, which are based on, among other things including discount rates, production plans, technical disclosures and estimates of commodity and other prices. Equity and net asset value are conceptually distinct, cannot be reconciled to each other and should not be compared.

Selected Carve-Out Financial and Production Data

	For the year ended December 31,	
	2015	**2014**
Net earnings (thousands of U.S. dollars)	$(71,285)	$(590,777)
Adjusted EBITDA (thousands of U.S. dollars)[(1)]	$41,551	$(5,413)
Production (oz.)	144,098	82,945
Total cost of sales (per oz. of gold sold in U.S. dollars)	$1,093	$853
Cost of sales excluding depletion, depreciation and amortization (per oz. of gold sold in U.S. dollars)	$743	$672
Co-product cash costs (per oz. in U.S. dollars)[(1)]	$718	$1,166
Co-product all-in sustaining costs (per oz. in U.S. dollars)[(1)]	$918	$1,423

Note:

(1) A non-GAAP financial measure. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for a reconciliation of net earnings (loss) attributable to equity holders to Adjusted EBITDA and reconciliation of total cost of sales to co-product cash costs consolidated, including on a per ounce basis, and reconciliation of total cost of sales to co-product all-in sustaining costs consolidated, including on a per ounce basis.

THE OFFERING

The following information about the Offering is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus. This summary may not contain all of the information that is important to you. For a more complete understanding of the Offering, the Company encourages you to read this prospectus, including without limitation the sections of this prospectus entitled "*Details of the Offering*", ''*Risk Factors*'' and ''*Description of Common Shares*.''

Company:	Brio Gold Inc.
Selling Shareholder:	Yamana Gold Inc.
Entitlement to Purchase Rights:	Yamana is distributing to Yamana Shareholders of record as at 5:00 p.m. (Toronto time) on the Record Date, 0.0625 of a Purchase Right for each Yamana Share held (or one whole Purchase Right for every 16 Yamana Shares held). Each whole Purchase Right will entitle the Yamana Shareholder to acquire one Common Share upon payment of the Exercise Price. No fractional Common Shares will be transferred.
Record Date:	November 25, 2016 (as 5:00 p.m. (Toronto time)).
Expiry Time:	5:00 p.m. (Toronto time) on December 21, 2016. Purchase Rights not exercised at or before the Expiry Time on the Expiry Date will be void and have no value.
Closing Date:	Transfer of the Common Shares following the Expiry Date is expected to occur on or about December 23, 2016 or such earlier or later date as the Company and Yamana may determine.
Exercise Price:	C$3.25 per Common Share.
Basic Purchase Right:	Each Holder that is eligible to exercise the Purchase Rights will be entitled to purchase one Common Share for every whole Purchase Right held at the Exercise Price at or before the Expiry Time on the Expiry Date. Ineligible Holders (other than Approved Ineligible Holders) and persons in the United States (other than QIBs) will not be eligible to exercise the Purchase Rights. See "*Plan of Distribution"*.
Additional Purchase Privilege:	Holders who exercise in full the Basic Purchase Right for their Purchase Rights are also entitled to purchase on a *pro rata* basis Additional Common Shares, if any, not otherwise purchased pursuant to the Basic Purchase Right. See "*Details of the Offering – Additional Purchase Privilege*".
Exercise of Purchase Rights:	Except as described below, for all Yamana Shareholders in Eligible Jurisdictions whose Yamana Shares are held in registered form as of the Record Date, a Purchase Rights Certificate representing the total number of Purchase Rights to which such Yamana Shareholder is entitled as at the Record Date will be mailed together with a copy of this prospectus and a notice to shareholders to each such Yamana Shareholder. In order to exercise the Purchase Rights represented by the Purchase Rights Certificate, such Yamana Shareholder must complete and deliver the Purchase Rights Certificate in accordance with the instructions set out under "*Details of the Offering – How to Complete a Purchase Rights Certificate*". For Yamana Shares held through a CDS Participant in the book-based system administered by CDS, a Holder in an Eligible Jurisdiction may exercise its Purchase Rights by instructing the CDS Participant holding the Holder's Purchase Rights to exercise all or a specified number of such Purchase Rights and forwarding the Exercise Price for each Common Share subscribed for, together with any prescribed forms, in accordance with the terms of the Offering to such CDS Participant. See "*Details of the Offering – Purchase Rights Certificates – Yamana Shares Held Through CDS*". All exercises for Common Shares made in connection with the Offering will be irrevocable and Holders will be unable to withdraw their exercises for Common Shares once submitted. The Purchase Rights may only be exercised in the United States by QIBs. If you are in the United States and you are not a QIB you may not exercise your Purchase Rights and, in order to receive any

value for your Purchase Rights, you must arrange to sell your Purchase Rights outside of the United States in accordance with the requirements of Regulation S. A trading market in the Purchase Rights may not develop, and you may not be able to sell your Purchase Rights on the TSX or otherwise. See "*Risk Factors*".

Holders in Ineligible Jurisdictions should see "*Details of the Offering – Ineligible Holders and Approved Ineligible Holders*" for further details on how they may exercise their Purchase Rights.

Common Shares Being Transferred: Up to 59,225,957 Common Shares.

Gross Proceeds: Yamana will receive up to C$192,484,360 on exercise of the Purchase Rights. The Company will not receive any proceeds from the exercise of the Purchase Rights.

Use of Proceeds: The proceeds from the exercise of the Purchase Rights will be used by Yamana for net debt reduction. See "*Use of Proceeds*".

Taxation: The Purchase Rights will be a taxable dividend to holders of Yamana Shares. See *"Certain Canadian Federal Income Tax Considerations"* and *"Certain United States Federal Income Tax Considerations"*. Holders are advised to consult their own tax advisors regarding their particular circumstances.

Minimum Distribution Condition: It is a condition of the Offering that the Purchase Rights and the Common Shares be listed on the TSX and, as such, the Company must ensure that it is able to satisfy, in addition to other TSX original listing conditions, the minimum distribution requirements of the TSX. Accordingly, the Managing Dealers have agreed to underwrite the distribution of 1,230,770 Common Shares under the Additional Distribution. Additionally, the Company has undertaken to complete the Employee Distribution of up to 30,000 Common Shares to up to 300 non-insider employees only in the event that the minimum distribution requirement of 300 non-insiders holding at least a board lot is not met through the Offering and the Additional Distribution. There can be no assurance the Purchase Rights and the Common Shares will be listed on the TSX.

Risk Factors: Investing in Common Shares is speculative and involves a high degree of risk due to the nature of the Company's business, which is the exploration, development and operation of mining properties. An investment in the Common Shares should only be made by persons who can afford the total loss of their investment.

The risk factors listed in this prospectus, as well as risks currently unknown to the Company, could adversely affect the Company's current or future business, properties, operations, results, cash flows and financial condition and could cause future results, cash flows, financial condition, prospects, events or circumstances to differ materially from those currently expected, including the estimates and projections contained in this prospectus.

See "*Risk Factors*" for a discussion of certain factors you should carefully consider before deciding to invest in the Common Shares.

QUESTIONS AND ANSWERS RELATING TO THE OFFERING

Set forth below are examples of what Yamana anticipates will be commonly asked questions about the Offering and the transactions contemplated thereby. The answers are based on selected information included elsewhere in this prospectus. The following questions and answers do not contain all of the information that may be important to you and may not address all of the questions that you may have about the Offering. The questions and answers are qualified in their entirety by the more detailed information appearing elsewhere in this prospectus, including potential risks related to the Offering, Common Shares and Brio Gold's business and operations, which investors should read before making an investment decision.

What is the Offering?

Yamana is distributing to holders of Yamana Shares as of 5:00 p.m. on November 25, 2016, the Record Date, at no charge, transferable Purchase Rights to purchase, in aggregate, up to 59,225,957 Common Shares that it owns. The distribution of Purchase Rights to holders of Yamana Shares will be a taxable dividend in-kind. In addition, the Managing Dealers have agreed to underwrite the distribution of 1,230,770 Common Shares under the Additional Distribution.

Why have I received this prospectus?

This prospectus has been provided to you as a Yamana Shareholder. This prospectus qualifies the distribution of Brio Shares on exercise of the Purchase Rights. It provides information with respect to the Purchase Rights and with respect to the Brio Shares to be transferred on exercise of the Purchase Rights. These materials are important and require your immediate attention. Yamana Shareholders are required to make an important decision regarding whether to exercise their Purchase Rights to purchase Common Shares of the Company.

What are the exercise/purchase terms?

Each whole Purchase Right will entitle the Holder to purchase one Common Share from Yamana at a price of C$3.25 per whole Common Share. No fractional Common Shares will be transferable upon the exercise of any Purchase Rights, and no cash or other consideration will be paid in lieu thereof. An entitlement to a fractional Common Share will be rounded down to the next lowest whole number of Common Shares.

When are the Commencement and Expiry Times?

The Purchase Rights will be eligible for exercise commencing on December 1, 2016. Holders will need to exercise their Purchase Rights prior to 5:00 p.m. (Toronto time) on December 21, 2016. Any exercise will be irrevocable once submitted and Holders will be unable to withdraw their exercises once submitted. Purchase Rights not exercised before the Expiry Time on the Expiry Date will be void and of no value.

How much will the Offering Raise?

Assuming the exercise of all of the Purchase Rights under the Offering, the gross proceeds to Yamana will be approximately C$192,484,360. The proceeds raised by the Offering will be dependent upon the number of Purchase Rights exercised.

The Company will not receive any proceeds from the Offering. Yamana intends to use the net proceeds of the Offering for net debt reduction. Any additional proceeds raised pursuant to the Additional Distribution will also be applied to net debt reduction. For further details, see "*Use of Proceeds*".

What are the reasons for the Offering?

Beginning in 2014, Yamana implemented a four stage plan to surface value from its Brio Gold division, which holds certain of Yamana's non-core properties in Brazil. The first stage of the plan was the appointment of a dedicated management team responsible for focusing on improving and optimizing the Brio Gold assets. The second stage of the plan involved implementation of the improvements and optimization of the Brio Gold assets. The third stage of the plan has been an ongoing education of public markets and Yamana Shareholders, in particular, as to the value potential of the Brio Gold portfolio. The final stage of the plan is to surface optimal value for Yamana and Yamana Shareholders.

To that end, over the past year, Yamana has extensively considered strategic alternatives relating to surfacing value for its interest in Brio Gold, including a sale of a portion of such interest or Brio Gold as a whole and engaging in discussions with Canadian financial institutions to explore the possibility of an underwritten secondary offering of Yamana's interest in the Company. The Yamana Board has determined that the Offering is in the best interests of Yamana and Yamana Shareholders and is expected to immediately surface value for Yamana Shareholders by providing, among other things, financial and operational benefits to Yamana while continuing to have exposure to the Brio Gold assets through a separate public company. See "*Details of the Offering – Reasons for the Offering*".

Why is the Offering being conducted through a distribution of Purchase Rights as a dividend in-kind rather than as a straight initial public offering?

Yamana has structured the Offering as a secondary offering of Brio Shares, through the distribution of Purchase Rights to Yamana Shareholders of record on the Record Date in order to be able to offer first choice to the Yamana Shareholders to maintain their ownership in the Brio portfolio of assets through a stand-alone entity. As part of their investment in Yamana Shares, Yamana Shareholders currently have the benefit of the Brio portfolio of assets under the Yamana corporate structure. Yamana felt that the Yamana Shareholders should have the first opportunity to continue to have an interest in such assets following the proposed partial spin-out.

What will be the impact of the Offering on Yamana?

Following the completion of the Offering, Yamana will continue to own and operate its assets with the exception of the Brio Gold assets for which Yamana's earnings exposure will no longer be reflected on a 100% basis. Given Yamana's anticipated significant retained interest in Brio Gold upon completion of the Offering, Yamana's physical and financial metrics will be reduced by the portion of Brio Gold that is spun out under the Offering going forward, until such time as it determines to reduce its equity interest in Brio further in the future. In addition, Yamana's market value will no longer reflect the proportion of Brio Gold which is sold under the Offering. It is expected that this impact will be offset by Yamana's improved balance sheet as a result of the proceeds from the exercise of the Purchase Rights being used by Yamana for net debt reduction, as well as the potential increased market value of Brio Gold which is expected to be surfaced through this transaction, of which Yamana will hold through its retained interest in Brio Gold.

What are my decision options in terms of whether or not to exercise my Purchase Rights?

There are three options for Yamana Shareholders receiving Purchase Rights in connection with the Offering:

(1) *Exercise the Purchase Rights* - In the case where a Yamana Shareholder chooses to exercise their Purchase Rights (which would exclude Yamana Shareholders in Ineligible Jurisdictions who are not permitted to exercise their Purchase Rights and persons in the United States that are not QIBs), such Yamana Shareholder will continue to hold the same proportion of all of Yamana's assets, however they will also benefit from (i) the strengthened balance sheet of Yamana as a result of the reduction in net debt with the cash proceeds received by Yamana from the exercise of Purchase Rights, (ii) the incremental value surfaced through the anticipated improved market value of Brio Gold, and (iii) an increased focus by Yamana on core assets.

(2) *Sell the Purchase Rights* - In the case where a Yamana Shareholder chooses to sell their Purchase Rights (including Yamana Shareholders in both Eligible Jurisdictions and Ineligible Jurisdictions), their exposure to Yamana's existing asset base will be reduced, however such shareholder will receive cash proceeds from the sale of their Purchase Rights. Such Yamana Shareholder will also benefit, through their remaining interest in Yamana, from (i) the strengthened balance sheet of Yamana as a result of the reduction of net debt with the cash proceeds received by Yamana from the exercise of Purchase Rights, (ii) the retained exposure to Brio Gold through Yamana's retained interest, which should reflect increased market value for Brio Gold, and (iii) an increased focus by Yamana on core assets.

(3) *Let the Purchase Rights Expire* - In the case where a Yamana Shareholder does nothing and lets their Purchase Rights expire, their exposure to Yamana will be reduced and any value attached to such Purchase Rights left to expire will not accrue to the Yamana Shareholder. However, their investment in Yamana should be improved as a result of (i) the strengthened balance sheet of Yamana as a result of the reduction of net debt with the cash proceeds received by Yamana from the exercise of Purchase Rights, (ii) retained exposure to Brio Gold through Yamana's retained interest, which should reflect an increased market value for Brio Gold, and (iii) an increased focus by Yamana on core assets.

The actual costs and benefits of each of the foregoing options will vary depending on a Yamana Shareholder's particular circumstances and there is no assurance that such benefit will accrue as stated. In particular, see "*Certain Canadian Federal Income Tax Considerations*" and "*Certain United States Federal Income Tax Considerations*" for a discussion of tax considerations associated with the foregoing options.

How was the C$3.25 per Common Share Exercise Price determined?

The Yamana Board has determined, in consultation with the Managing Dealers, the Exercise Price to be C$3.25 per whole Brio Share. See "*Details of the Offering – Determination of Exercise Price*''.

There can be no assurance that Common Shares will trade at prices near or above the Exercise Price after closing of the Offering, if at all. You should not consider the Exercise Price to be an indication of the price at which Common Shares will trade following the Offering.

Am I required to exercise all of the Purchase Rights I receive in the Offering?

No. You may exercise any number of your Purchase Rights or you may choose not to exercise any Purchase Rights. You may also seek to sell your Purchase Rights. If you choose not to exercise or sell your Purchase Rights and such Purchase Rights expire, you will not receive any value with respect to or in lieu of such Purchase Rights.

Can I buy additional Common Shares beyond my Basic Purchase Right?

Possibly. All Holders have an Additional Purchase Privilege that allows those Holders who exercise in full their Basic Purchase Right to exercise to purchase on a *pro rata* basis Additional Common Shares, if any, not otherwise purchased pursuant to the Basic Purchase Right by the Holders. See "*Details of the Offering – Additional Purchase Privilege*".

As a Yamana Shareholder who holds beneficially, what should I do if I want to exercise my Purchase Rights?

If you hold your Yamana Shares through a CDS Participant, such as a securities broker or dealer, bank, trust company or other intermediary, then the CDS Participant must exercise Purchase Rights on your behalf and Holders must arrange exercises or transfers of Purchase Rights through their own CDS Participant. If you wish to exercise your Purchase Rights, please contact the CDS Participant who holds your Yamana Shares as soon as possible. See "*Details of the Offering – Purchase Rights Certificates – Yamana Shares Held Through CDS*".

What if I reside in an Ineligible Jurisdiction?

The "**Eligible Jurisdictions**" for the Offering are (i) the provinces and territories of Canada and (ii) the United States. See "*Plan of Distribution*" for a description of the applicable restrictions on the exercise and transfer of Purchase Rights by persons in the United States. Ineligible Holders, which include persons who are not QIBs in the United States, will generally not be permitted to exercise their Purchase Rights. Notwithstanding the foregoing, persons located in certain Ineligible Jurisdictions may be able to exercise the Purchase Rights and purchase Common Shares provided that they furnish evidence reasonably satisfactory to the Company that they are permitted under applicable laws to participate in the Offering ("**Approved Ineligible Holders**"), or may be able to sell their Purchase Rights. See "*Details of the Offering – Ineligible Holders and Approved Eligible Holders*".

Will the Purchase Rights trade on a stock exchange?

No public market currently exists for the Purchase Rights. The Purchase Rights are transferable during the course of the exercise period and the TSX has approved the listing of the Purchase Rights on the TSX. Yamana currently expects that the Purchase Rights will begin to trade on the TSX on the second business day prior to the Record Date, and will continue to trade on the TSX until 12:00 p.m. (Toronto time) on the Expiry Date. The Purchase Rights are a new issue of securities with no prior trading market, and Yamana cannot provide any assurance that an active or any trading market in the Purchase Rights will develop, that the Purchase Rights can be sold on the TSX at any time or as to the market value of the Purchase Rights.

When will I be transferred my Common Shares if I exercise my Purchase Rights?

Holders who exercise Purchase Rights will be transferred Common Shares on the closing of the Offering, which is expected to occur on or about December 23, 2016, or such earlier or later date as the Company and Yamana may determine.

Are there any conditions to closing the Offering?

Yes. It is a condition of the Offering that the Purchase Rights and the Common Shares be listed on the TSX and, as such, the Company must ensure that it is able to satisfy, in addition to other TSX original listing conditions, the minimum distribution requirements of the TSX. Accordingly, the Company has undertaken to complete the Employee Distribution of up to 30,000 Common Shares to up to 300 non-insider employees only in the event that the minimum distribution requirement of 300 non-insiders holding at least a board lot is not met through the Offering and the Additional Distribution. Additionally, the

Managing Dealers have agreed to underwrite the distribution of 1,230,770 Common Shares under the Additional Distribution. There can be no assurance that the Purchase Rights and the Common Shares will be listed on the TSX.

What is the effect of the Offering on outstanding Yamana Shares?

The number of Yamana Shares that you own, and your percentage ownership in Yamana, will not change as a result of the Offering. If you do not exercise your Purchase Rights to purchase Common Shares, following the Offering you will no longer retain the same indirect ownership interest in the Brio Gold businesses and the Yamana Shares that you hold will not reflect the earnings, assets or liabilities of Brio Gold. In addition, the trading price of Yamana Shares immediately following the Offering may be higher or lower than immediately prior to the Offering because Yamana will own fewer shares of Brio Gold, the ongoing earnings of Brio Gold related to the non-Yamana ownership component will no longer be consolidated in Yamana's earnings attributable to Yamana Shareholders and Yamana will receive anticipated gross proceeds of C$196,484,363 as a result of the sale of its Common Shares (assuming exercise of all of the Purchase Rights under the Offering and taking into account the Additional Distribution).

Has the Yamana Board made a recommendation to Yamana Shareholders regarding the Offering?

The Brio Board did not consider, evaluate, or make any decision whatsoever, regarding the structuring or pricing of the Offering or any other attributes of the Purchase Rights. Neither the Yamana Board nor the Brio Gold Board is making any recommendation regarding your exercise of the Purchase Rights. See ''*Details of the Offering – No Recommendation to Purchase Rights Holders*".

After I exercise my Purchase Rights and send in my payment, may I withdraw or cancel my exercise of Purchase Rights?

No. All exercises of Purchase Rights are irrevocable, subject to applicable law, including statutory rights of rescission and withdrawal, even if you later learn information that you consider to be unfavourable to the exercise of your Purchase Rights. You should not exercise your Purchase Rights unless you are certain that you wish to purchase Common Shares at a price of or C$3.25 per whole Common Share.

Are there risks in exercising my Purchase Rights?

Yes. The exercise of your Purchase Rights involves risks. Exercising your Purchase Rights involves the purchase of Common Shares. You should consider this investment as carefully as you would consider any other equity investment. Among other things, you should carefully consider the risks described under the heading *"Risk Factors*" in this prospectus.

To whom should I send my forms and payment?

If your Yamana Shares are held in the name of a broker, dealer or other nominee, you should send your exercise documents and subscription payment to that nominee. If you are the registered Yamana Shareholder, you should send your exercise documents, Purchase Rights Certificate and exercise payment by first class mail, hand delivery or courier service to CST Trust Company, the Purchase Rights Agent at the Applicable Purchase Rights Agent Office:

By Mail:

P.O. Box 1036
Adelaide Street Postal Station
Toronto, Ontario
M5C 2K4

Attention: Corporate Actions

By Hand, by Courier or by Registered Mail:

320 Bay Street
Basement Level (B1)
Toronto, ON
M5H 4A6

Attention: Corporate Actions

The risk of delivery to the Purchase Rights Agent of exercise documents, Purchase Rights Certificates and exercise payments is borne by Holders, and not by Yamana, Brio Gold or the Purchase Rights Agent. You should allow sufficient time for delivery of your exercise documents to the Purchase Rights Agent.

Whom should I contact if I have other questions?

If you have any questions with respect to the information contained in this prospectus, you may contact the Information Agent, Laurel Hill Advisory Group at 1-877-452-7184 toll-free (1-416-304-0211 for collect calls) or by e-mail at assistance@laurelhill.com.

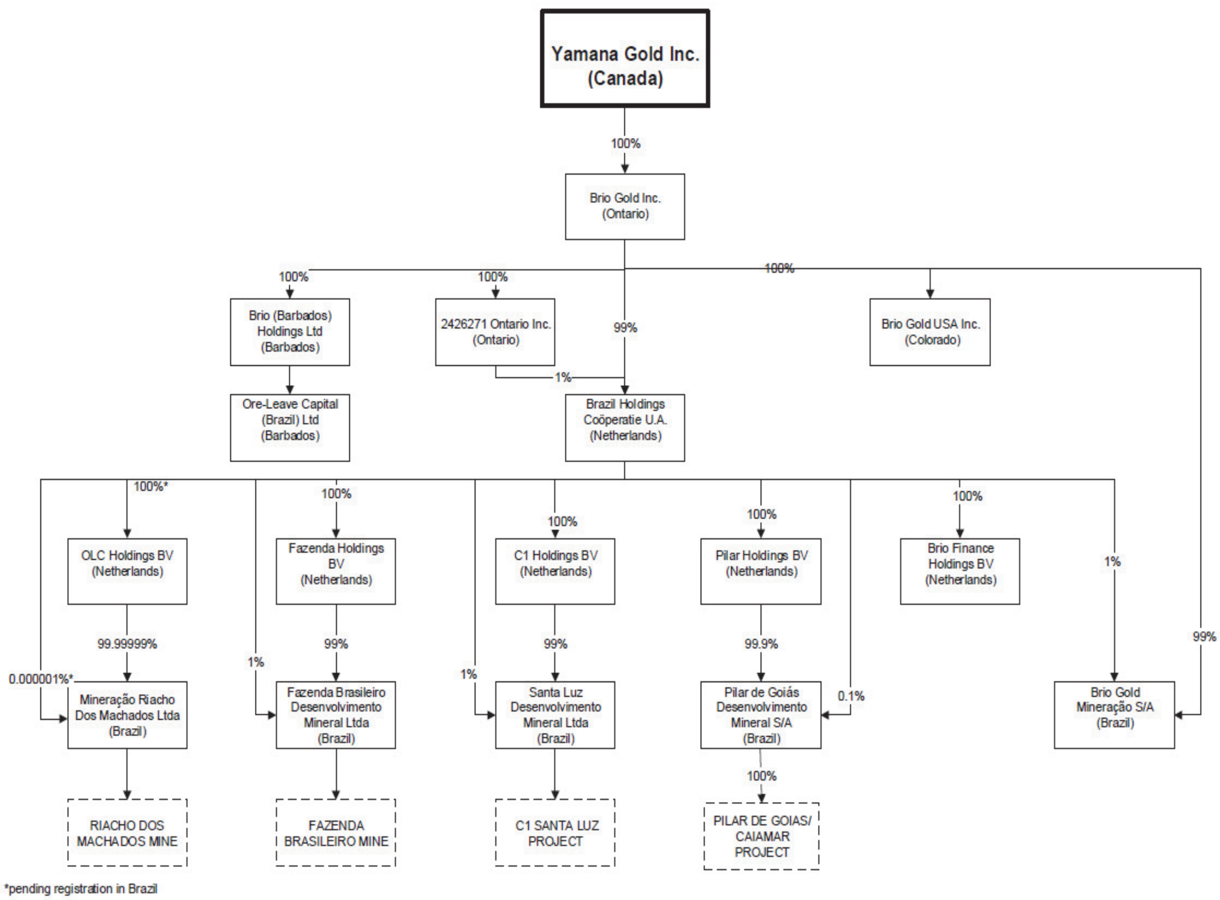
CORPORATE STRUCTURE

Brio Gold Inc. was incorporated under the name 242670 Ontario Inc. under the *Business Corporations Act* (Ontario) on July 11, 2014. On December 9, 2014, articles of amendment were filed to change its name to Brio Gold Inc. On November 18, 2015, articles of amendment were filed to remove private company share transfer restrictions and to consolidate the Common Shares on the basis of one post-consolidation Common Share for four pre-consolidation Common Shares.

The Company was incorporated by Yamana to monetize its investment in certain non-core assets in Brazil, including the Fazenda Brasileiro Mine, the Pilar Operation and the Santa Luz Project and related exploration rights, all of which were contributed by Yamana to the Company. On February 17, 2016, the Company entered into the Assumption Agreement and the Restructuring Agreement with Carpathian pursuant to which it acquired all right, title and interests in the RDM Mine and MRDM as of April 29, 2016, in connection with the restructuring of Carpathian. See "*Business – Acquisition of RDM Mine"*.

The Company is currently a wholly-owned subsidiary of Yamana. Yamana currently holds all of the Company's issued and outstanding Common Shares, and certain members of Yamana's management hold Brio RSUs, representing the right, subject to certain vesting conditions, to receive Common Shares representing approximately 5% of the Company's issued and outstanding Common Shares on a fully diluted basis. Upon completion of the Offering (assuming exercise of all of the Purchase Rights under the Offering) and the Additional Distribution, it is anticipated Yamana will hold approximately 46.3% of the Company's issued and outstanding Common Shares, or approximately 44% on a fully diluted basis. See ''*Risk Factors – Risks Relating to Holding the Common Shares – Yamana may continue to be a significant shareholder and may have interests that conflict with the interests of the Company's other shareholders*''.

The following is a diagram of the Yamana's current corporate structure, including Brio Gold, its subsidiaries and its properties.



The Company's registered office is located at 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, Canada, M5H 3C2. The Company's head office is located at Royal Bank Plaza, North Tower, 200 Bay Street, Suite 2200, Toronto, Ontario, M5J 2J3.

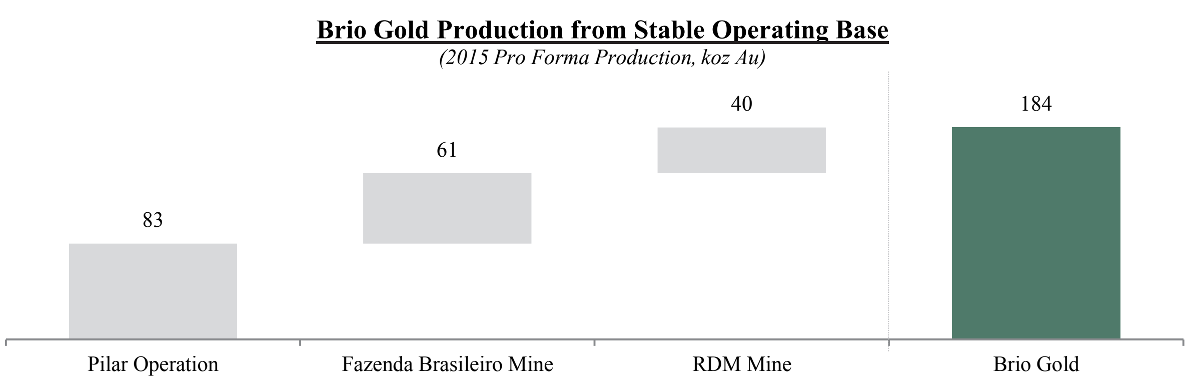
BUSINESS

Overview

Brio Gold is a Canadian mining company with significant gold producing, development properties in Brazil. The Company was formed in 2014 by Yamana as a strategic initiative to surface value in certain non-core assets in Brazil. Brio Gold's portfolio includes three operating mines, the Fazenda Brasileiro Mine, the Pilar Operation and the RDM Mine, as well as the Santa Luz Project, which is a fully-permitted, fully-constructed mine currently on care and maintenance which is expected to be recommissioned in the first quarter of 2018. See "*Business – Reorganization*". On April 29, 2016, the Company acquired the RDM Mine pursuant to the Assumption Agreement and the Restructuring Agreement in connection with a restructuring of Carpathian. See "*Business – Acquisition of RDM Mine*".

Brio Gold Asset Locations

For the year ended December 31, 2015, on a pro forma basis, the Company would have had production of 184.0 koz Au, at a total cost of sales of US$1,002/oz Au sold, cost of sales excluding depletion, depreciation and amortization of US$710/oz Au sold, co-product cash cost of US$695/oz Au produced and co-product all-in sustaining costs of US$956/oz Au produced.



The following table sets forth the Company's gold production on a pro forma basis for the year ended December 31, 2015.

Property	**Production**
Fazenda Brasileiro Mine	60,914 oz.
Pilar Operation	83,184 oz.
RDM Mine	39,921 oz.
Santa Luz Project[1]	—
Total	184,019 oz.

Note:
(1) The Company expects that the Santa Luz Project will be recommissioned in the first quarter of 2018 and anticipate that it will contribute approximately 100,000 ounces of gold per year when in full production and will bring the Company's annual production profile to approximately 400,000 ounces of gold per year starting in 2018.

As of the applicable estimate dates in the Technical Reports, the Company's properties had attributable mineral reserves of approximately 2.67 million ounces of gold, Measured and Indicated Mineral Resources of approximately 1.56 million ounces of gold and Inferred Mineral Resources of approximately 2.94 million ounces of gold. See "*Business – Mineral Resources and Mineral Reserves*".

Gold	**Tonnes**	**Grade**	**Contained oz.**
	(000's)	**(g/t)**	**(000's)**
Proven & Probable Mineral Reserves[1]	56,350	1.47	2,666
Measured & Indicated Mineral Resources[1][2]	25,310	1.92	1,559
Inferred Mineral Resources[1][2]	34,148	2.68	2,941

Notes:
(1) CIM definitions were followed. For a detailed breakdown of the Company's Mineral Reserves and Mineral Resources as of the applicable effective dates, see "*Brio Gold's Mineral Reserves and Mineral Resources*".
(2) Measured & Indicated Mineral Resources are shown exclusive of Mineral Reserves.

The Company has a strong balance sheet with approximately US$4.5 million in cash and no debt as of September 30, 2016.

Relationship with Yamana

The Company is currently a wholly-owned subsidiary of Yamana, a Canadian-based gold producer whose common shares are listed on the NYSE and the TSX. Yamana has significant gold production, gold development stage properties, exploration properties and land positions in Brazil, Chile, Argentina and Canada. Yamana's portfolio, excluding Brio Gold, includes six, soon to be seven, producing mines producing gold, silver, copper and zinc, and various near development stage projects and exploration properties.

Upon completion of the Offering (assuming full exercise of the Purchase Rights under the Offering) and the Additional Distribution, it is anticipated Yamana will hold approximately 46.3% of the Company's issued and outstanding Common Shares, or approximately 44% on a fully diluted basis. It is Yamana's intention to continue to provide sponsorship and support to Brio Gold and to retain a residual equity interest in the Company. Over time, Yamana will consider diluting its interest in the Company through various methods, including dividends to shareholders and secondary offerings to an ownership, to an ownership level of approximately 20%. See "*Risk Factors – Risks Relating to Holding the Common Shares – Yamana may continue to be a significant shareholder and may have interests that conflict with the interests of the Company's other shareholders*" and "*Certain Relationships and Related Party Transactions*".

Reorganization

Yamana has owned each of the Fazenda Brasileiro Mine, the Pilar Operation and the Santa Luz Project, indirectly, via subsidiaries, for a number of years.

Yamana acquired the Fazeda Brasileiro Mine from CVRD in 2003. On August 12, 2003, Yamana acquired all of the shares of Mineração Fazenda Brasileiro S.A. ("**Mineração Brasileiro**"), an affiliate of Santa Elina Mines Corporation ("**Santa Elina**"). On August 15, 2003, pursuant to an agreement entered into among Santa Elina, Mineração Brasileiro and CVRD dated June 17, 2003, Mineração Brasileiro acquired the Fazenda Brasileiro Mine for US$20.9 million in cash.

Elements of the Pilar Operation were acquired between 2006 and 2008. In 2006, Yamana reached an agreement with Mineradora Montita Ltda. ("**Montita**") to explore the Pilar mine area for three years and at the end of this exploration period

Yamana decided to buy the Pilar property outright. In 2006, Yamana reached an agreement with Montita to explore the Maria Lazara mine area for three years and purchased the project at the end of the exploration period. In 2008, Yamana started an exploration program of the Caiamar mine area under an agreement with Serra Formosa Mineração Ltda. This work included mapping and sampling drifts and shaft. Exploration and infill drilling started on 2009 and concluded in 2013. Underground production began in 2014.

Yamana acquired the Santa Luz Project between 2003 and 2007. In early 2003, Yamana completed an agreement with Companhia Baiana de Pesquisa Mineral, a Brazilian state-owned mineral exploration company, to acquire 7,000 ha of land over the historic C1 (formally called Maria Preta) mine and gold deposit. In mid-2007, Yamana extended its ownership through the acquisition of mining concessions from Mineração Santa Elina ("**MSE**"), formerly owned by CVRD, which included the C1 Antas 1, Antas 2, and Antas 3 deposits and associated historic mine workings.

In December 2014, Yamana announced that it had made significant progress in separating its core and non-core portfolios. Yamana announced that it had advanced in the process of structuring its intercorporate holdings to form a new subsidiary company, Brio Gold, that will would hold the Fazenda Brasileiro Mine, the Pilar Operation and the Santa Luz Project, as well as some related exploration concessions, all of which were held as non-core assets within Yamana. Yamana further announced that it had hired a new management team for Brio Gold. Beginning in December 2014, Brio Gold was led by Gilmour Clausen as Chief Executive Officer, Joseph Longpré as Chief Financial Officer, Lance Newman as Vice President, Technical Services, and Mark Stevens, as Vice President, Exploration.

From July 2014 to March 2015, Yamana incorporated each of the Ontario, Colorado, Netherland and Brazilian entities in the corporate structure set out under "*Corporate Structure*".

In 2015, Yamana began a reorganization to move the Fazenda Brasileiro Mine, the Pilar Operation and the Santa Luz Project under Brio Gold. On June 1, 2015, Yamana's indirect subsidiary Mineração Brasileiro, which held the Fazenda Brasileiro Mine and the Santa Luz Project, underwent a split of its assets and simultaneously merged under Brazilian law with (i) the recently formed Fazenda Brasileiro Desenvolvimento Mineral Ltda (Brazil) with the result that Fazenda Brasileiro Desenvolvimento Mineral Ltda became the direct owner of the Fazenda Brasileiro Mine, and (ii) the recently formed Santa Luz Desenvolvimento Mineral Ltda with the result that Santa Luz Desenvolvimento Mineral Ltda became the direct owner of the Santa Luz Project. Effective July 31, 2015, Pilar de Goiás Desenvolvimento Mineral S.A. purchased the Pilar, Caimar and Maria Lazara assets from three Yamana subsidiaries, Companhia Goiana de Ouro (Brazil), Yamana Desenvolvimento Mineral SA (Brazil) and Mineração Maraca Industria e Comércio SA (Brazil).

Acquisition of RDM Mine

On February 17, 2016, Brio Gold entered into an assignment and assumption agreement (the "**Assumption Agreement**") and a restructuring agreement (the "**Restructuring Agreement**") pursuant to which it would ultimately acquire all right, title and interests in MRDM, a wholly-owned subsidiary of Carpathian, from Macquarie Bank Limited, holder of rights and interests in loan facility extended to MRDM, and Carpathian. MRDM owns and operates the RDM Mine mine which is CIL gold mine located in Minas Gerais State, Brazil. The RDM Mine increases the production profile of the Company in a mining-friendly jurisdiction and is expected to increase the sustainable production level, contribute to cash flow and provide Mineral Reserve growth and a Mineral Resource base with growth potential.

On April 29, 2016, the Company completed the acquisition of MRDM for approximately $53.9 million in total cash consideration.

Investment Highlights

High Quality Producing Assets in the Americas

Brio Gold has a stable operating base with expected 2017 production of approximately 223 to 243 koz Au sourced from three operating mines in Brazil - Fazenda Brasileiro Mine, the Pilar Operation and the RDM Mine. In addition, the Company has a fourth mine, the Santa Luz Project, which is currently on care and maintenance and expected to be recommissioned in the first quarter of 2018. All of the Company's mines were previously built and operated by major mining companies. All of the Company's mines have demonstrated potential for sustainable profitable production.

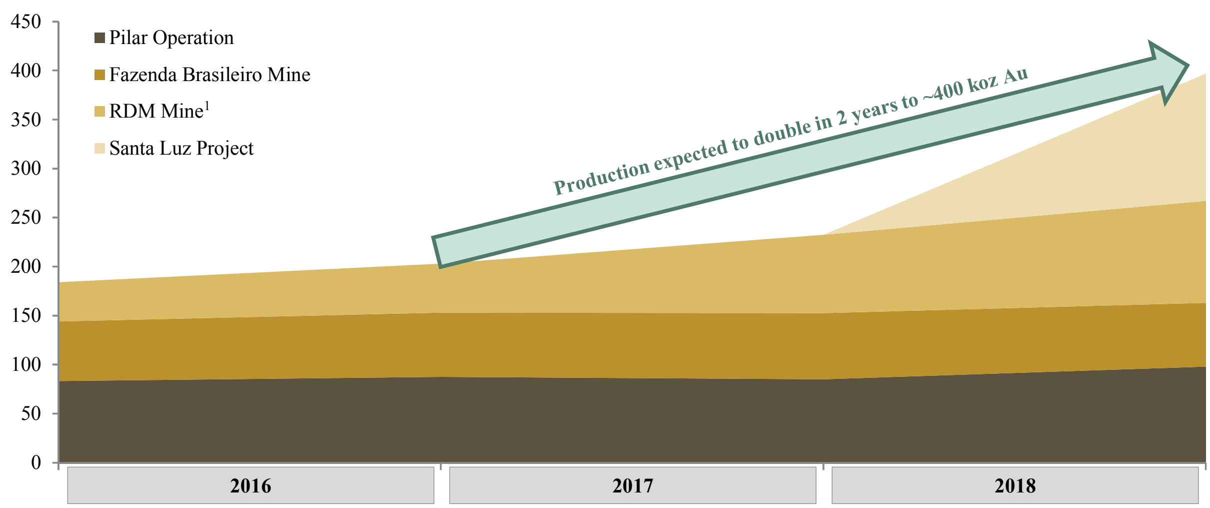
Brazil is a mining-friendly jurisdiction with a long history of mining and an experienced labour force. Brazil is a member of the Multilateral Investment Guarantee Agency and was ranked among the top five most attractive countries in Latin America for mining investment by the Fraser Institute's 2015 Survey of Mining Companies. Approximately 80% to 90% of Brio

Gold's operating costs are denominated in Brazilian *Reals*, which positions the Company favourably given the recent strengthening of the U.S. dollar relative to the Brazilian *Real* in the past five years.

Peer-Leading Production Growth Profile Through Fully Funded Internal Growth Opportunities

Brio Gold maintains one of the strongest growth profiles in the industry, with production expected to more than double from expected 2016 pro forma production of approximately 200 koz Au to approximately 400 koz Au in 2018, representing a compound annual growth rate in excess of 40%. This expected production growth will be driven by the ramp-up of the RDM Mine and restart of the Santa Luz Project, both requiring only modest capital expenditures, which the Company expects to fund from current and future cash flow, supplemented by the Credit Facility that the Company is in the process of arranging. The Company currently anticipates that the Credit Facility will be finalized for execution on or about the closing date of the Offering. The result is a balanced production profile for Brio Gold, with relatively even production contribution from each of the Company's four mines at expected production levels in 2018.

Brio Gold Expected Production Profile



[1] *RDM Mine production shown on a pro forma basis and includes production prior to acquisition by Brio Gold for comparative purposes.*
Source: Company guidance.

Significant Exploration Potential with Large Prospective Land Packages Covering Over 165,000 Hectares

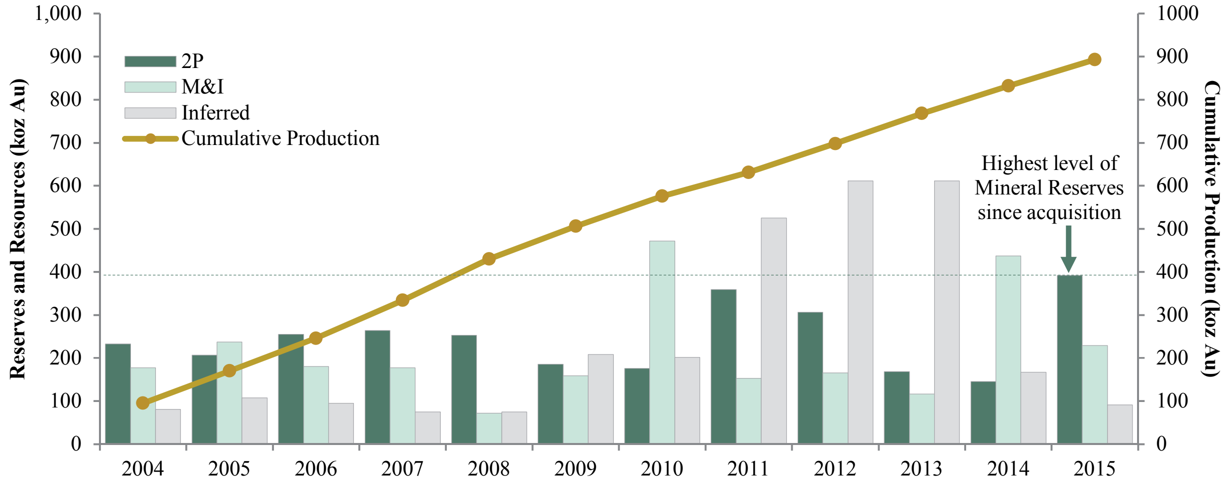
Brio Gold's properties have attributable Mineral Reserves of approximately 2.67 Moz Au, Measured and Indicated Mineral Resources of approximately 1.56 Moz Au and Inferred Mineral Resources of approximately 2.94 Moz Au, with significant opportunities for Mineral Resource expansion. See "*Brio Gold's Mineral Reserves and Mineral Resources*".

The Fazenda Brasileiro Mine covers an area totalling 63,371 ha and has a mine life of six and a half years based on current Mineral Reserves, but has been operating for over 30 years with a history of mine life extensions and reserve replacements. At the end of 2015, Mineral Reserves increased 171% to 392,000 ounces of gold, the highest level since the acquisition of the mine in 2003.

For example, in 2003, the Fazenda Brasileiro Mine had approximately two years of reserve life and after over ten years of continuous operation, Mineral Reserves at the end of 2015 were at the highest level since the time of the acquisition of the Fazenda Brasileiro Mine by Yamana in 2003. The chart and table below presents the history of Mineral Reserve and Mineral Resource replacement at the Fazenda Brasileiro Mine from 2004 to 2015.

Fazenda Brasileiro Mine Historical Reserve Replacement

(Historical Reserves, Resources & Production)



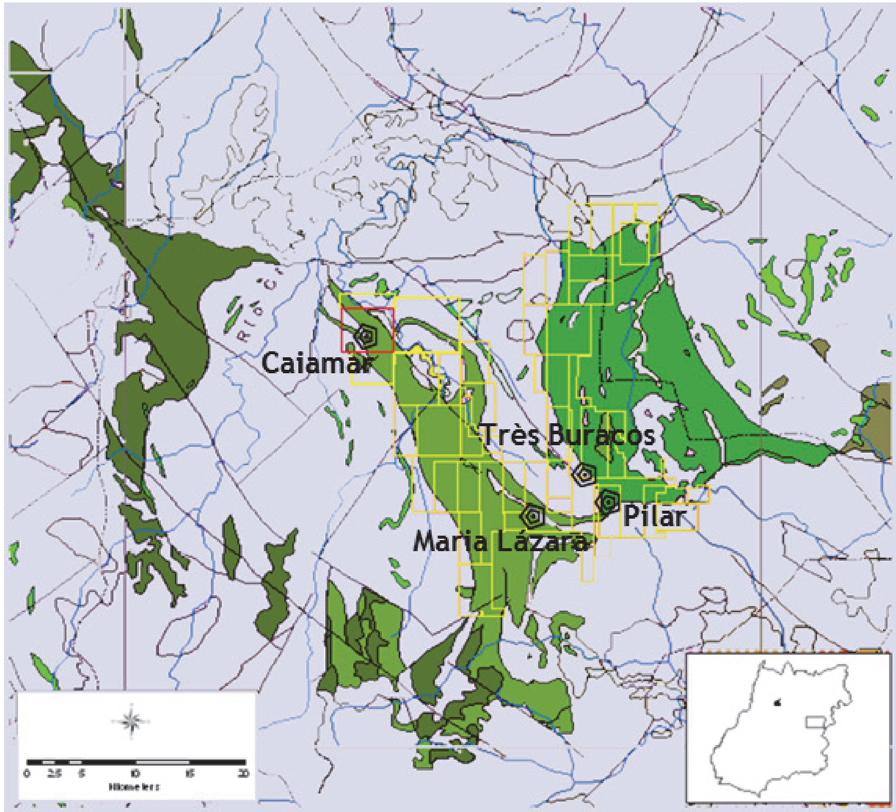
Source: Based on Yamana's historical annual Mineral Reserve and Mineral Resource estimates found in the Annual Information Form for 2004 to 2015 filed on SEDAR at www.sedar.com.

Reserve and Resource Replacement History – Fazenda Brasileiro Mine

Year	Reserves (koz Au)	Measured & Indicated (koz Au)	Inferred (koz Au)	Production (koz Au)
2004	233	177	81	95
2005	207	238	107	75
2006	255	180	95	76
2007	264	177	75	88
2008	253	72	75	96
2009	185	159	208	76
2010	176	472	202	70
2011	359	153	525	55
2012	306	165	611	67
2013	168	116	611	70
2014	145	437	167	64
2015	392	229	91	61

Drilling continues to be successful at the Fazenda Brasileiro Mine, with the discovery of E388, a mineralized zone at shallow depths (350 metres) and near existing primary infrastructure, and the C32G area which continues to show potential for significant new Mineral Resources. Further, Fazenda Brasileiro exhibits quick exploration turnaround from discovery to mineable ounces, as demonstrated by E388, which the Company began mining within six months of discovery.

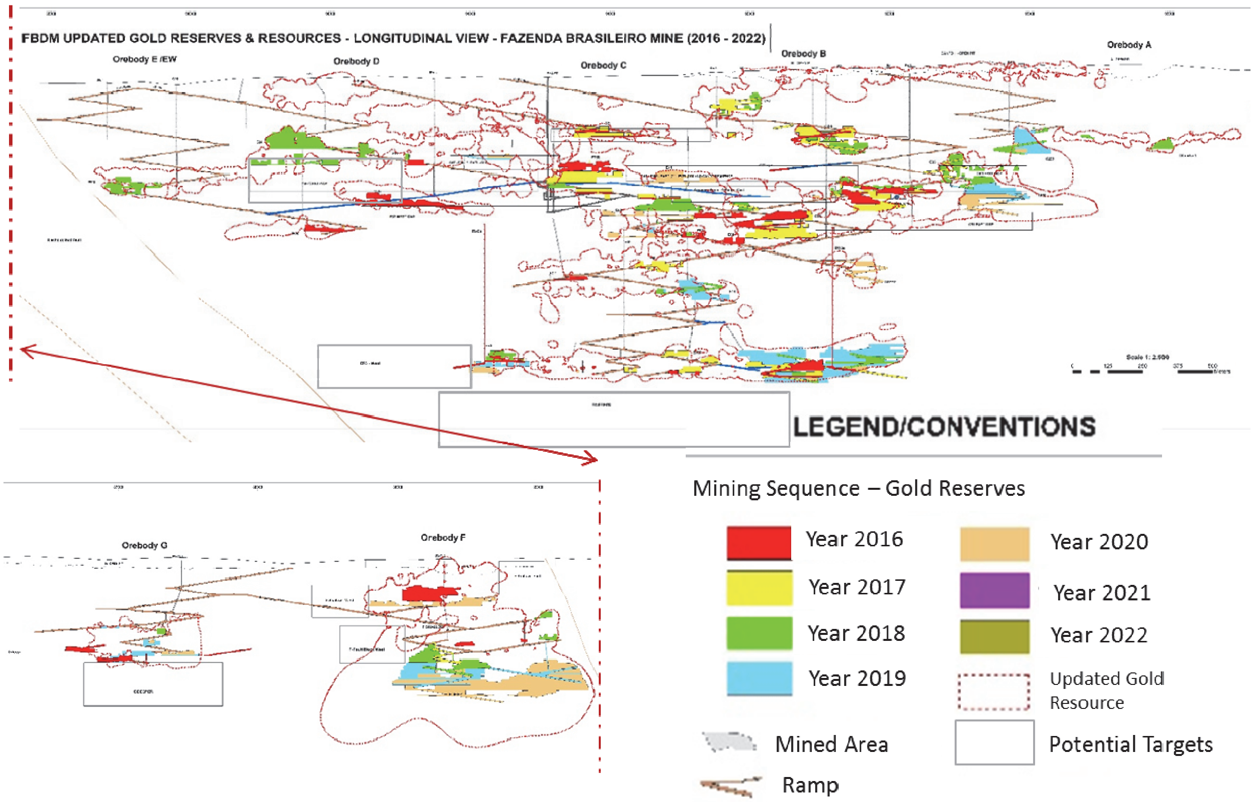
The Pilar Operation covers a total area of 17,812 ha, with the Company currently forecasting an eight year mine life. The Company believes potential exists for mine life extension through near mine satellite deposits, including Três Buracos, which is located four kilometres from the Pilar plant, and is expected to be a low cost open pit mine with further upside potential in surrounding concessions.



The RDM Mine covers an area of 22,682 ha with limited prior drilling completed. However, past drilling has led to the discovery of two gold zones, 50 metres long and seven metres wide, with reported grades of 3.0 g/t. The Company believes that exploration potential exists to further expand the Mineral Resource with additional drilling.

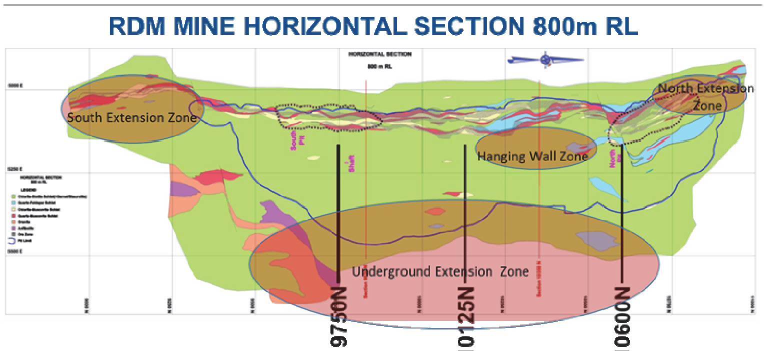
The Santa Luz Project covers an area totalling 62,604 ha and, based on the recently completed Santa Luz Technical Report prepared by RPA, is estimated to have a ten year mine life with considerable exploration potential given the significant surrounding land position.

Significant exploration efforts continue at each of the four assets. The 2016 drilling program included approximately 61,200 m at the Pilar Operation and 90,000 m at the Fazenda Brasileiro Mine. At the Fazenda Brasileiro Mine, for the remainder of 2016, drilling continues to focus on the C32G area which continues to show potential for significant new Mineral Resources as well as other high potential target areas as there is significant opportunity for grade improvements in "Gap Zones" and for increase in production at depth with investment in mine infrastructure.

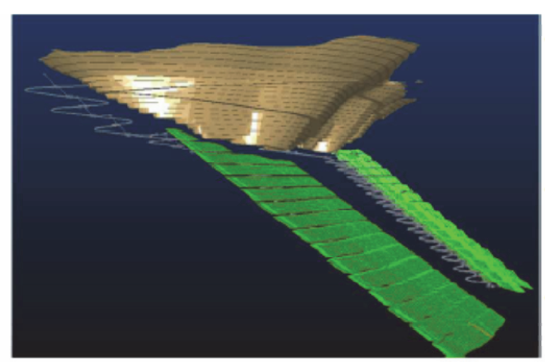


The RDM Mine is open down dip where the mineralization shows potential for underground mining and significant Mineral Resources have been identified. In addition, a clear 14 km trend of mineralization that has yet to be comprehensively drill tested offers further expansion potential along trend to the north and to the south.

RDM Mine - Target Areas



RDM Mine - Underground Potential



At the Santa Luz Project, additional drilling could upgrade the significant underground mineralization currently defined and the Company believes potential exists to further expand along strike and further down dip, which remain open.

Strong Balance Sheet and Liquidity with Existing Assets Generating Cash Flow

The Company is in the process of finalizing a three-year US$75 million senior secured Credit Facility to be led by two Canadian chartered banks, as Lenders pursuant to the terms of a commitment letter executed with the Company, which commitment letter contains certain customary conditions for transactions of this nature. Each of the two Lenders has conditionally committed US$25 million of the Credit Facility amount pursuant to the terms of the commitment letter. The Credit Facility, which includes a US$25 million accordion option, will be further syndicated to a group of banks and the Lenders' commitments are conditional upon, among other things, successful syndication. The Company currently anticipates that the Credit Facility will be finalized for execution on or about the closing date of the Offering.

The Company's Consolidated Interim Balance Sheet as at September 30, 2016, without the Credit Facility, provides US$4.5 million of cash, with a working capital deficit of $3.0 million and no debt. The Company's three mining operations provide a diverse source of cash flow, sufficient to maintain the Company's liquidity while funding necessary development activities. Carve-out combined cash flows provided by operating activities for the nine months ended September 30, 2016 were US$57.0 million, showing the ability of the Company to generate positive operating cash flows in the current market environment. The Company has US$66.6 million of contractual commitment due in the following twelve months. Out of this value, US$57.5 million is related to operating contracts associated with inputs to the Company's production including but not limited to labour and consumables, and as such, is already covered by the Company's operational cash flows as they are regular ongoing costs of production. The remainder of US$9.1 million represent certain contracts associated with the re-commissioning of the Santa Luz Project and decommissioning, restoration and other liabilities.

Upon closing of the Credit Facility, the Company anticipates it will have access to US$75 million in senior debt funding on a revolving basis to provide for short term liquidity and continue to ensure that enough funding will be available to fully fund operations and assisting in funding the Company's capital expenditure program to 2018. The Santa Luz Project, which has an expected cost of US$84.2 million would be subject to modified timeline in the event the Credit Facility is unsuccessful. This provides Brio Gold the flexibility to execute on its business plan while pursuing strategic growth.

Management is of the view that the Company's planned growth, development activities, expenditures and commitments will be sufficiently funded by its currently available financial resources and future operating cash flows and that the Credit Facility would further enhance its ability to do so. Upon the Credit Facility's maturity, being the third anniversary of the date of the Credit Facility, the Company expects that it will have the ability to refinance the Credit Facility to support the execution of the Company's business strategy.

In addition, the Company generated revenue, net loss and Adjusted EBITDA of US$211.5 million, US$(142.2) million and US$57.7 million, respectively, on a pro forma basis in 2015.

Experienced and Market Known Management Team with an Established Track Record

Brio Gold has a seasoned and experienced management team with extensive knowledge of the mining sector and a successful track record of developing and operating mines and delivering shareholder value. The Company's Chief Executive Officer, Gilmour Clausen, has over 30 years of senior executive, finance, development and operations experience in the precious and base metals industries. He was most recently Chief Executive Officer of Augusta, which was acquired by HudBay Minerals Inc. in 2014. The senior leadership team also includes Joseph Longpré, Chief Financial Officer, Nelson Munhoz, Vice President, Operations, Lance Newman, Vice President Technical Services, Mark Stevens, Vice President Exploration, and Letitia Wong, Vice President Corporate Development, all of whom, with the exception of Mr. Munhoz, worked with Mr. Clausen at Augusta and have an average of almost 25 years of industry experience. Mr. Munhoz previously was the Vice President, Operations – Brazil at Yamana. See *"Directors and Executive Officers"*.

Since their appointment in late 2014, the management team has already delivered operationally through increased production and lower costs for both the Fazenda Brasileiro Mine and the Pilar Operation. In addition, key milestones were achieved for Brio Gold, including a positive restart decision for the Santa Luz Project and exploration success at both the Fazenda Brasileiro Mine and the Pilar Operation.

Brio Gold is Well Positioned to Pursue Other Strategic Opportunities

As an independent public company, Brio Gold anticipates having greater flexibility to pursue attractive growth opportunities. In addition to a strong balance sheet and cash flow generation, the Company will have greater access to equity and debt financing and a more focused, supportive shareholder base. As such, Brio Gold will be well positioned to act as a consolidator in the Americas and pursue other strategic growth opportunities. As the Company achieves additional scale, Brio Gold shareholders would stand to benefit from any potential re-rating of the Common Shares.

Mineral Resources and Mineral Reserves

Mineral Resources

The following table sets forth the Company's attributable Mineral Resources, estimated as of December 31, 2015 for the Fazenda Brasileiro Mine and the Pilar Operation, as of June 30, 2016 for the Santa Luz Project, and as of September 30, 2015 for the RDM Mine. The Mineral Resources estimates presented below are based on the Technical Reports prepared by RPA, in respect of the Company's properties. See "*Scientific and Technical Information*" and "*Experts*" for a listing of the qualified persons responsible for these estimates.

	Measured[(1)]			Indicated[(1)]			Measured & Indicated[(1)]			Inferred[(1)]		
Gold	**Tonnes**	**Grade**	**Contained oz**	**Tonnes**	**Grade**	**Contained oz.**	**Tonnes**	**Grade**	**Contained oz**	**Tonnes**	**Grade**	**Contained oz.**
	(000's)	**(g/t)**	**(000's)**	**(000's)**	**(g/t)**	**(000's)**	**(000's)**	**(g/t)**	**(000's)**	**(000's)**	**(g/t)**	**(000's)**
Fazenda Brasileiro Mine[(2)] ...	1,539	3.86	191	372	3.15	38	1,912	3.72	229	1,020	2.80	90
Pilar Operation[(3)]...................	266	5.07	43	3,715	2.65	316	3,981	2.81	360	18,670	3.40	2,040
Santa Luz Project[(4)]...............	4,384	1.34	189	8,064	2.28	591	12,448	1.95	780	5,900	2.07	395
RDM Mine[(5)].........................	62	0.81	2.0	6,907	0.85	188	6,969	0.85	190	8,558	1.51	416

Notes:

(1) CIM definitions were followed. Mineral Resources are exclusive of Mineral Reserves.

(2) Mineral Resource estimates are as of December 31, 2015. Mineral Resources are reported at a cut-off grade of 0.5g/t Au for open pit and underground. Mineral Resources are estimated using a US$1,500 per ounce gold price, an exchange rate of US$1.00 = R$3.80 and assume just the pillars and stopes that could be economic.

(3) Mineral Resource estimates are as of December 31, 2015. Mineral Resources are reported using a 2.0 g/t Au cut-off except the Três Buracos open pit resource which used a cut-off grade of 0.5 g/t Au. Mineral Resources at Pilar mine, Caiamar mine and Maria Lázara mine are estimated using a long-term gold price of US$1,300 per ounce, and an exchange rate of US$1.00 = R$3.80. Mineral Resources at Três Buracos are estimated using a long-term gold price of US$1,500 per ounce, and an exchange rate of US$1.00 = R$2.70.

(4) Mineral Resource estimates are as of June 30, 2016. Mineral Resources are reported at a cut-off grade of 0.5 g/t Au for open pit resources and a 1.5 g/t Au cut-off. Mineral Resources are estimated using a US$1,500 per ounce gold price and constrained by a Whittle pit shell.

(5) Mineral Resource estimates are as of September 30, 2015. Mineral Resources are reported at a cut-off grade of 1.0 g/t Au for underground and 0.35 g/t Au for open pit. Mineral Resources are estimated using a short term gold price of US$1,500 per ounce and constrained by a pit shell.

Mineral Reserves

The following table sets forth the Company's attributable Mineral Reserves, estimated as of December 31, 2015 for the Fazenda Brasileiro Mine and the Pilar Operation, as of June 30, 2016 for the Santa Luz Project and as of September 30, 2015 for the RDM Mine. The Mineral Reserves estimates presented below are based on the technical reports prepared by RPA in respect of the Company's properties. See "*Scientific and Technical Information*" and "*Experts*" for a listing of the qualified persons responsible for these estimates. The Company's attributable Mineral Reserves are in addition to its attributable Mineral Resources.

	Proven[(1)]			Probable[(1)]			Proven & Probable[(1)]		
Gold	**Tonnes**	**Grade**	**Contained oz.**	**Tonnes**	**Grade**	**Contained oz.**	**Tonnes**	**Grade**	**Contained oz.**
	(000's)	**(g/t)**	**(000's)**	**(000's)**	**(g/t)**	**(000's)**	**(000's)**	**(g/t)**	**(000's)**
Fazenda Brasileiro Mine[(2)] ..	4,599	1.94	286	1,897	1.74	106	6,496	1.88	392
Pilar Operation[(3)]..................	390	4.09	51	3,916	2.31	291	4,306	2.47	342
Santa Luz Project[(4)]	22,354	1.50	1,081	4,326	1.01	140	26,679	1.42	1,221
RDM Mine[(5)].......................	1,249	0.74	30	17,619	1.20	682	18,869	1.17	711

Notes:

(1) CIM definitions were followed.

(2) Mineral Reserve estimates are as of December 31, 2015. Mineral Reserves are reported at cut-off grades of 1.06 g/t Au for underground and 0.4 g/t Au for open pit. Mineral Reserves are estimated using a gold price of US$1,150 per ounce and an exchange rate of US$1.00 = R$3.80. The metallurgical recovery for gold is 91%.

(3) Mineral Reserve estimates are as of December 31, 2015. Mineral Reserves are reported at cut-off grades of 1.17 g/t Au for the Pilar gold mine and 1.01 g/t Au for the Maria Lázara gold mine. Mineral Reserves are estimated using an average long-term gold price of US$1,150 per ounce and an exchange rate of US$1.00 = R$3.80. The metallurgical recovery for gold is 95%.

(4) Mineral Reserve estimates are as of June 30, 2016. Open Pit Mineral Reserves are reported at cut-off grades for dacite = 0.49 g/t Au, CARL = 0.63 g/t Au, and CARH = 0.65 g/t Au. Mineral Reserves are estimated using a short-term gold price of US$1,250 per ounce, and constrained by designed pit. Metal recoveries used in the constraint of the Mineral Reserves were 90% for dacite ores, 81% for CARL and 78% for CARH.

(5) Mineral Reserve estimates are as of September 30, 2015. Mineral Reserves are reported at cut off grades of 0.3 g/t Au for oxide, 0.4 g/t Au for transition and 0.4 g/t for fresh rock. Mineral Reserves are estimated using a long term gold price of US$1,250 per ounce. Process recovery of 90%.

Principal Markets and Distribution Methods

The Company currently sells all of its gold production to Yamana. The Company also relies on Yamana's distribution network for the secure transportation and refining of the gold production from its properties.

Following the closing of the Offering, the Company will work towards developing its own marketing and distribution capability. The Company expects to negotiate and enter into agreements for the secure transportation and refining of the gold production from the Fazenda Brasileiro Mine, the Pilar Operation, the RDM Mine and, once it has been restarted, the Santa Luz Project. Under such contracts, a refiner generally credits refined gold to the Company's account when it becomes available for sale. Refined gold production is then typically sold at spot prices or on a forward sales basis, with the proceeds from these sales credited to the Company's account upon delivery of the gold to the counterparty. There are a large number of gold purchasers worldwide and, as a result, following the establishment of the Company's independent marketing and distribution capability, the Company does not expect to be dependent upon the sale of gold to any one customer.

Specialized Skills and Knowledge

The nature of the Company's business requires specialized skills, knowledge and expertise in the areas of geology, engineering, mine planning, metallurgical processing, mine operations, and environmental compliance. In addition to the specialized skills listed above, the Company also relies on staff members, local contractors and consultants with specialized knowledge of logistics and operations in Brazil.

In order to attract and retain personnel with the specialized skills and knowledge required for the Company's operations, the Company maintains competitive remuneration and compensation packages. To date, the Company has been able to meet its staffing requirements.

Competitive Conditions

The precious metal mineral exploration and mining business is competitive. The Company competes with numerous other companies, including many large established mining companies having substantial capabilities and greater financial and technical resources than the Company. Such competition may result in the Company being disadvantaged in the acquisition of attractive mineral properties. The Company's ability to acquire mineral properties in the future will also depend on its ability to successfully operate the Fazenda Brasileiro Mine, the Pilar Operation and the RDM Mine and to restart and operate the Santa Luz Project and upon the terms and conditions from time to time of arrangements with third parties.

The Company also competes with other mining companies and other third parties over sourcing raw materials and supplies in connection with its construction, development and exploration operations, as well as for skilled experienced personnel and transportation capacity. See "*Risk Factors – Risks Relating to the Company's Business and Operations – The Company may be unable to compete successfully with other mining companies*".

Cycles

Demand for and the price of gold is volatile and affected by numerous factors beyond the Company's control. See "*Risk Factors – Risks Relating to the Company's Business and Operations – The future price of gold is uncertain and may be lower than expected*".

Employees

The Company employed a total of 1,508 full-time employees and 820 contractors as of December 31, 2015. Most of the Company's employees are unionized and their employment is governed by collective bargaining or similar arrangements, which are renewable periodically. The number of the Company's employees and contractors increased in 2016 with the acquisition of the RDM Mine to 1,858 full-time employees and 1,100 contractors. Upon restart of commercial production at the Santa Luz Project, the Company expects to employ a total of 1,923 full-time employees and 1,417 contractors. The Company is committed to, where possible, providing employment opportunities to members of local communities.

Regulation

Environmental Protection

The Company's development and exploration activities are subject to municipal, state and federal laws and regulations relating to the protection of the environment, including requirements for closure and reclamation of mining properties, appropriate use of natural resources, control of atmospheric emissions, treatment of industrial effluents, as well as use, handling and final disposal of hazardous materials.

Under Law No. 6,938/81 (Brazilian Environmental Policy Act), certain environmental licenses must be secured prior to the construction, installation, expansion and operation of facilities that use natural resources or that may pollute the environment, including those related to mining activities and are subject to the preparation of environmental impact assessment studies and reports. According to Resolution CONAMA nº 237/97 and Complementary Law No. 140/2011, the environmental licensing for a mining project is commonly handled by the state where the project is located. There are three types of licenses: (i) preliminary licence (Licença Prévia, or "**LP**"), which approves the location and design of the project and must be obtained in the early stages of the project or activity to certify its environmental feasibility; (ii) installation license (Licença de Instalação, or LI), which authorizes the installation of the project or activity in accordance with the specifications set forth in approved plans, programs and projects; and (iii) operation license (Licença de Operação, or "**LO**"), which authorizes commencement of operations once the conditions for compliance with the preliminary and installation licenses are met, and may impose additional conditions applicable to the project's operations.

The installation and operation of potentially polluting activities without a valid environmental license or in noncompliance therewith subject the entrepreneur to penalties of fines ranging from R$500 to R$10,000,000. The Company has received all licenses required for its properties but each is subject to renewal from time to time and to specific conditions imposed by the applicable licensing authority.

In addition, environmental regulations affecting the Company's operations relate to, among other matters, emissions into the air, soil and water, recycling and waste management, protection and preservation of forests, coastlines, caves, watersheds and other features of the ecosystem, water use, climate change, decommissioning and reclamation, interference with areas of cultural and historical relevance and with conservation units ("**UCs**"), or surrounding areas, permanent preservation areas ("**APPs**"), and contaminated areas. Environmental legislation is becoming stricter worldwide, which could lead to greater costs for environmental compliance.

Also, under certain circumstances, Brazil's environmental laws require licenses for potentially polluting activities, such as mining, to apply a percentage of the total cost of the relevant project (as defined by the relevant environmental agency) to the creation and maintenance of UCs.

Pursuant to the Brazilian Forestry Code (Law No. 12,651/12), the total or partial destruction of vegetation in APPs, which are areas of importance for environmental preservation, must receive prior approval by the relevant environmental agency and be grounded in cases of public interest, public utility or low environmental impact. Also, the Brazilian Forestry Code requires that an area of at least 20% of any rural property be maintained as a reserve. Such areas must be properly identified in the property deed or registered with the relevant environmental agency pursuant to the public registry for environmental information known as the Rural Environmental Registry (Cadastro Ambiental Rural or "**CAR**") and may not be changed upon transfer of the property title.

Additionally, the Company is subject to administrative review of its activities. Companies in violation of administrative environmental regulations can be fined up to R$50,000,000, have their operations suspended, be barred from entering into certain types of government contracts, be required to repair or provide indemnification in respect of any environmental damages they cause or be subjected to a suspension of tax benefits and incentives, among others.

In Brazil, violating environmental rules or regulations may result in civil, administrative or criminal liability. With respect to civil liability, Brazilian environmental laws adopt a standard of unlimited strict, several and joint liability in determining the obligation to remediate damages caused to the environment. In addition, Brazilian courts may pierce the corporate veil when and if it poses an obstacle to the full recovery of environmental damages.

In accordance with the Brazilian Environmental Policy Act, the owner of a real estate property located in a contaminated area may be compelled by the relevant environmental agency to clean up the area, regardless of fault and the damage causes. Environmental authorities have been adopting an increasingly stringent position in connection with the handling of contaminated areas. Non-compliance with guidelines set by the relevant environmental and health authorities with respect to surveys and analyses of potentially contaminated areas or the exposure of persons to toxic fumes or residues may result in administrative and legal penalties for the developments and their management. Criminal liability includes certain actions or omissions committed with negligence or wilful misconduct by individuals or corporations against the environment (such as the destruction of APPs and the total or partial suppression of vegetation without the approval by the relevant environmental agency) which are deemed environmental crimes. Individuals, including directors, officers and managers of legal entities, are subject to penalties that range from fines to imprisonment and legal entities are subject to penalties that can include fines, loss or reduction of incentives, cancellation or interruption of credit facilities by governmental institutions or a shutdown of such entity's plant, among others.

The closure plan for each of the Company's properties will follow the directions provided by the Departamento Nacional de Produção Mineral ("**DNPM**") of the Federal Ministry of Mines and Energy, and applicable, the environmental licensing authorities, as set out in the plans for each of the Company's properties. Estimated approximate mine closure costs (assuming an exchange rate of US$1 = R$3), are US$28.7 million for the Fazenda Brasileiro Mine, US$14.1 million for the Pilar Operation, US$8.8 million for the RDM Mine and US$10.6 million for the Santa Luz Project.

See "*Risk Factors – Risks Relating to the Company's Business and Operations – The Company's operations are subject to significant environmental and governmental regulations, which could significantly limit development and cause potential delays in production*".

Mineral Resources

The legal framework for the development and use of mineral resources in Brazil was established by the Brazilian federal constitution, which was enacted on October 5, 1988. According to the Brazilian constitution, all mineral resources in Brazil are the property of the Federal Union. Mining companies are required to be incorporated under Brazilian law and must be domiciled within Brazil. Mining companies are also subject to various obligations under the Brazilian constitution and the mining code, including those relating to:

- the exploitation of mineral deposits;
- health and safety;
- environmental protection and remediation;
- pollution prevention; and
- the development of local communities.

In general, there are no restrictions to foreign investment in mining companies in Brazil, except for those companies that operate or hold mineral rights in the border area within 150km-wide strip of land parallel to Brazilian terrestrial borders, where the government currently requires that such rights be majority Brazilian-owned.

The DNPM is responsible for regulating and implementing the Brazilian mining code. Mineral exploration licenses and mining concessions are administered by the DNPM which also monitors exploration, mining, and mineral processing. Mineral exploration licenses are issued by the DNPM and mining concessions by the Ministry of Mines and Energy. To apply for and acquire mineral rights, a company must be incorporated under Brazilian law and have its head office and administration in Brazil. The process of acquiring title to a mineral right is a phased procedure involving progressive steps as exploration and development work on an area advances. Tenure is secure as long as the titleholder meets clearly defined obligations over time, but the process of acquiring a mining concession can be lengthy.

Mining companies in Brazil may only prospect mineral resources pursuant to exploration licenses (*autorizações de pesquisa*) and mine them pursuant to mining concessions (*concessões de lavra*), as granted by the DNPM and the Ministry of Mines and Energy, respectively. Brazil currently follows an open access approach to exploration rights, which means that those that first apply for the exploration license have priority in receiving title to explore and exploit a given area.

Exploration licenses are granted for a maximum period of up to three years, provided that all requirements are met and the area of interest does not overlap with an existing mineral right. There is an annual fee on exploration rights to be paid to the Brazilian government. Exploration licenses can be extended for a second period no longer than the term of the original licence. The renewal is left at the DNPM's discretion. Subsequent renewals may be granted on an extraordinary basis, for example when a title holder has been unable to access the ground despite having taken all action necessary.

Experimental mining authorization can be applied for and is granted by the DNPM for the purpose of establishing mineral resources/mineral reserves through processing of large scale bulk sampling (by a plant) for example. It is allowed within a specific area of an exploration license before a mining concession is granted. The experimental mining authorization is granted subject to receiving an underlying environmental license to be issued by the relevant environmental agency. The experimental mining authorization is not designed for commercial production purposes and is limited in time and volume of extracted material.

Mining concessions can be applied for following a final exploration report to be submitted to, and approved by the DNPM by the final expiry date of the exploration license. The report must conclude and demonstrate that an economic mineral resource has been delineated and measured. A development and mining plan must be presented within a year of approval of the final exploration report. A provisional environmental license and a environmental license of installation need to be issued by the applicable environmental agency as a prerequisite to the granting of the mining concession. A mining concession is granted for a period covering the mine life until the mineral reserves of the deposit are exhausted. A mining concession does not convey title to a mineral deposit but provides the holder with the right to extract, process, and sell minerals extracted from the deposit in accordance with a plan approved by the DNPM and environmental authorities.

The holder of a mining concession must pay the government the Financial Compensation for the Exploitation of Mineral Resources ("**CFEM**"), a federal royalty, which is established at 1.0% of the proceeds from sale of gold ore or 0.2% of the net sales of other precious metals. Certain deductions such as external transportation, insurance and taxes that levy on commercialization are allowed. The Brazilian Congress is in the process of reviewing the royalty rates for mining companies which means that these percentages may change. In addition, a royalty must be paid to the landowner if the surface rights do not belong to the mining titleholder. This royalty amounts to 50% of CFEM. However, it is common practice to negotiate a separate compensation agreement that is satisfactory to both parties as this amount may not be sufficient for the landowner. Surface rights in Brazil are distinct from mining rights and must be acquired separately. The landowner has no title to the sub-soil or minerals contained therein. The Brazilian mining code provides for some form of expropriation of privately held surface rights subject to fair compensation. The holder of a mineral right is entitled to use the surface to conduct exploration and mining operations, including the construction of facilities required for such operations. The access to the land and reclamation of disturbed areas must be negotiated with each individual surface right holder. However, as a general rule the landowners are obliged by law to provide access to the mineral license holder to conduct exploration. If an agreement cannot be reached by negotiation there are legal mechanisms in place to allow courts to dictate an arrangement. Surface owners are entitled to receive compensation for damages and rent for occupation of the property by the mining company. See "*Risk Factors – Risks Relating to Brazil – The Company operates its business in an emerging market. The Company's operations are subject to political, economic, social and geographic risks of doing business in Brazil*".

Acquisition or Use of Rural Properties by Foreign Investors or Brazilian Companies under Foreign Control

Non-resident individuals and non-domiciled foreign legal entities are subject to restrictions on the acquisition or lease of rural properties in Brazil. Limitations also apply to legal entities domiciled in Brazil controlled by foreign investors, such as the Company's subsidiaries through which it operates in Brazil. The limitations are set forth mainly in Law No. 5,709/1971 and in Decree No. 74,965/1974.

Until 2010, limitations imposed on the acquisition of rural property did not apply to Brazilian companies under foreign control. However, on August 23, 2010, a new opinion, or Opinion CGU/AGU, issued by the General Counsel of the Federal Government Office (CGU/AGU nº 01/2008-RVJ), approved by the General Counsel to the Federal Government and by the Brazilian President, was published in the Official Gazette. Opinion CGU/AGU, based on the principle of Brazilian sovereignty, significantly changed the interpretation of the applicable laws at the time. Accordingly, Brazilian companies that have the majority of their capital stock owned by foreign individuals and legal entities domiciled abroad are deemed "foreign investors" for the purposes of application of the restrictions on the acquisition of rural property in Brazil. The legality of Opinion CGU/AGU has been and is currently being challenged, however prior challenges to the opinion have been unsuccessful.

Under current rules, a foreign investor or a Brazilian company under foreign control may only acquire rural property in Brazil without breaching Opinion CGU/AGU, if certain conditions are met, including approval by the Ministry of Agriculture (after consulting the relevant federal authorities) or by the Ministry of Industry and Trade (for industrial projects), and others, such as the following:

- foreign entities may only acquire rural properties designed for the implementation of agricultural activities, cattle raising, industrial or colonization projects that are encompassed by their corporate purposes, provided that such projects must be approved by the Brazilian Ministry of Agriculture, after hearing the competent federal agency in charge of regional development in the relevant area; industrial projects shall be submitted to, and approved by, the Brazilian Ministry of Industry and Trade;

- the aggregate of the rural areas of property held by foreign legal entities may not exceed 1/4 of the total surface area of the municipalities in which they are located, evidenced by a certificate issued by the Real Estate Registry Office; the acquisition of areas exceeding this limit is subject to prior approval of the President of Brazil;

- foreign legal entities and/or individuals of the same nationality may not own, in each municipality, more than 40% of the limit set forth in the second bullet above (therefore, 10% of the total area of each municipality);

- in the case of rural real estate ranging from three to 50 indefinite exploitation modules (the size of each is variable and defined for each region in Brazil), the approvals mentioned above are required, in addition to approval from the Brazilian Institute of Settlement and Land Reform – INCRA for land registration;;

- the acquisition of areas in excess of 100 indefinite exploitation modules will be subject to the prior approval by the Brazilian National Congress, in addition to the other approvals mentioned above;

- the acquisition must be formalized by means of a public deed of sale and purchase; and

- the acquisition of rural properties located at the country's border area (a strip of up to 150 kilometres of length along the country's terrestrial boarders, which is deemed essential to the defense of Brazilian territory) is subject to the fulfillment of additional requirements, such as the prior authorization by Brazil's National Defense Council.

Any corporate changes, such as mergers or corporate reorganizations, must be carefully considered. Pursuant to the applicable legislation, any agreements regarding the lease and/or direct or indirect ownership of rural properties by foreign individuals or entities may be considered null and void, as well as any agreements regarding corporate changes which might imply indirect acquisition or lease of rural lands by foreign investors.

In certain cases, the subsidiaries of the Company acquired rural properties without approval of INCRA (the federal government authority of public administration in Brazil) and/or the National Congress in Brazil. As a consequence, there is some risk that an administrative process seeking the annulment of the acquisition could at some point be commenced. However, the Company sees this risk as low and is of the opinion that no authorization for such acquisitions was, or is, required for the following reasons:

Brazilian counsel to the Company has confirmed that Article 1, Paragraph 1 of Law 5709/71, provides that Brazilian companies controlled in any way by foreign investors are subject to the same restrictions applicable to foreign companies. However, under the Federal Constitution in 1988 ("CF/88"), the concept of "Brazilian company" received a constitutional definition ("any company organized under Brazilian law and regulations, headquartered and managed in Brazil"), without any restriction as to its operations and development, save as otherwise expressly stated in the Constitution itself.

Thus, any company duly organized in Brazil (even if all or part of its capital stock is held by a foreign company) is deemed to be Brazilian and not subject to any statutory restrictions, as can be inferred from Articles 171 and 190 of CF/88. As CF/88 has not limited the authorities of Brazilian companies, Law 5709/71 could not do so.

Based on the foregoing, there is an argument that Article 1, Paragraph 1 of Law 5709/71, which establishes that Brazilian companies with a majority stake held by foreign capital (or under control of foreign investors, as per AGU Opinion 01/2010) equate to foreign companies and, consequently, are subject to restrictions on rural property acquisition, is inconsistent with CF/88. Consequently, this would mean an implied revocation or derogation of such legal provision.

Further, there is an argument that the Company's subsidiaries in Brazil should not be subject to the restrictions set out under Law 5709/71 due to the lack of rural character of the properties they own. This is based on the fact that the basic condition for triggering Law 5709/71, being that the purchase involves rural properties, the definition of which under Article 4, item I of Law 4504/64 does not include land designated for mining and related activities. Article 4 provides:

> *"Art. 4. For the purposes of this Law, the following definitions shall apply:*
>
> *I – "Rural Property" a rustic building and a continuous area wherever located the destination of which is the exploitation of agricultural, livestock or agro-industrial activities, whether under public valuation plans or under private initiative;"*

The scope of activities on these properties is mining and related operations and therefore it can be argued that it does not, therefore, fall within the classification of "exploitation of agricultural, livestock or agro-industrial activities".

Irrespective of the location or zoning of a given property, the criteria by which it should be defined as rural will depend on its use, pursuant to the decision of Brazil´s Federal Supreme Court ("STF"), as described below:

> *"1. A rural property is defined by its economic destination or use, and not by its location, for which reason the alleged impossibility of applying Art. 3 of Supplementary Act 45/69 and other provisions which prohibit or limit its purchase by foreigners do not apply. (...)."*
> *(STF, 1st Panel. Extraordinary Appeal # 102.816-5/RJ. Reported by Justice Octavio Gallotti, June 6 1987.)*

Although the decision of the STF noted above dates back to 1987, prior to the enactment of CF/88 and the issuance of AGU Opinion 01/2010, counsel believes that this precedent should be taken into account if the same issue were to be reviewed by the Brazilian courts today. On this basis, the Company believes that it has grounds to assert that even in the case of land located in the rural districts, the status of such lands should be considered on the basis of use. The Company understands that there are also a number of more recent Brazilian court precedents that support the conclusion that land must be classified according to its destination or use and not based on its location or zoning.

Law 5709/1971 and Decree 74965/1974 have no effect on the ownership of mineral rights. Under CF/88, land ownership is distinct from the ownership of mineral resources. Mineral resources are a property of the nation and can be explored and exploited under authorization and concession of the Federal Government. There are no restrictions or special rules in respect to foreign participation in Brazilian companies that own mineral rights, except when the mineral rights refer to ground located in the Brazilian border area (i.e., a strip of 150 km from the Brazilian territorial border). The Company's subsidiaries have no mineral rights located in the Brazilian border area. If measures were to be taken by authorities to question the acquisition of rural properties by the Company's subsidiaries, this would have no impact over the mineral rights owned by the Company's subsidiaries.

Business Permits and Other Requirements

Requirements for a corporation carrying out business operations in Brazil through a subsidiary or controlled company include the following:

- Brazilian subsidiaries and their foreign shareholders must be registered with the Central Bank of Brazil (the "**BACEN**"), and comply with regulations regarding foreign direct investment. In particular, all international transfers of funds or foreign direct investments related to Brazilian subsidiaries (including their shares) must be registered with BACEN. The Company's Brazilian subsidiaries and their respective shareholders have completed such registrations.

- Brazilian subsidiaries must be registered with the boards of trade of the states in which such subsidiary is incorporated and any state in which the subsidiary has a branch office. A board of trade is a governmental authority responsible for the approval, registration, filing and publication of certain corporate information and functions as the Brazilian registry of commerce. The Company's Brazilian subsidiaries, Fazenda Brasileiro Desenvolvimento Mineral Ltda. and Santa Luz Desenvolvimento Mineral Ltda. are registered in the state of Bahia. Mineração Riacho dos Machados Ltda. is registered with the State to Minas Gerais. The Company's Brazilian subsidiary Pilar de Goiás Desenvolvimento Mineral S/A (together with Fazenda Brasileiro Desenvolvimento Mineral Ltda., Mineração Riacho dos Machados Ltda. and Santa Luz Desenvolvimento Mineral Ltda., the "**Foreign Operating Entities**"), is registered in the state of Goiás.

- Each Brazilian subsidiary foreign shareholder must appoint a legal representative, who is resident in Brazil, including to receive service of process and subpoenas. A power of attorney or equivalent document in respect of such appointment must be filed with the board of trade of the state in which a Brazilian subsidiary is incorporated. The document appointing such representative must be apostilled in jurisdictions in which this is possible or certificated by the Brazilian consulate in the foreign shareholder's jurisdiction of residence or incorporation, where appostiling is not permitted and translated into Portuguese by an official translator. In the case of the Foreign Operating Entities, one or more Brazilian residents or foreigners with permanent residence in Brazil has been appointed to act as the legal representative on behalf of the Company.

- Registration with the federal and state revenue authorities. In the Company's case, Fazenda Brasileiro Desenvolvimento Mineral Ltda. and Santa Luz Desenvolvimento Mineral Ltda. are registered in the State of Bahia, Mineração Riacho dos Machados Ltda. is registered in Minas Gerais and Pilar de Goiás Desenvolvimento Mineral S/A is registered in the State of Goiás.

- Obtaining a "functioning permit" issued by the local department, as well as a "fire department certificate" issued by the local fire department in each jurisdiction in which a Brazilian subsidiary has a head or branch office. In the Company's case, Fazenda Brasileiro Desenvolvimento Mineral Ltda. holds a permit from the Municipality of Barrocas, State of Bahia; Santa Luz Desenvolvimento Mineral Ltda. holds a permit from the Municipality of Santa Luz, State of Bahia; Mineração Riacho dos Machados Ltda. holds a permit from the Municipality of Riacho dos Machados and Pilar de Goiás Desenvolvimento Mineral S/A holds a permit from the Municipality of Pilar de Goiás, State of Goiás.

- Obtaining a (i) ”preliminary license”, (ii) an “installation license”, and (iii) an “operating license”, all of which are typically issued by the state environmental agency in the states of Bahia, Minas Gerais and Goiás, as applicable to each of the Foreign Operating Entities. The Company’s operations are licensed by environmental authorities pursuant to the necessary preliminary installation and operating licenses.

- Obtaining exploration licenses and mining concessions, as the case may be, each to be granted, respectively, by the DNPM and by the Ministry of Mines and Energy.

Effective Control of Brazilian Operating Subsidiaries

The operating subsidiaries in which the Fazenda Brasileiro Mine, Pilar Operation, Santa Luz Project and RDM Mine are held (the “**Brazilian Operating Subsidiaries**”) are each indirect wholly owned subsidiaries of the Company.

The Brazilian Operating Subsidiary which owns the Pilar Operation is incorporated as a closed corporation (a “sociedade anônima de capital fechado” or “S/A”) and the Brazilian Operating Subsidiaries which own the Fazenda Brasileiro Mine, the RDM Mine and the Santa Luz Project are incorporated as limited liability companies (each, a “limitada” or “Ltda.”). Both of these company structures must be organized by at least two shareholders. The two shareholders of each of the Brazilian Operating Subsidiaries are also wholly-owned subsidiaries of the Company.

Brio Gold controls each of the Brazilian Operating Subsidiaries and has the power and capacity to cause such subsidiaries to carry on their business in accordance with the Company’s instructions. Through this ownership structure, and the rights accorded to shareholders in closed corporation and limited liability company structures under Brazilian law, the Company is able to maintain effective control over the Brazilian Operating Subsidiaries and their respective officers.

Under applicable Brazilian law, closed corporations and limited liability companies are not required to have a board of directors. These structures must, however, be administrated by one or more officers who are elected by the company’s shareholders to manage and represent the company. These elected officers must be resident in Brazil, but need not be shareholders themselves. Brio Gold controls the Brazilian Operating Subsidiaries by virtue of common management and by its indirectly ownership of 100% of the shares issued by such entities. The Company’s management has the (i) power to appoint and dismiss, at any time, any and all of the Brazilian Operating Subsidiaries’ officers, (ii) power to instruct the Brazilian Operating Subsidiaries’ officers to pursue business activities in accordance with the Company’s wishes, and (iii) legal right, as a shareholder, to require the officers of each such Brazilian Operating Subsidiary to comply with their fiduciary obligations. The Company can also enforce its rights by way of various shareholder remedies available to it under Brazilian law. As a result, the management of Brio Gold can effectively align its business objectives with those of the Brazilian Operating Subsidiaries and implement such objectives at the subsidiary level.

The Company, by virtue of its ability to control the Brazilian Operating Subsidiaries in the manner described above, can remove and appoint its Brazilian subsidiaries’ officers in a straightforward manner. Generally, officers can be removed by way of a simple communication stating that such officer is being removed from his or her position, and an associated filing with the applicable board of trade. Where an officer is nominated in a Brazilian subsidiary’s articles of association, such officer may only be removed by way of an amendment to the articles. In the case of the Brazilian Operating Subsidiaries, only Brio Gold may amend each subsidiary’s articles of association or by-laws, and it may do so without having to obtain the consent of third parties, so long as the amendment complies with the applicable Brazilian law. On closing of the Offering, Brio Gold will nominate certain of its officers in the articles of association of the Brazilian Operating Subsidiaries.

The Brio Board, through its corporate governance practices, regularly receives management and technical updates and progress reports in connection with the Brazilian Operating Subsidiaries, and in so doing, maintains effective oversight of their business and operations. The Brazilian Operating Subsidiaries also have established practices, protocols and routines in place for the distribution of its excess cash to its foreign owners. Furthermore, the opening and closing of bank accounts in the name of a Brazilian Operating Subsidiary is controlled, overseen and approved by the Company’s Chief Financial Officer.

The Company believes that risks related to conducting operations in Brazil are mitigated, in large part, by the Brio Board exercising control over the entire corporate structure by having the authority to cause the removal of the officers and directors of each of the Brazilian Operating Subsidiaries, by the use of local experts (accounting, legal, tax and directors), by maintaining local bank accounts with accredited banking institutions and exercising strong controls over the use of cash, by performing monthly analytical reviews of the consolidated books and records at the Company’s head office and by personal inspection and visits to the offices and project locations by the Company’s key management (namely, Gil Clausen, Lance Newman and Mark Stevens) on a regular basis.

Further, the Company has put hedging arrangements in place for 2017 and 2018 covering R$672 million of forward rate contracts at a rate of R$3.55 to US$1.00 and $672 million of zero-cost collars with average call and put strike prices of R$3.30 and R$3.90, respectively. These hedges are expected to reduce risk in respect to the Company's Brazilian cost structure during 2017 and 2018. However, the Company will remain exposed to currency fluctuations with respect to its foreign currency requirements that are unhedged. Should the U.S. dollar continue to strengthen against the Company's operating currencies, in particular the Brazilian *Real*, the Company will benefit in the form of lower operating costs, to the extent that its foreign exchange requirements are unhedged. Conversely, should the U.S. dollar weaken against the Company's operating currencies, the Company's operating costs in U.S. dollars will increase to the extent that its foreign exchange requirements are unhedged.

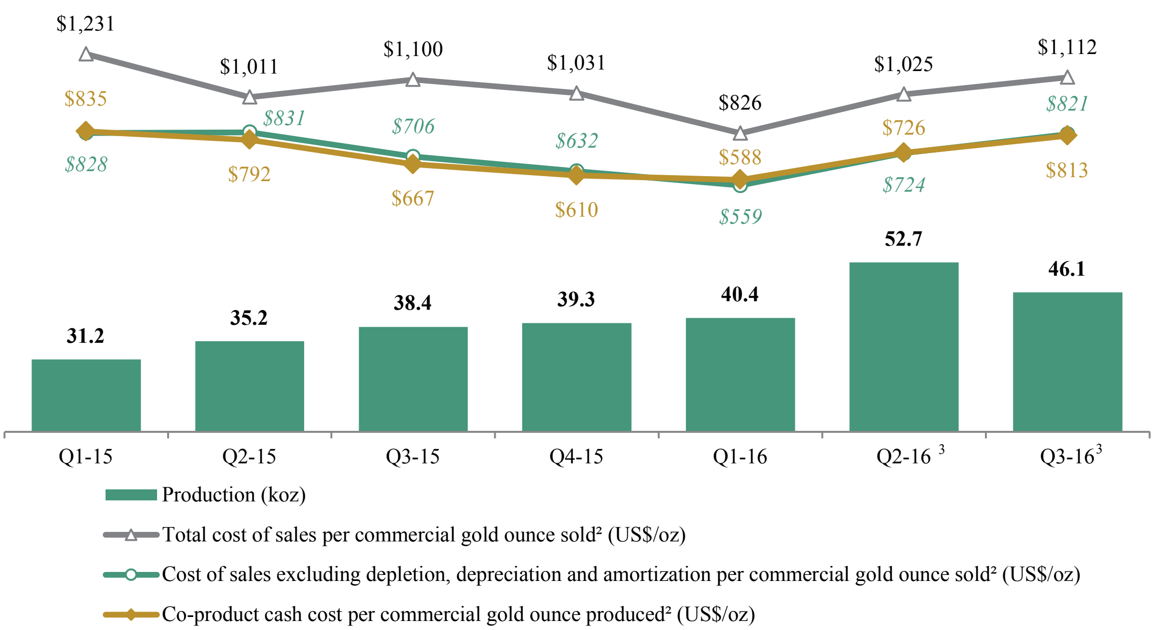
BRIO GOLD PROPERTIES

The Company's portfolio includes three operating mines, the Fazenda Brasileiro Mine, the Pilar Operation and the RDM Mine, as well as the Santa Luz Project, which is a fully-constructed mine currently on care and maintenance and is expected to be recommissioned in the first quarter of 2018. All of the Company's mines are located in Brazil, a mining-friendly jurisdiction with a long history of mining and an experienced labour force. Brazil is a member of the Multilateral Investment Guarantee Agency and was ranked among the top five most attractive countries in Latin America for mining investment by the Fraser Institute's 2015 Survey of Mining Companies.

Improving Operating Performance

Gilmour Clausen and the Brio Gold management team were appointed to run Yamana's Brio Gold portfolio in December 2014 and have made several operational improvements at each of the Company's properties. In addition, key milestones were achieved for Brio Gold, including a positive restart decision for the Santa Luz Project and exploration success at both the Fazenda Brasileiro Mine and the Pilar Operation.

Brio Gold Historical Quarterly Performance Since Management Appointment[1]



[1] *Brio Gold changed management in December 2014.*

[2] *A non-GAAP financial measure. See "Management's Discussion and Analysis – Non-GAAP Financial Measures" for a reconciliation of quarterly trailing total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis.*

[3] *Cost inflation driven mainly by processing of lower grade material at Fazenda Brasileiro Mine in Q2 2016, stripping and reduced production at RDM Mine in Q3 2016, and strengthening of the Brazilian Real; includes attributable production from RDM Mine.*

Fazenda Brasileiro Mine

The scientific and technical information in this summary relating to the Fazenda Brasileiro Mine is derived from, and in some instances is a direct extract from, and based on the assumptions, qualifications and procedures set out in, the Fazenda Brasileiro Technical Report. Such assumptions, qualifications and procedures are not fully described in this prospectus and the following summary does not purport to be a complete summary of the Fazenda Brasileiro Technical Report. Reference should be made to the full text of the Fazenda Brasileiro Technical Report, which is available for review under the Company's profile on SEDAR at www.sedar.com.

Property Description and Location

The Fazenda Brasileiro Mine is located in Bahia, Brazil, at 11º 27' South latitude and 39º 03' West longitude. The mine is approximately 180 km northwest of the state capital city of Salvador. Topography is gently rolling with elevations of 300 masl to 500 masl. Relief is generally 50 m to 100 m, although there are occasional hills and series of hills rising 200 m to 300 m. Vegetation is generally sparse.

RPA

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Figure 4-1

Brio Gold Inc.

Fazenda Brasileiro Mine

Bahia State, Brazil

Location Map

Mineral Tenure

The Fazenda Brasileiro Mine covers an area totalling 63,371 ha including 50 EPs (50,009 ha), two exploration claims (3,074 ha), eight mining concessions (7,732 ha), and three mining concessions in application (2,556 ha). The list of EPs, exploration claims, and mining concessions as of November, 2016, follows.

Exploration Permits

DNPM Number	Application Date	Expiry Date	Area (ha)	Status
870.090/15	20-Jan-15	29-Oct-18	220.49	
870.143/12	19-Jan-12	14-Sep-18	998.11	
870.144/12	19-Jan-12	14-Sep-18	490.07	
870.145/12	19-Jan-12	14-Sep-18	948.92	
870.213/11	19-Jan-11	27-Aug-17	755.91	
870.315/12	9-Feb-12	14-Sep-18	193.88	
870.423/11	31-Jan-11	3-Sep-18	26.77	
870.461/12	22-Feb-12	14-Sep-18	77.26	
870.497/11	7-Feb-11	20-Aug-15	582.74	Renewal Pending
870.566/11	10-Feb-11	11-Jun-17	1,634.26	
870.637/09	6-May-09	3-Sep-18	1,973.79	
870.765/12	22-Mar-12	14-Sep-18	2,000.00	
870.769/12	22-Mar-12	14-Sep-18	1,920.86	
870.827/11	10-Mar-11	18-Jun-17	1,931.84	
870.946/11	15-Mar-11	20-Aug-15	792.01	Renewal Pending
871.020/89	1-Aug-89	15-07-2015	959.12	Renewal Pending
871.169/11	5-Apr-11	27-Aug-17	646.63	
871.261/11	8-Apr-11	27-Aug-17	995.05	
871.807/10	27-Aug-10	11-Jul-17	190.84	
871.863/10	1-Sep-10	18-Jul-17	200.29	
872.022/12	25-Sep-12	15-Sep-18	999.91	
872.045/13	28-Aug-13	8-Dec-18	1,174.79	
872.253/12	22-Oct-12	15-Sep-18	1,105.17	
872.282/12	24-Oct-12	15-Sep-18	999.90	
872.282/13	19-Sep-2013	8-Dec-18	1,924.77	
872.307/10	13-Oct-10	11-Mar-17	962.78	
872.308/10	13-Oct-10	25-Feb-17	1,291.95	
872.309/10	13-Oct-10	11-Mar-17	714.30	
872.310/10	13-Oct-10	11-Mar-17	801.02	
872.312/10	13-Oct-10	11-Mar-17	1,080.35	
872.313/10	13-Oct-10	3-Sep-18	1,912.20	
872.318/10	13-Oct-10	11-Mar-17	214.24	
872.736/09	21-Oct-09	11-Mar-17	697.76	
872.791/11	12-Jul-11	24-Nov-17	341.85	
872.895/10	17-Dec-10	13-Mar-18	626.06	
872.899/10	17-Dec-10	11-Jul-17	598.34	
872.905/11	26-Jul-11	29-Oct-17	996.95	
872.906/11	26-Jul-11	29-Oct-17	571.84	
872.907/11	26-Jul-11	24-Oct-17	1,172.49	
872.908/11	26-Jul-11	24-Oct-17	1,439.09	
872.909/11	26-Jul-11	24-Oct-17	1,802.00	
874.678/11	6-Dec-11	15-Sep-18	1,000.05	
872.554/15	6-Nov-15	31 -May-19	1,000.01	
872.556/15	6-Nov-15	31 -May-19	1,566.61	
871.470/16	12-Jul-16	17-Oct-19	414.44	
871.473/16	12-Jul-16	17-Oct-19	1,999.45	
871.476/16	12-Jul-16	17-Oct-19	999.466	
871.521/16	14-Jul-16	19-Oct-19	1,130.87	
871.522/16	14-Jul-16	19-Oct-19	1,999.21	
871.528/16	14-Jul-16	19-Oct-19	932.50	
Total		**50**	**50,009.21**	

Exploration Claims

DNPM Number	Application Date	Expiry Date	Area (ha)	Status
871.836/16	10-Aug-16	--	1,945.61	Pending Approval
871.856/16	11-Aug-16	--	1,128.85	Pending Approval
Total		**2**	**3,074.46**	

Mining Concessions

DNPM Number	Date of Application	Date of Award	Status	Area (ha)
802.203/75	16-Mar-89	28-Jan-94	Mining Concession	1,000.00
802.206/75	16-Mar-89	28-Jan-94	Mining Concession	1,000.00
802.212/75	16-Aug-84	3-Mar-86	Mining Concession	1,000.00
802.266/78	26-Oct-88	28-Jan-94	Mining Concession	1,000.00
807.869/75	17-Nov-83	3-Oct-84	Mining Concession	875.74
870.226/82	10-Oct-90	4-Sep-95	Mining Concession	856.30
870.425/85	5-May-94	14-Aug-06	Mining Concession	1,000.00
871.077/84	29-Jun-05	13-Sep-06	Mining Concession	1,000.00
802.264/78	26-Jun-81		Application Submitted	669.82
802.265/78	29-May-91		Application Submitted	949.68
870.898/83	14-Jul-95		Application Submitted	936.96
Total	**11 applications**			**10,288.50**

Mineral and Surface Rights in Brazil

An annual fee per hectare ranging from US$0.35 to US$0.70 is paid by the holder an EP to the DNPM and reports of exploration work performed must be submitted. During the period where a formal EP application has been submitted by a company for an area, but not yet granted, with the exception of drilling no exploration work is permitted. These are referred to herein as exploration claims.

EPs are valid for a maximum of three years, with a maximum extension equal to the initial period, issued at the discretion of the DNPM. The annual fee per hectare increases by 50% during the extension period. After submission of a final exploration report and its approval by the DNPM, the EP holder may request a mining concession. Mining concessions are granted by the Brazilian Ministry of Mines and Energy, are renewable annually and have no set expiry date. The concessions remain in good standing subject to generally complying with mining code requirements, submission of annual production reports and payments of royalties to Brazil's federal government.

Surface rights can be applied for if the land is not owned by a third party. The owner of an EP is guaranteed, by law, access to perform exploration field work, provided adequate compensation for damages and rent for occupation of the property is paid to third party landowners. The EP holder bears all environmental liabilities resulting from the exploration work.

The Company, through its parent company Yamana, has all required permits to conduct the proposed work on the property. Neither the Company nor RPA is aware of any other significant factors and risks that may affect access, title, or the right or ability to perform the proposed work on the property.

Land Use

The site currently occupies an area of 1,181 ha which belongs to Mineração Fazenda Brasileiro, in Teofilândia. If it is required to use a third party area, a contract is formalized for land use with royalty payments according to the production in that area. The contract also includes the responsibility by the Company for the reclamation of that area.

Royalties

The Brazilian government collects a 1% gross revenue royalty on all gold operations in Brazil. This royalty is split among the various levels of government with 65% payable to the Municipality (Barrocas (52%), Teofilândia (26%) and Araci (22%)), 23% paid to the Bahia state government, and the remaining 12% paid to the federal government. In addition, under Brazilian law, surface owners have a right to compensation equivalent to 50% of the royalty due to the government. Different compensation may be agreed between the landowner and the mining company. Although the Company owns most of the surface rights over planned production areas through its subsidiary Fazenda Brasileiro Desenvolvimento Mineral Ltda., there are a few small parcels of land for which this compensation applies. The Brazilian Congress is in the process of reviewing the royalty rates for mining companies, which means that these percentages may change.

Accessibility

Access to the Fazenda Brasileiro Mine from the city of Salvador is via 180 km of paved road on highways BR324 and BA409, and secondary paved highways to the village of Teofilândia, which is located 15 km by road southeast of the mine. This final 15 km is unpaved but of good quality. There are numerous direct flights daily from Salvador to São Paulo and other major Brazilian cities, from which connections are available to a variety of international destinations. Various secondary and tertiary roads, some of poor quality, lead from the mine area to portions of other exploration properties being assessed by the Company's parent company Yamana.

Climate

The climate in the area of the Fazenda Brasileiro Mine is semi-arid and seasonal variations are minimal, however, rain is more prevalent between November and January. Average annual rainfall, measured on the site, is approximately 500 mm. The average annual temperature is approximately 24ºC with minimal month to month variation. The local climate conditions are conducive to year round mining operations.

Physiography

Topography of the Fazenda Brasileiro Mine is gently rolling with elevations of 300 masl to 500 masl. Relief is generally 50 m to 100 m, although in some areas there are hills and series of hills rising 200 m to 300 m. Vegetation is generally sparse. Plant cover is composed of rough, low grasses, algaroba (mesquite-like) trees, and commercially harvested sisal plants. There are very few flowing water courses in the area although there are a number of small, gentle depressions and valleys that carry water during the occasional rainy periods.

Local Resources

The town of Teofilândia serves as the main community for workers at the Fazenda Brasileiro Mine, although a smaller village is located between Teofilândia and the mine. The local population base is approximately 20,000; the vast majority of whom live in Teofilândia. The general area of the exploration properties is inhabited largely by subsistence farmers and garimpeiros (local artisanal miners who work prospect pits on a small scale).

In addition to mining, local economic activity consists of subsistence agriculture, goat herding and cattle ranching. Sisal is the main crop with its sword-shaped leaves being transformed into twine and rope-making material, and more recently, into craft objects for export to Europe.

Teofilândia is a full service town and along with the mine has access to electricity from the national power grid. There is a freight-only rail line, which passes through the area in a northwest-southeast direction close to the Fazenda Brasileiro Mine. The rail line is not used by the mine.

Infrastructure

The Fazenda Brasileiro Mine site infrastructure includes a 470 m deep vertical shaft; a series of underground ramps; a 960,000 tpa CIP milling facility; plastic-lined heap leach pads and associated processing equipment; a series of plastic lined tailings disposal ponds; a warehouse, and maintenance shops; drill core logging, splitting and storage facilities; a sample preparation facility and assay laboratory; a cafeteria; and several office complexes. In addition, the mine has a water system consisting of a well field located east of Teofilândia, a buried pipeline, and a pumping system to provide potable and processing water to Teofilândia and the mine. The water supply is more than sufficient for the mining operation and has been relied on for years. Sufficient surface area exists for all necessary surface facilities, including mill tailings and waste rock stockpiles.

Project Tenure History

The Weber Belt has been explored by CVRD since the late 1960s by their exploration wing DOCEGEO. The Fazenda Brasileiro Mine was discovered in the late 1970s and put into production in 1984.

Exploration and Development History

A summary of exploration and development work completed from 1969 to the late 1990s is listed in the following table.

Exploration History

Year	Description
1969-1970	Prospecting for alluvial gold along the Itapicurú River was conducted by Companhia de Pesquisa de Recursos Minerais (“**CPRM**”), the Brazilian Federal government geological survey.
1972	DOCEGEO, the exploration division of CVRD, conducted base metal oriented regional stream geochemical surveys in the area. Numerous anomalies detected.
1974 and 1975	DOCEGEO carried out ground follow-up, including detailed stream geochemical surveys. Numerous important copper and zinc anomalies were identified.
1976	DOCEGEO conducted airborne electromagnetic surveys and 300 of the 2,500 anomalies were selected for follow-up. Surface sampling programs were implemented and the most significant sample was a result of 2.0 g/t Au. Additional magnetic, induced polarization, and geochemical surveys were conducted at a higher level of detail than previous surveys.
Post-1976	DOCEGEO/CVRD conducted surface exploration programs including significant diamond drilling focusing on the Weber Belt rocks, which contain the Fazenda Brasileiro Mine operations. CVRD discovered the Fazenda Brasileiro deposit in the late 1970s and began mining operations in 1984 with an open pit heap leach gold operation. In 1988, underground mining operations commenced. The mines have been in continuous production since start up. In the late 1990s, Barrick conducted limited work on some properties in the northern RIGB, which hosts most of the known gold deposits.
2003	Yamana acquired the project.

Following Yamana’s purchase of the Fazenda Brasileiro Mine in 2003 from CVRD and commencing in August 2003, Yamana completed a number of deeper drilling programs designed to extend the Fazenda Brasileiro Mine’s Mineral Resource both at depth and along strike of the deposit.

Historical Resource Estimates

In 2003, immediately prior to the sale of the project to Yamana, CVRD estimated a Proven and Probable Mineral Reserve of 2,399,000 t grading 3.39 g/t Au. In addition, CVRD estimated an Indicated Mineral Resource for the G and F zones of 311,000 t grading 6.12 g/t Au. RPA notes that these estimates are considered to be historical in nature and should not be relied upon. A qualified person, as defined under NI 43-101, has not completed sufficient work to classify the historical estimate as a current Mineral Resource or Mineral Reserve and the Company is not treating the historical estimates as current Mineral Resources or Mineral Reserves.

Watts, Griffis and McOuat (“**WGM**”), estimated an Indicated Mineral Resource for the EDEEP zone of 462,000 t grading 4.48 g/t Au and reported it in an internal technical report in 2003 (the “**WGM Report**”). A 2.0 g/t Au cut-off grade was applied.

Following the WGM Report, Yamana internally updated the Mineral Resource estimate on a regular basis. Two technical reports have been issued since that time, by MCB Serviços e Mineração Ltda in 2011 and Coffey Consultoria e Serviços Ltda (“**Coffey**”), in 2014. Coffey reported an open pit Indicated Resource of 1.5 Mt grading 2.35 g/t Au for a total of 102,600 oz. Au and an underground Indicated Resource of 6.8 Mt grading 2.21 g/t Au for a total of 486,800 oz. Au as of July 2014. In addition, Inferred Resources were estimated to be 0.5 Mt grading 1.36 g/t Au for a total of 23,300 oz. Au for the open pit and 3.1 Mt grading 2.20 g/t Au for a total of 219,400 oz. for the underground.

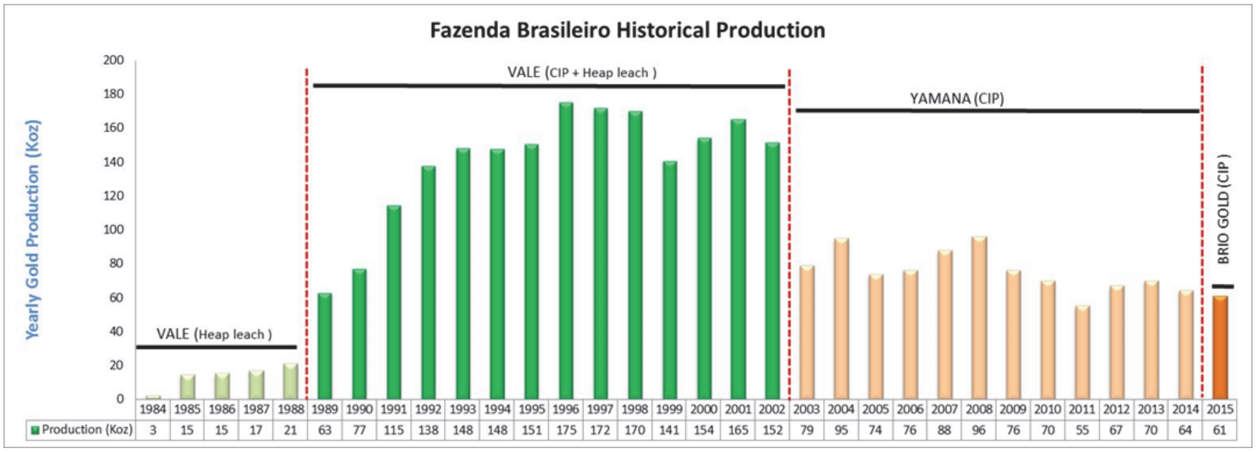
The 2014 Mineral Resources are superseded by the current Mineral Resource estimate dated December 31, 2015.

Production History

The Fazenda Brasileiro Mine began production in 1984 as an open pit mining operation with gold extraction by means of conventional heap leaching. In 1988, underground production operations commenced. The majority of the underground ore has been processed in a CIP plant that has operated continuously since commissioning in 1988. A small amount of heap leach production continued until after 2003, when oxide resources were mostly exhausted.

The following figure summarizes historic production for both the heap leach and CIP operations. CIP throughput and grades have been very consistent on a year by year basis up until 2013. The Fazenda Brasileiro Mine has produced approximately 3.1 million ounces of gold since 1984.

Historical Fazenda Brasileiro Mine Production



Regional Geology

The Fazenda Brasileiro Mine is located near the south end of the RIGB, a 100 km long and 60 km wide north-south trending volcano-sedimentary belt situated within the São Francisco Craton.

The RIGB is of early Proterozoic age and is generally divided into three lithologic domains; mafic volcanic, felsic volcanic, and sedimentary. These rocks are intruded by Proterozoic granitoids, and are locally metamorphosed up to greenschist or amphibolites facies. The belt is underlain by Archaean basement gneisses and migmatites.

Local and Property Geology

The Weber Belt is host to the most significant gold mineralization in the RIGB, including the Fazenda Brasileiro Mine. The belt is a 10 km long arcuate east-west trending, south dipping shear zone.

The Weber Belt has been divided into four distinct overturned sequences from south to north. The Riacho do Incó unit is mainly composed of carbonate-chlorite schist with minor intercalations of carbonaceous schist. The Fazenda Brasileiro unit is dominated by felsic and mafic schists and contains the most important gold concentrations. The Canto unit consisting of fine-grained carbonaceous sediments (pelites and rhythmically banded pelites and psammites), volcanic layers, and an agglomeratic pyroclastic sequence. The Abóbora unit, located in the northernmost part of the Weber Belt, comprises a thick sequence of basalt flows with local, narrow sedimentary intercalations. Deformation along the main east-west shear zone has destroyed most of the original features in the rocks in the Fazenda Brasileiro Mine area.

The structural history of the area is complex, with at least three phases of ductile and ductile-brittle deformation followed by late brittle faulting, which laterally offset the Fazenda Brasileiro Mine ore shoots by up to 100 m. The first phase (D1), which consisted of an intense ductile shearing with no major folds observed, produced an undulating lineation extending east-west. The second event (D2) produced northward-verging asymmetric folds (F2) on all scales, which folded the existing shear fabrics and produced ductile-brittle shear zones. These are oriented approximately east-west, parallel to the axial planes of the folds. This event appears to be responsible for the present southerly dip of the entire local succession. The main mineralization is associated with the second deformation event.

Mineralization

The bulk of the mineralization is hosted by quartz-albite-sulphide veins within the chlorite schist unit. Individual veins vary from one to four centimetres thick, have irregular margins, and are typically oriented sub-parallel to the predominant east-west trend of the felsic and mafic schists. The veins occur in multiple vein sets which vary in true width from 1.5 m to 40 m and in horizontal mining width from a minimum 3 m to 40 m. The gold occurs in at least three textural settings at the Fazenda Brasileiro Mine: as particles attached to sulphide grains, as particles within fractures in sulphide grains, and as particles within fractures in quartz/albite gangue. Gold grains typically contain less than 5% silver.

The Fazenda Brasileiro Mine gold deposit is an epigenetic, structurally controlled and hydrothermally altered Precambrian quartz vein hosted lode gold deposit that has been subjected to greenschist facies metamorphism.

Exploration

The majority of the concessions are at an early exploration stage or have seen no exploration activity other than regional mapping, regional geochemical surveys, and airborne surveys completed by the previous owners. RPA is of the opinion that these concessions remain prospective for gold.

Since its acquisition in 2003, exploration at the Fazenda Brasileiro Mine by Yamana and the Company has mostly included drilling to increase and/or replace reserves depleted during mining. A deeper drilling program has been designed and implemented to extend the underground Mineral Resources at depth and to the east.

Exploration potential exists laterally along strike to the north and south and at depth below the existing Fazenda Brasileiro Mine operations. The area has seen 40 years of extensive geologic exploration along the mineral trend and has successfully identified additional underground and open pit resources that are in various stages of mine development. This exploration success is anticipated to continue into the future, but will include some deeper targets.

Drilling

Diamond drilling at the Fazenda Brasileiro Mine has been carried out since 1979 and totals 50,880 drill holes for an aggregate length of approximately 2.1 million metres. Of this total, 39,252 drill holes for an aggregate length of approximately 1.9 million metres are included in the resource database provided by the Company as of September 30, 2015. There has been no drilling since September 30, 2015.

Drilling Completed as of September 30, 2015

Mine Ownership	**Number of Drill Holes**	**Metres Drilled**
CVRD 1979-2003	28,224	1,287,739
Yamana 2003-2015	22,656	842,838
TOTAL	50,880	2,130,577

The average recorded core recovery of diamond drilling has been excellent at 98% given the competency of the host rocks within the Fazenda Brasileiro Mine area.

CVRD Drilling

Prior to 2003, CVRD conducted surface diamond drilling in the initial search for new mineralization. This was followed by underground fan drilling on a 100 m by 50 m grid using B-sized equipment to establish Indicated Mineral Resources. A-sized core fan drilling on a 25 m by 10 m grid pattern was then used to upgrade from Indicated to Measured Mineral Resources. Generally, A-sized coring was utilized with CVRD machines and crews while B and N-sized coring (both on surface and underground) were completed by contractors.

Yamana Drilling

Since 2003, Yamana has maintained the same methodology of drilling as CVRD, and has utilized Diamec 232 (Atlas Copco) diamond drills for exploration, resource delineation, and grade control.

In 2015, seven Diamec drilling rigs and one Maquesonda Mach 1200 machine were used for these purposes. These drills have the ability to reach depths up to 130 m and 1,200 m respectively. The drill contractor used was DMC Geologia e Sondagem.

Historically, all drill holes were surveyed down hole at 3.0 m intervals with either a Reflex Maxibor or Flexibor instrument. More recently, Yamana has ceased surveying holes that are shorter than 150 m due to the minimal deviation recorded in earlier drilling programs. In 2015, longer drill holes were surveyed using a nonmagnetic multishot instrument manufactured by Devico.

In RPA's opinion, the drilling and logging methods are acceptable for the purposes of a Mineral Resource estimate.

Sample Preparation and Analyses

Yamana has followed the same sampling procedures and methods used by CVRD during its operation of the Fazenda Brasileiro Mine complex from 1984 to 2003. RPA personnel have evaluated numerous former CVRD gold operations in Brazil and have found all of them to meet international mining industry standards.

RPA visited the Fazenda Brasileiro Mine laboratories and core logging facilities during the site visit and found them to be clean, well maintained, and serviceable for the functions designed. The Fazenda Brasileiro Mine laboratory incorporates quality assurance ("**QA**") and quality control ("**QC**") procedures, including the insertion of reference material, blank and duplicate samples, which are continually monitored to ensure reliable results. An external professional prepares monthly and annual reports of laboratory performance. The laboratory is accredited with ISO 9001:2008/ISO17025:2005 for gold FA/AAS chemical and geochemical analyzes, certified by ABS Quality Evaluation Inc., Texas (USA) that is accredited by INMETRO (Brazil), RVA (Netherlands) and ANAB (USA). SGS Geosol uses the *LIMS/CCLAS System* for management of preparation and chemical analysis of the samples.

Sample preparation and assaying procedures are as follows:

- Each sample is dried at 100°C.
- All core samples are coarse crushed to 90% passing 2.0 mm.
- This material is passed through a rotary splitter.
- A 500 g aliquot is taken and pulverized to 95% passing 150 mesh. The crushing and grinding equipment is cleaned with compressed air after each sample and barren silica sand is passed through the equipment prior to running batches of samples.
- Gold determinations are carried out on 50 g (±0.05 g) samples by fire assay with an atomic absorption finish.
- Granulometric tests are performed three times per shift on the crushing and pulverizing processes. Preparation duplicates are inserted every 20 to 30 samples.

Sample Security

Core is normally collected from the drill rig and taken directly to the core yard for sampling. Samples are then sent directly to the laboratory at the Fazenda Brasileiro Mine site, following industry standard sample security procedures. All analytical pulps and archival split core are stored within the secure mine compound.

RPA Opinion

RPA offers the following opinions:

- The analytical methods utilized at the Fazenda Brasileiro Mine are appropriate. Sufficient quality control data exists to allow thorough review of the analytical performance of the site assay laboratory.
- The sample preparation, analysis, and security procedures at the Fazenda Brasileiro Mine are comparable with industry standards and are adequate for use in the estimation of Mineral Resources.

Quality Assurance, Quality Control, and Data Verification

QA consists of evidence to demonstrate that the assay data has precision and accuracy within generally accepted limits for the sampling and analytical method(s) used in order to have confidence in a Mineral Resource estimate. QC consists of procedures used to ensure that an adequate level of quality is maintained in the process of collecting, preparing, and assaying the exploration drilling samples. In general, QA/QC programs are designed to prevent or detect contamination and allow assaying (analytical), precision (repeatability), and accuracy to be quantified. In addition, a QA/QC program can disclose the overall sampling-assaying variability of the mineralization itself.

CVRD QA/QC

CVRD's QA/QC program included insertion of one project specific standard, one blank, and one duplicate sample in each batch of 24 samples. The standards were produced through a round-robin process in ten Brazilian laboratories (owned by CVRD). Entire batches were rerun, if the standard was outside ± one standard deviation ("**SD**"), or if the duplicate was ± 5% different from the original. Approximately 20 samples every two months were exchanged with the CVRD São Bento mine as umpire assays. CVRD did not use outside independent laboratory auditing of the Fazenda Brasileiro Mine laboratory.

Yamana QA/QC

RPA reviewed internal and external reports prepared for the Fazenda Brasileiro Mine on QA/QC results collected and analyzed from 2007, 2008, and 2012 to 2014. RPA also reviewed a series of certified reference material ("**CRM**"), and blank sample control charts, as well as duplicate sample and umpire laboratory sample scatter plots prepared monthly by Yamana from 2010 to 2011.

Prior to 2007, no systematic QA/QC protocol was in place by Yamana. In 2007, Yamana started a QA/QC program including blanks, CRMs, and pulp re-assay (umpire laboratory checks).

QA/QC protocols in place from 2007 to 2010 included CRMs in every batch submitted for analysis. Within a sample group of 25, a CRM sample and one blank sample were included, for an individual insertion rate of 4%. In addition, one duplicate sample was taken in each group of 20 samples, an insertion rate of 5%. Pulp reject samples were also sent to umpire laboratories (ALS Chemex ("**ALS**"), SGS Geosol Laboratórios Ltda. ("**SGS**") and Acme Analytical Laboratories Ltd. ("**ACME**"). Total QA/QC samples comprised over 10% of the database. Yamana reviewed the results of the QA/QC samples on an ongoing basic, and prepared monthly and annual internal reports, as well as campaign compilation reports, spanning several years.

Procedures and limits of acceptability for QA/QC results were revised in 2010. Selected QA/QC types and their protocols for 2010 to 2015 inclusive are listed in the following table.

QA/QC Protocols at the Fazenda Brasileiro Mine Laboratory: 2010-2015

QA/QC Type	Insertion Frequency	Acceptance Criteria
Blank	1 in 30	Assay ≤ 0.04 g/t Au
Preparation Duplicate	1 in 30	Relative Difference ≤ ±20%
Pulp Replicate	1 in 20	Relative Difference ≤ ±10%
CRM	1 in 20	95% of samples ≤ ±2 Std. Dev ≤ 1% of samples ≥ ±3 Std. Dev
Check Assay	100 per month sent to 2 external laboratories	Relative Difference ≤ ±10% Std. Dev ≤ 15% Difference between means ≤ 5% $R^2 \geq 0.9$

RPA considers the QA/QC protocols in place at the Fazenda Brasileiro Mine to be acceptable and in line with standard industry practice.

This quality control data for drilling used in the Mineral Resource estimate has been assessed statistically using a number of comparative analyses for each dataset. The objective of these analyses is to determine relative precision and accuracy levels between various sets of assay pairs and the quantum of relative error. The results of the statistical analyses are presented as summary plots, which include the following:

- Thompson-Howarth plot
- Rank % HARD plot
- Mean vs. % HARD plot
- Mean vs. % HRD plot
- Correlation plot

- Quantile-Quantile plot
- Standard Control plot

In RPA's opinion, in RPA's opinion, the QA/QC program as designed and implemented by Yamana, and maintained by Brio Gold, is adequate and the assay results within the database are suitable for use for Mineral Resource estimation.

Certified Reference Material

From 2007 to 2008, Yamana inserted eight different CRMs into the sample stream directed to the Fazenda Brasileiro Mine laboratory. All CRMs were supplied by Geostats Pty Ltd. ("**Geostats**"), in Australia. Control charts were prepared to analyze the data. A total of 534 CRM samples sent to the Fazenda Brasileiro Mine laboratory were reviewed. Very small biases, both positive and negative, were observed for the CRMs. On average, less than 10% of samples were outside the precision limits which were set at 10% of the expected value. Of these, some outliers were identified as probable sample mix-ups.

A summary of these results is presented in the following table.

Summary of 2007-2008 CRM Results

	Reference Values				Chemical Analysis Results			QA/QC Results
CRM	Expected Values (g/t)	Min (g/t)	Max (g/t)	No. Analyses	Min (g/t)	Max (g/t)	Mean (g/t)	% Inside Precision Limits
G301-13c	1.68	1.51	1.85	75	0.82	1.89	1.64	90.7
G302-6	0.98	0.88	1.08	33	0.92	1.07	0.98	100.0
G305-5	2.43	2.19	2.67	75	0.48	3.13	2.40	96.0
G900-5	3.21	2.89	3.53	52	2.79	3.34	3.16	94.2
G901-10	0.50	0.45	0.55	73	0.27	0.83	0.50	86.3
G902-3	0.43	0.39	0.47	51	0.38	0.50	0.44	84.3
G904-8	5.53	4.98	6.08	75	4.54	5.90	5.39	94.7
G900-2	1.48	1.33	1.63	100	0.76	1.72	1.46	94.0

RPA considers the results of the CRM data collected over this period to show acceptable accuracy for use in Mineral Resource estimation.

From 2010 to 2011, monthly QA/QC reports were prepared for the Fazenda Brasileiro Mine by a dedicated quality control specialist, employed by Yamana, but based off site. Reports included control charts for blank and CRM samples, scatter plots comparing field duplicate and umpire laboratory samples with the original sample, statistical compilation and review of results, and conclusions on the accuracy and precision of the data, as well as a list of actions to address any quality issues identified.

RPA compiled the number of submitted and failed CRM samples for ten months during the period of July 2010 to December 2011 for review, as well as reviewing several charts prepared by Yamana. Seven different CRMs, representing low, medium, and high gold grades, were in use at the Fazenda Brasileiro Mine, all of which were supplied by Geostats. Of the 503 CRM samples submitted to the Fazenda Brasileiro Mine laboratory during this time period, only 15 samples failed, defined as a gold value reporting more than three SDs from the expected value. This is equal to 3% of the dataset, and is considered by RPA to indicate excellent accuracy. None of the 237 CRM samples submitted to ALS, the check assay laboratory, during these months reported outside three SDs from the expected value.

RPA reviewed the results of CRM samples submitted from January 2012 to October 2015. Summary statistics compiled by Yamana are listed in the following table.

Summary of 2012-2015 CRM Results

Standard	Expected Value (g/t Au)	Mean Assay Value (g/t Au)	Diff. (g/t Au)	No. Samples	Exceeding Limit 1(1)	Exceeding Limit 2(2)
2012						
G311-3	0.27	0.262	0.008	1977	2	1
G310-5	1.01	1.002	0.008	1625	2	1
G910-3	4.02	4.008	-0.068	1770	0	0
2013						
G303-8	0.262	0.263	-0.001	1628	7	14
G911-10	1.3	1.263	0.037	21	1	1
G310-5	1.01	0.993	-0.017	1483	32	17
ITAK-560	0.967	0.977	-0.010	414	29	21
G903-6	4.13	4.016	0.114	1391	21	9
2014						
G303-8	0.262	0.261	0.001	1182	3	2
G311-3	0.27	0.268	0.002	660	1	0
G310-5	1.01	1.008	0.002	1871	10	6
G910-3	4.02	4.003	0.017	1026	1	1
G903-6	4.13	4.027	0.103	803	2	1
2015						
G303-8	0.262	0.261	0.001	50	1	1
G310-5	1.01	0.960	-0.049	48	1	3
G312-9	5.84	5.864	0.024	50	2	1
G314-3	6.70	6.650	-0.050	74	2	3
G911-4	2.43	2.374	-0.056	115	1	3
G911-10	1.30	1.241	-0.059	50	6	4
G912-5	0.38	0.361	-0.019	110	5	3
G996-7	5.99	5.905	-0.085	24	0	0
G997-6	1.68	1.630	-0.050	53	3	4
G998-6	0.80	0.804	0.004	81	0	2

Notes:
(1) Limit 1: ± 2 SD ≥ × ≤ ± 3 SD
(2) Limit 2: × ≥ ± 3 SD

Very low failure rates and negligible bias were recorded for the CRM samples at the Fazenda Brasileiro Mine from 2012 to 2015, with the exception of ITAK-560 during 2013. The moderate performance of ITAK-560 during 2013 was compared against CRMs of similar grades in use at that time, which both showed good performance. Failures above Limit 2 in 2015 were within acceptable range at 3.66%.

RPA is of the opinion that the results of the CRM samples from 2012 to 2015 support the use of samples assayed at the Fazenda Brasileiro Mine laboratory during this period in Mineral Resource estimation.

Blanks

From 2007 to 2008, blanks were sourced from a combination of barren quartz and historical core visually assessed as being barren of mineralization. A total of 1,691 blank samples were inserted in the sample stream, 80% of which returned values higher than background value (0.1 g/t Au) at the project, however, only 20% of the samples were above the accepted limit of five times detection limit. The most probable cause of this very high failure rate was improper testing of the blank material prior to use as the blank material likely had variable gold values.

RPA compiled the number of submitted and failed blank samples for ten months during the period of July 2010 to December 2011, as well as reviewing several charts prepared by Yamana. Only eight of the 812 blank samples submitted to the Fazenda Brasileiro Mine and ALS laboratories reported above the accepted limit of five times detection limit. These results indicate that the laboratories are employing adequate steps to prevent cross contamination of samples and that the blank samples in use by Yamana during this period do not contain gold, as had been suspected during the 2007 and 2008 campaigns.

RPA reviewed detailed QA/QC reports prepared by Yamana for blank samples submitted from January 2012 to October 2015. During this time, only 4% of the almost 8,800 samples submitted for analysis did not meet acceptance criteria. These failed samples were distributed over the years. In 2015, the failure rate climbed to 10.9% suggesting that the laboratory should examine the cleaning of equipment. Some of the failures detected in the first half of 2015, however, did not follow high grade samples, suggesting a problem in the blank sample used. New batches of blank samples have sent for analytical testing to confirm the absence of gold so that failures can be assumed only to result from cross-contamination.

The performance of the blank samples indicate that equipment cleaning protocols in place at the Fazenda Brasileiro Mine are generally adequate to prevent cross-contamination of samples.

Duplicates

Field duplicates from 2007 to 2008 were prepared by submitting two half core samples for analysis. Pulp replicates during this time were prepared by splitting the prepared pulp sample in half and analyzing each portion separately. A total of 515 pulp replicates and 100 field duplicates were submitted during this time. Based upon basic statistics and graphs, the results indicated an acceptable level of precision.

RPA reviewed scatter plots and basic statistics of field duplicate samples taken during 2010 and 2011. RPA reviewed the statistics of 695 field duplicates submitted from July 2010 and December 2011 and graphs, prepared by Yamana, from ten months during this period. The percent difference between sample pairs, compiled monthly by Yamana, ranged from less than 1% to up to 30%. Correlation of samples plotted in the accompanying graphs also ranged significantly and was strongly influenced by outlier sample pairs. Most duplicate pairs submitted were low in gold, and therefore not a good indicator of sample variability in the grade range of interest at the Fazenda Brasileiro Mine. RPA notes that, in general, good agreement between duplicate pairs was observed from gold grades of approximately 1 g/t Au to 10 g/t Au, with erratic results outside of this range. RPA is of the opinion that this result is consistent with the natural variability often seen in orogenic gold deposits.

The Company has discontinued collection and analysis of field duplicate samples.

Results of coarse duplicates and pulp replicates submitted from January 2012 to December 2014 were compiled by Yamana and reviewed by RPA. A total of 7,330 coarse duplicates and 20,537 pulp replicates were submitted during this time and plotted in scatter plots, Thompson Howarth plots, and histograms of annual performance. Low to moderate precision was observed between preparation duplicates below approximately 0.7 g/t Au, and between pulp replicates below approximately 1.5 g/t Au. Good to excellent precision was observed above these grades in both sample sets. RPA notes that the results of the field duplicate samples analyzed from 2007 to 2008 showed poor to moderate precision below 1.0 g/t Au.

Results of preparation duplicates submitted from January 2015 to October 2015 were compiled by Yamana and reviewed by RPA. A total of 907 preparation duplicates were submitted during this time and plotted in scatter plots and Thompson Howarth plots. Low to moderate precision was observed between preparation duplicates below approximately 0.7 g/t Au. Good to excellent precision was observed above these grades.

Check Assays

From 2007 to 2008, 81 pulp samples were co-submitted to ALS and SGS laboratories alongside the Fazenda Brasileiro Mine laboratory to measure the accuracy of results from the Fazenda Brasileiro Mine laboratory. The results were analyzed and showed high degrees of correlation, and relative bias inside acceptance limits.

RPA reviewed scatter plots, percent relative difference plots, and basic statistics of 1,476 check assay sample pairs within seven monthly reports prepared by Yamana between October 2010 and August 2011. All check assays were sent to ALS and are compared to results from the onsite Fazenda Brasileiro Mine laboratory. The percent difference between sample pairs, compiled monthly by Yamana, was generally less than 1%. During July 2011, several outliers resulted in a percent relative difference of 30% for the 107 pairs submitted. These were not investigated by Yamana, despite reporting outside the defined acceptable limit of ±10%. RPA is of the opinion that outlier results should be flagged and investigated. Despite this anomalous month, the results of the check assay program in place during this time indicate that results from the Fazenda Brasileiro Mine laboratory are accurate and can be relied on for the purposes of Mineral Resource estimation.

From 2012 to 2014, Yamana sent over 2,300 pulp replicates to four off-site laboratories to compare against assay results at the Fazenda Brasileiro Mine laboratory. Yamana compiled statistical comparison tables, relative difference plots, and scatter plots by year for each laboratory. RPA reviewed these plots and observed good precision between all sample pairs above an approximate gold grade threshold of 0.5 g/t Au, with the exception of moderate performance of samples sent to the Bureau Veritas Quality Internationa ("**BVQI**"), during 2012 and to SGS during 2014. All other campaigns reported values slightly higher than the Fazenda Brasileiro Mine, which indicated a small low bias at the Fazenda Brasileiro Mine. The lower performance of some high grade samples was attributed by Yamana to the heterogeneity of samples with free gold, or the composition of the mineral matrix affecting gold recovery during the fire assay process.

In 2015, Yamana sent 385 pulp replicates (1.6% of original samples) to SGS to compare against assay results at Fazenda Brasileiro Mine laboratory. RPA reviewed the results of these analyses and observed good precision between all sample pairs above an approximate gold grade threshold of 2.0 g/t Au.

RPA Opinion

In RPA's opinion, the QA/QC program as designed and implemented by Yamana, and maintained by the Company, is adequate and the assay results within the database are suitable for Mineral Resource estimation.

Mineral Resources

RPA has reviewed and validated the Mineral Resource estimates of the Fazenda Brasileiro Mine operations as received from the Company. In general, RPA found that values and compilations of gold grades were accurately recorded and calculated.

The methodology of estimating Mineral Resources by the Company staff includes:

- Statistical analysis and variography of gold values in the assay database.
- Geological and mineralized envelope models for the Fazenda Brasileiro Mine (including C, E, F, Canto, and G zones) and LGT (Lagoa do Gata zone) developed using Leapfrog Geo software.
- Construction of a block model using Datamine Studio 3 and Vulcan software.
- Grade interpolation using Ordinary Kriging (OK) and Inverse Distance Squared (ID^2) methods.

Mineral Resource Summary as of December 31, 2015

Category	Tonnage (000)	Grade (g/t Au)	Contained Metal (000 oz Au)
Measured			
Underground	1,250	4.01	161
Open Pit	290	3.24	30
Total Measured	**1,539**	**3.86**	**191**
Indicated			
Underground	342	3.23	35
Open Pit	30	2.32	2
Total Indicated	**372**	**3.15**	**38**
Measured + Indicated			
Underground	1,592	3.84	197
Open Pit	320	3.15	32
Total Measured + Indicated	**1,912**	**3.72**	**229**
Inferred – Underground	840	2.2	60
Inferred – Open Pit	180	5.3	30
Total Inferred	**1,020**	**2.8**	**90**

Notes:
(1) CIM definitions were followed for Mineral Resources.
(2) Mineral Resources are reported at a cut-off grade of 0.5 g/t Au.
(3) Mineral Resources are exclusive of Mineral Reserves.
(4) Mineral Resources are estimated using a short-term gold price of US$1,500 per ounce and a US$/R$ exchange rate of RL$3.8 = US$1.00
(5) A minimum mining width of 3.0 m was used for underground Mineral Resources.
(6) Bulk density ranges from 2.92 t/m^3 to 3.00 t/m^3.
(7) Numbers may not add due to rounding.

Mineral Reserves

RPA has reviewed the Mineral Reserve estimates for five mineralization zones at the Fazenda Brasileiro Mine. RPA visited the site, met with management, and carried out a number of checks to verify the procedures and numerical calculations used by the Company in the preparation of the Fazenda Brasileiro Mine Mineral Reserve estimate.

The Mineral Reserves were estimated using a cut-off grade of 1.06 g/t Au for underground operations and 0.40 g/t Au for open pit operations.

Mineral Reserve Summary as of December 31, 2015

Category	Tonnage (000)	Grade (g/t Au)	Contained Metal (000 oz Au)
Proven			
Underground	4,000	1.94	249
Open Pit	599	1.94	37
Sub-total Proven	**4,599**	**1.94**	**286**
Probable			
Underground	1,875	1.74	105
Open Pit	22	1.79	1
Sub-total Probable	**1,897**	**1.74**	**106**
Total Proven & Probable	**6,496**	**1.88**	**392**

Notes:
(1) CIM definitions were followed for Mineral Reserves.
(2) Mineral Reserves are reported at a cut-off grade of 1.06 g/t Au for underground and 0.40 g/t Au for open pit.
(3) Mineral Reserves are estimated using an average long-term gold price of US$1,150 per ounce and a US$/R$ exchange rate of R$3.8 = US$1.00.
(4) A minimum mining width of 3.0 m was used for underground Mineral Reserves.
(5) Bulk density ranges from 2.92 t/m^3 to 3.00 t/m^3.
(6) Numbers may not add due to rounding.

RPA is of the opinion that the Mineral Reserves are being estimated in an appropriate manner using current mining software and procedures consistent with reasonable practice.

RPA is not aware of any mining, metallurgical, infrastructure, permitting, and other relevant factors which would materially affect the Mineral Reserve estimates.

Mining Method

The mining methods utilized at the Fazenda Brasileiro Mine include both open pit, and underground, mechanized sub-level stoping. Both of these methods are well known and widely used in the mining industry. Both methods have been in continuous use at the Fazenda Brasileiro Mine since mining operations were initiated in 1984. The bulk of the mill feed is being sourced from underground. The small open pits are being used to supplement the underground production.

Open Pit

Many of the identified mineralized lenses outcrop to surface. Over the course of the operation's history, several shallow open pits have been excavated to extract these near surface deposits. Currently, several small open pits are in operation, and mining is being completed using contractors. Typically, these small pits are 30 m to 50 m deep using air-track drills and backhoe excavators for mining, and highway-type trucks for haulage to the mill. Open pit production is a small component of total annual mill feed. Most of the mill feed is generated from underground mining. Pit depths are dependent on the economics of stripping overlying waste. Mineralization exceeding pit depths is considered for underground mining.

Underground

The main access to the underground operation is through a series of declines. Over the life of the operations, eight main declines, the B, C, D, E, F, G, EW, and EDEEP, have been developed along the strike of the mineralization. The B, C, D, E, and G declines have surface portals and the F decline was developed from an underground split from the G decline. The EW and EDEEP declines were developed from an underground split from the E decline. A main central shaft (470 m deep) exists, however, it is no longer utilized for hoisting as the portion of the deposit located within economic distance of the shaft has been mined out. The shaft now is utilized only as a part of the escape way and ventilation circuit.

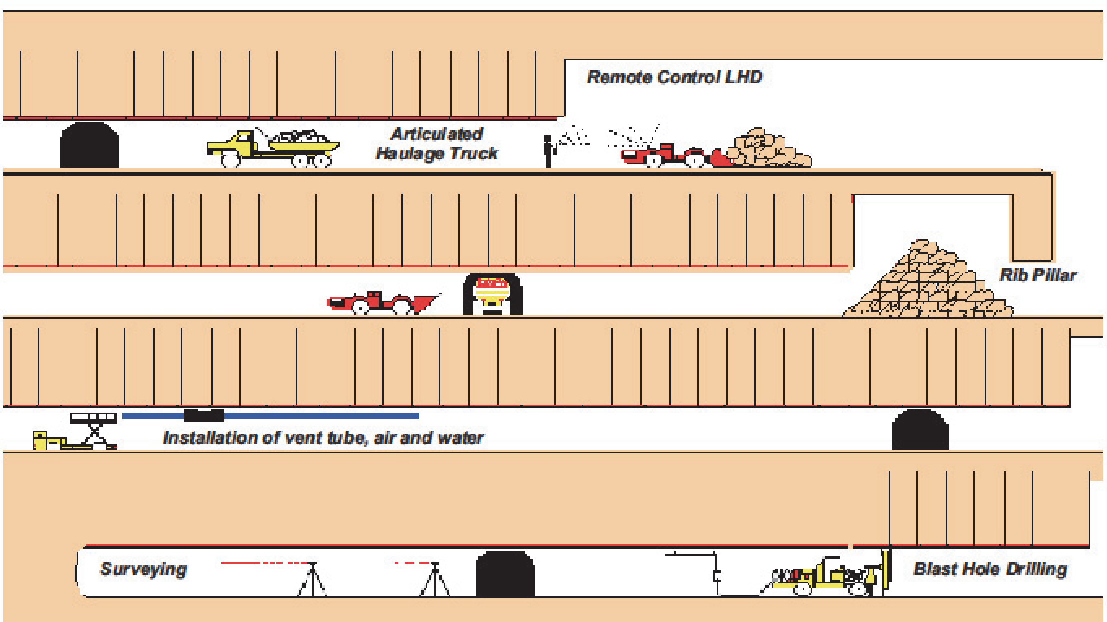
Underground mining employs blast hole stoping from sub-levels developed in the footwall of the mineralization. The stoping areas are accessed initially from 5.0 m wide by 5.5 m high main haulage ramps developed at 12% road grade in the footwall, which leads to primary development cross cuts of 4.5 m wide by 5.1 m high, and secondary development drifts and cross cuts of 4.5 m wide by 4.7 m high. Sub-levels are spaced at approximately 25 m vertical intervals. Mined out stopes are not backfilled.

At the Fazenda Brasileiro Mine, there are nine active stoping areas called bodies: C, D, E, F, and G. All bodies have a planned dilution of 14%, except for the F Body, which has a dilution of 20%. Planned mining recovery is estimated to be 91%, except for F Body, which is 89%. In local areas of weaker than average ground conditions with the bodies, planned mining recoveries are in the 83% to 85% range.

From the sub-levels, access drifts are developed into the stoping areas and fan drilling of blast holes into the mineralization is used to further define the boundaries of the mineralization and design the ultimate blast patterns. Remote-controlled 12 t Load-Haul-Dump machines are used to load and haul the ore from the stoping areas to 25 t and 35 t articulated haulage trucks at loading points in the sub-levels.

The sub-horizontal plunge and approximate 45° dip of the orebody, combined with a thickness up to 40 m, provides for low development and operating costs. Maximum stope heights are 20 m. Future operations in the deeper areas of E decline will have higher haulage costs that will be partially offset by the shorter underground haulage in the F and G declines.

Operations to date have seen most of the waste rock hauled to surface. As noted by RPA, the disposal of waste rock in abandoned underground workings should be investigated, which would reduce costs. A schematic of the development and mining method is illustrated in the following figure.



16-4

Figure 16-1

Brio Gold Inc.

Fazenda Brasileiro Mine

Bahia State, Brazil

Typical Underground Development and Stope Mining

May 2016

Source: WGM, 2003.

www.rpacan.com

The mine produces a small amount of water and most of the pumping requirements are the direct result of mining activities. Mine dewatering is carried out with a series of pump stations in the main ramps extending to the bottom of the central ventilation raise. Water is then pumped to surface through two additional pump stations.

The underground workings have good ground conditions that do not require any special support to ensure stable openings. Development headings are typically scaled and bolted, which use a combination of hand and a single-boom scaler with rock bolts installed by single boom bolters. Cable bolts are also used to secure the hanging wall in the rib pillar area at the entrance of the stoping areas from the sub-levels.

Mineral Processing and Metallurgical Testing

Metallurgical test work documentation was not available for the Fazenda Brasileiro Technical Report, however, it is not essential because the Fazenda Brasileiro Mine is a well-established mine and mill operation. Metallurgical information used to evaluate the operation consists of current and historical process operating data. Several years of detailed key process indicators have been supplied for RPA's review.

RPA recommends that testing programs be carried out on any new ore types encountered that show variation in ore hardness and sulphide content and especially ores containing graphitic carbon.

The Company is now performing regular testing of plant CIP feed samples and ore samples from the current areas scheduled for mining, to determine the preg-robbing characteristics of the naturally occurring carbon in the ore. The focus of the testing is to determine the most effective way to apply the CIL process, and if necessary, the use of kerosene as a natural carbon blinding agent to reduce losses of gold to naturally occurring carbon. The Company is also investigating the use of oxygen in the pre-oxidation and leach circuits instead of air to improve sulphide oxidation and metal recovery.

Production at the Fazenda Brasileiro Mine began in 1984 using heap leaching. A conventional cyanide leaching and CIP plant, Circuit 1, was then added to treat the underground at a rate of 34 tph. In 1991, the plant was expanded by adding a second 95 tph circuit, Circuit 2, to give a total capacity of 120 tph or approximately 960,000 tpa. Currently, the two leaching circuits operate with pre-aeration and CIL. With improvements made over time the plant is capable of processing 175 tph, and 1,200,000 tpa. The heap leach operation was discontinued sometime between 2003 and 2007.

The overall process flow sheet consists of:

- Three stage crushing
- Ball mill grinding consisting of two mills in parallel closed with cyclones
- Gravity concentration using centrifugal concentrators; treating the underflow of one cyclone in each of the grinding cyclone clusters
- Thickening producing a leach feed of 50% solids
- Cyanide leaching in two parallel circuits, Circuits 1 and 2
- CIL in two parallel circuits, Circuits 1 and 2
- Zadra pressure stripping of the carbon
- Intensive cyanidation of the centrifugal concentrator concentrates
- Electrowinning of the carbon eluent and gravity concentrate leach solution
- Casting of gold bars in an induction furnace

Tailings will be pumped to one of four tailings impoundments.

Environmental Studies, Permitting and Social or Community Impact

Yamana has a comprehensive environmental policy, partially inherited from CVRD operations. This policy has been developed in line with the Plan of Recovery of Degraded Area Document ("**PRAD**"), as outlined by the relevant authority. The PRAD was prepared for Yamana by Mineral Engenharia e Meio Ambiente, an external consulting firm. The environmental authorities in Brazil use the PRAD as a commitment for the Company to complete the rehabilitation on mine closure.

The guidelines are, in essence, re-vegetation of the areas with native species, coverage of the pits or conversion of the pits for storing water, along with stabilization and rehabilitation of waste dumps and tailing dams. The demolition and removal of all structures and facilities that will not be used in the future is also included. A summary of the items developed in the PRAD are presented below.

Environmental Licensing

The Brazilian Environmental Policy was created in 1981 (Law No. 6938/81). Based on this policy, the Resolution CONAMA 01/86 defined the nature of the studies required for permitting the different types of activities which have the potential to cause environmental impacts, such as mining and ore treatment plants. The Fazenda Brasileiro Mine currently has several licences and water permits. These permits were issued by the Environmental Resources Centre through processes in the Environmental State Board.

The Fazenda Brasileiro Mine has been operating for over 32 years and therefore all relevant permits have been in place for this period. There are no identified environmental liabilities associated with the tenements.

The permits currently effective at the Fazenda Brasileiro Mine are tabulated in the following table:

Fazenda Brasileiro Mine Mining Permit Status

Document	Description	Certificate Number	Process Number	Granting Date	Expiry Date	Status
Licence to operate wastewater treatment for housing in Teofilândia	Dwellings and wastewater treatment for mine work force	INEMA 8.143/2014	2013.001.000486/INEMA/ LIC-000486	16/08/2014	17/08/2022	ACTIVE
Water Discharge Permit	Discharge to River do Inco	INEMA 7.848/2014	2011-001492/OUT/RENOV-0217	28/12/2013	29/12/2017	ACTIVE
Water Withdrawal Permit	Grant for use of resource water-Biritinga	INEMA 6.616/2013	2011-001492/OUT/ RENOV-0217	28/12/2013	29/12/2017	ACTIVE
Operating Permit	Operating Permit for Mine, Mineral Processing Facilities, Waste Rock Storage and Tailings Dam	INEMA 11.387/2016	2014.001.000549/INEMA/LIC-00549	03/04/2016	03/04/2018	ACTIVE

Environmental Impacts and Mitigation Actions

The Fazenda Brasileiro Mine mining unit currently has an environmental control plan in place that was developed before the operation started. All the impacts generated are monitored and addressed as required. The impacts to be mitigated during the closure phase of the mine were also addressed in the closure plan update prepared by Mineral Engenharia e Meio Ambiente.

The programs contemplated in the environmental control plan are:

- Environmental Management System
- Environmental Education Program
- Erosive Processes Prevention and Control Program
- Liquid Effluents Control Program

- Fauna and Flora Control Program
- Degraded Areas Rehabilitation Program
- Solid Residues Management Program
- Surface Waters Quality Monitoring Program
- Hydrogeological Monitoring Program
- Atmospheric Emissions and Air Quality Monitoring Program
- Noise and Vibration Monitoring and Control Program

Socioeconomics

The environmental impact assessment ("**EIA**") identified the main socioeconomic impacts that will be generated by the closure of the Fazenda Brasileiro Mine, namely unemployment, decreased tax revenues, end of demand for local regional supplies, reduction in personal income and the end of projects with the local community.

The impact of unemployment can be mitigated by relocating individual workers to the Company's other operations and possibility to other mining companies within the state of Bahia. The Company's nearest site is the Santa Luz Project.

The loss of tax revenue income is irreversible in the short and medium terms because there are no prospective new enterprises scheduled, or on the planning boards in the Fazenda Brasileiro Mine's area of influence. Suppliers of services and materials will have to look for new clients but there is the possibility that the Santa Luz Project will use some of these suppliers. The reduction of personal income can be partially offset with the implementation and support of sustainable projects within the communities and educational training of the people before the project closure.

The end of the projects involving the community partnership program can be mitigated by intensifying the investments in projects during the pre-closure phase (2018 to 2022). This investment support has the objective of developing the autonomy and the sustainability of these projects, mainly in the generation of employment and income.

Capital Cost

The projected capital costs for the LOM are summarized in the following table.

Projected Capital Costs

Description	**2016 (US$ M)**	**2017 (US$ M)**	**2018 (US$ M)**	**2019 (US$ M)**	**2020 (US$ M)**	**2021 (US$ M)**	**2022 (US$ M)**	**Total (US$ M)**
Buildings & Infrastructure	1.657	1.084	0.218	0.092				3.052
Furniture & Fixture	0.019	0.026	0.016	0.014	0.014	0.014		0.104
Hardware & Software	0.186	0.078	0.013					0.277
Machinery & Equipment	4.701	2.427	1.321	0.128	0.041	0.017		8.636
Tailings Dam Maintenance	0.876	0.132	0.224					1.232
Technical Studies	0.727	0.823	0.607	0.309	0.160			2.627
UG Mine Development	7.219	4.847	5.403	5.163	4.001	2.503	0.693	29.829
Vehicles	0.496	0.512	0.520					1.528
Exploration	2.500	1.351	1.296	1.557	0.740			7.444
Expansionary Mine Dev	0.735	0.327						1.062
Tailings Dam Expansion	0.395	0.789						1.184
Other Expansionary	1.053							1.053
Closure & Reclamation							14.749	14.749
Total	**20.564**	**12.397**	**9.618**	**7.264**	**4.957**	**2.535**	**15.442**	**72.776**

Operating Cost

Unit operating costs for the three-year period averaged US$42.76/t milled including mining, milling and general and administration costs, as presented in the table below. The average BRL/USD exchange rate for the three-year period was 2.55.

Actual Unit Operating Costs-2013 to 2015

Activity	2013 (US$/t milled)	2014 (US$/t milled)	2015 (US$/t milled)	Average (US$/t milled)
Open Pit Mining	3.78	2.91	1.94	3.44
Underground Mining	27.01	26.55	18.02	19.83
Milling	13.43	12.70	12.48	13.60
General & Administration	7.40	4.15	3.65	5.78
Total	**51.62**	**46.30**	**36.51**	**42.76**
Exchange Rate (BRL/USD)	2.15	2.35	3.33	2.55

The LOM plan estimated unit operating cost averages US$30.95/t milled. Operating costs are based on planned operating metrics and recent actual results modified to reflect a projected BRL/USD exchange rate of 3.8.

Projected Unit Operating Costs Per Tonne Mill Feed

Activity	2016	2017	2018	2019	2020	2021	2022	Average
Open Pit Mining	3.35	3.35	3.35	3.35				3.35
Underground Mining	16.96	18.84	17.81	18.47	18.00	14.21	20.28	17.56
Milling	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49
General & Administration	6.75	6.24	5.24	5.80	6.96	6.71	6.94	6.26
Total	**31.15**	**31.51**	**29.26**	**30.00**	**33.45**	**29.41**	**35.77**	**30.95**

Exploration, Development and Production

In 2015, Brio Gold completed almost 74,000 metres of surface and underground drilling at the Fazenda Brasileiro Mine. The exploration program resulted in a 171% increase in reserves from the prior year to 392,000 ounces of gold, which equates to 6.5 years of mine life. In addition, during 2015, a prospective new discovery was made at the Fazenda Brasileiro Mine. The new discovery, named E388 East, is at relatively shallow depth (350 metres) and near existing primary infrastructure, immediately adjacent to a main haulage ramp (E-Ramp). The exploration results are similar in thickness and grade to those that were seen in the early years of the mine and support the Company’s belief that the mine, which has been in operation for more than three decades, still has considerable exploration potential and mine life to come. 90,000 metres of drilling is planned for 2016, with a continued focus on increasing reserves, the prospective E388 East zone and other high potential areas.

Select high-grade intercepts from the first phase of drilling at E388 East, which was completed in June 2015, are presented below.

Hole	Intercept (m)	Width (m)	Average Grade (g/t)
FS-13894	66 - 76	10	11.8
FS-13894	79 - 81	2	50.6
FS-13903	48 - 50	2	24.1
FS-13788	75 - 89	14	10.6
FS-08480	63 - 71	8	9.3
FX-08232	30 - 36	6	13.1
FS-12885	33 - 44	11	5.9
FS-13902	81 - 90	9	7.2
FS-13899	53 - 58	5	14.4
FS-13882	74 - 92	18	6.7
FS-13881	76 - 84	8	12.2

The Company expects production in 2016 from the Fazenda Brasileiro Mine to be between 63,000 to 68,000 ounces of gold and 65,000 to 70,000 ounces of gold in 2017.

Pilar Operation

The scientific and technical information in this section relating to the Pilar Operation is derived from, and in some instances is a direct extract from, and based on the assumptions, qualifications and procedures set out in, the Pilar Technical Report. Such assumptions, qualifications and procedures are not fully described in this prospectus and the following summary does not purport to be a complete summary of the Pilar Technical Report. Reference should be made to the full text of the Pilar Technical Report, which is available for review under the Company's profile on SEDAR at www.sedar.com.

Property Description and Location

The Pilar Operation is located in the state of Goiás in the central region of Brazil, at approximate latitude and longitude coordinates 14°47'05"S and 49°34'44"W, or UTM coordinates 652,500 E, 8,366,000 N. The Pilar Operation lies between the municipalities of Crixás and Itapací and hosts four deposits: Pilar, Três Buracos, Maria Lázara, and Caiamar.

Figure 4-1

Brio Gold Inc.

Pilar Operations
Goiás State, Brazil
Location Map

Mineral Tenure

The Pilar Operation is divided into 11 EPs and three exploration claims covering a combined area totalling 11,957 ha and six mining concessions (three of which are in various stages of application) covering an area of 5,855 ha. All claims and concessions have been transferred to the Company and are held under the name of Pilar de Goiás Desenvolvimento Mineral S.A.

The Pilar Operation is covered by EPs granted by the DNPM. The EPs may be initially granted for up to three years, renewable for no longer than an additional three years. An annual fee per hectare ranging from US$0.35 to US$0.70 must be paid to maintain the EP in good standing. At the end of the three year period, the license holder must submit a report to the DNPM detailing the results of all exploration activities and a preliminary assessment of the economic and technical viability of any deposits found. In up to one year from the approval of said report by DNPM, the titleholder may then apply to the DNPM for a mining concession. The mining concession will only be granted once the environmental installation license has been obtained. Mining concessions are granted by the Brazilian Ministry of Mines and Energy, and have no set expiry date. The concessions remain in good standing subject to submission of annual production reports and payments of royalties to Brazil's federal government.

The list of EPs, mining claims and mining concessions as of November 2016 are included in the following tables.

Exploration Permits

Claim	DNPM Number	Owner	Application Date	Expiry Date	Area (ha)
1	860.140/16	Pilar	22/02/2016	23/03/2019	1.044
2	860.209/15	Pilar	03/03/2015	28/08/2018	815
3	861.020/15	Pilar	14/09/2015	26/10/2018	1,661
4	861.274/15	Pilar	05/11/2015	20/01/2019	1,000
5	861.316.15	Pilar	10/11/2015	18/12/2018	1,569
6	861.351/12	Pilar	03/07/2012	19/11/2018	1,123
7	861.352/12	Pilar	03/07/2012	04/02/2019	580
8	861.405/09	Pilar	14/10/2009	20/08/2017	1,704
9	860.138/16	Pilar	22/02/2016	20/04/2019	1,848.29
10	860.139/16	Pilar	22/02/2016	14/09/2019	669
11	860.135/16	Pilar	22/02/2016	14/09/2019	301
	Total			**11**	**11,271.33**

Exploration Claims

Claim	DNPM Number	Owner	Application Date	Expiry Date	Area (ha)
1	861.235/15	Pilar	26/10/2015	Pending Approval	85.00
2	860.824/16	Pilar	29/07/2016	Pending Approval	348.00
3	860.455/16	Pilar	10/05/2016	Pending Approval	252.60
	Total			**3**	**685.60**

Mining Concessions

Concession	DNPM Number	Owner	Area (ha)	Concession Number	Property
1	860.406/04	Pilar	927	193	Pilar
2	860.914/84	Pilar	757	18	Caiamar
3	861.703/84	Pilar	793	33	Caiamar
4	861.162/09	Pilar	965	278	Maria Lázara
5	861.846.05	Pilar	713	Pending Approval	Três Buracos
6	861.158/09	Pilar	1,700	Pending Approval	Maria Lázara North
Total	**6**		**5,855**		

Land Use

The Pilar Operation claims cover several farms. Agreements have been signed between Yamana and the land owners to allow mining and exploration activities.

Royalties

The Brazilian government collects a 1% gross revenue royalty on all gold operations in Brazil. At the Pilar gold mine, the small amount of surface owned by a third party is subject to a 0.5% gross revenue royalty payment expected to be approximately US$40,000 per year for the next three years from date of the Pilar Technical Report. At the Maria Lázara gold mine, surface rights owned by third parties are subject to a 0.5% gross revenue royalty payments scheduled to be approximately US$104,000 over the mine life. At the Caiamar gold mine, there is a royalty payment that comes into effect once 40,000 ounces have been produced. Only 16,545 ounces have been produced since start of production to date and the mine was put on care and maintenance status in October 2015.

Other than the usual environmental requirements associated with a mining and milling operation, RPA is not aware of any environmental liabilities on the property. The Company has all required permits to conduct work on the property.

RPA is not aware of any other significant factors and risks that may affect access, title, or the right or ability to perform the Company’s proposed work program on the property.

Accessibility

The Pilar Operation is located near the towns of Itapací and Pilar de Goiás on state highway GO154, approximately 320 km northwest of the federal capital of Brasília, which is served by an international airport, and approximately 248 km north of the state capital Goiânia. Itapací has a population of approximately 16,000 and is located 20 km northwest of national highway BR153. Pilar de Goiás has a population of approximately 3,000 and is 22 km north of Itapací.

Climate

The Pilar Operation area has a tropical climate characterized by high average temperatures, with maximum temperatures of 30°C to 34°C. The rainy season is from October to March (spring and summer), followed by a relatively dry season from April to September (autumn and winter). The average annual rainfall in the region varies between 1,500 mm and 2,000 mm. The local climatic conditions are conducive to year round mining operations.

Physiography

The Pilar Operation is situated approximately 850 masl in hilly terrain with elevation differences of up to 160 m, with narrow ravines separating areas of higher relief. The local vegetation is predominantly the Cerrado type, a tropical savannah that consists of a wide range of trees and shrubs, usually no higher than 1.2 m tall, scattered across the landscape with twisted trunks and branches. Grass species natural to the region develop under this vegetation, ranging from 30 cm to 50 cm in height.

In restricted areas, there are still a few remnants of pre existing tropical forest preserved by the presence of topographical features, or clusters of boulders that make the area unsuitable for farming. These are typical riparian forests, with trees developed on two characteristic levels.

Local Resources

The nearby towns of Pilar de Goiás and Itapaci provide access to, and reasonable housing for mine employees.

Infrastructure

The Pilar mine includes underground workings and gold ore processing facilities, as well as other necessary buildings and infrastructure. This infrastructure includes:

- Mine workings and equipment.
- A 3,500 tpd processing plant.
- 11 MW power available from Itapací Power station.
- Water sourced from the Vermelho River.

- A tailings storage facility.

- Other buildings and supporting facilities including workshops, storeroom, fueling station, offices, dry facilities, cafeteria, medical clinic, and laboratory.

The Maria Lázara mine commenced underground production in 2015, and is expected to contribute approximately 10,000 ounces per year when in full production. The mine is being developed by a contractor who is also responsible for transportation of ore 15 km to the processing plant at the Pilar mine. Power is supplied by diesel generators. Water is sourced locally under agreement from a landowner.

The Caiamar mine operated as an underground mine using a standard sub-level stoping mining method, with a capacity of 650 tpd. The ore produced at the Caiamar mine was processed at the Pilar processing plant, located 42 km from the mine. The mine was placed on a care and maintenance basis in October in 2015. Power is supplied from the local utility company and is supplemented by diesel generators. The infrastructure at the Caiamar mine includes:

- Mine workings and equipment.

- Water sourced from local sources.

- Waste storage.

- Other buildings and supporting facilities including workshops, storeroom, fueling station, offices, and dry facilities.

Project Tenure History

The Pilar Operation includes the Pilar gold mine, the past-producing Caiamar gold mine, the Maria Lázara gold mine and the Três Buracos deposit located in Goiás state in central Brazil. The project tenure history of the Pilar, Maria Lázara, and Caiamar gold mines follows.

Pilar Mine

"Garimpeiros" (artisanal miners) occupied the area of the Pilar mine from the 1740s to the 1820s and have been active in the area until recently. Mineradora Montita Ltda. (**"Montita"**) started exploration work in the region in 1972. In 1981, Mineración Colorado Ltda. (**"Colorado"**), from the Utah Mines Group, signed an agreement with Montita and began an exploration program in the area, which lasted until the end of 1982. Colorado was acquired by Mineração Marex Ltda (**"Marex"**), property of the Australian Broken Hill Pty. (**"BHP"**). Marex attempted to implement a legal procedure to eradicate activities of the garimpeiros for two years without success and left the Pilar mine area in 1984. In 1989, Montita signed a joint venture agreement with Mineradora Serra do Sul (**"Serrasul"**) owned by Canadian International Nickel Company (**"INCO"**) and together they formed the Companhia Nacional de Mineração (**"CNM"**). The existing exploration information was revalidated and three zones were targeted for further work - Jordino, Ogó, both located within the Pilar deposit, and Três Buracos. Due to the difficulties in accessing the areas occupied by the illegal miners, a lack of capital funding from CNM, and financial turmoil faced by INCO Brazil at that time, Serrasul withdrew from the Pilar gold mine in 1990.

In early 1995, Montita finally resumed its exploration campaign. In total, 10,000 m were drilled in the area, with only 5,000 m of drilling targeted at gold prospects.

From August 2006 onwards, Yamana initiated activities focusing on new geological field mapping, reinterpreting the existing maps, sampling the regional areas with potential for further exploration, followed by detailed sampling in the areas with anomalies and drill holes in the main known targets (Pilar gold mine and Três Buracos).

The underground exploration program targeted at the top of HG3 zone at the Pilar deposit was completed in May 2010. Mine development began later that year. Processing plant production began in June 2013 and the first gold pour was in July 2013. Commercial Production began in October 2014.

Caiamar Mine

The Caiamar deposits were first discovered by the Portuguese. They were mined for rich alluvial deposits along the Caiamar River from 1740 to 1820. They later found the in situ source of the gold where an open pit mine was developed in the surficial oxidized material. The pit is about 1,600 m long and up to 30 m deep. It is not known how much gold was produced from the alluvial and open pit operations. Exploration activities in the modern era were initiated by Mineradora INCO Ltda. (**"INCO Ltda."**) in the 1970s. Surface mapping on the property and about 90 drill holes (16,000 m) were completed along the extension of the former open pit mine. The exploration results were not judged to be satisfactory and the property was put up for sale. SMF was formed to buy the exploration rights from INCO Ltda. in 1984. At that time, it was decided that drilling was not the best methodology to evaluate the deposit due to its strong structural control and discontinuity between the mineralized zones. An underground exploration program was completed which included a 150 m deep shaft and drifts on three levels (55 m, 110 m, and 150 m) parallel to the main regional fabric.

In 2008, Yamana started an exploration program under an agreement with SMF. This work included mapping and sampling drifts and shafts. Exploration and infill drilling started in 2009 and concluded in 2013. Underground productions began in 2014 and was halted in October 2015.

Maria Lázara Mine

The Maria Lázara deposit was probably firstly discovered by fugitive slaves, and in 1641 a Portuguese expedition that was looking for them "re discovered" this gold occurrence. The Portuguese conquerors arrived in the region at the beginning of the 18th century and began mining the alluvial deposits along the Carroça River. In 1962, Montita purchased the exploration claims and commenced exploration work in the region. BHP/Montita started exploration in the area in 1984 without success.

In June 2006, Yamana reached an agreement with Montita to explore the area for three years and in September 2007, Yamana completed three exploratory drill holes in the Maria Lázara deposit with positive results. At the end of this exploration period Yamana purchased 100% of the Maria Lázara gold mine. Exploration work was restarted in 2010 with detailed geological mapping and database integration. The drilling campaign was restarted in October 2011 and has continued into 2015.

Construction of an exploration ramp was started in March 2014 with mapping, channel sampling, and underground drilling from November 2014 onwards. Underground production commenced in August 2015.

Exploration and Development History

The exploration and development history of Pilar, Maria Lázara, and Caiamar gold mines are summarized in the following table.

Exploration History

Year	Company	Description
Pilar		
1972 - 1981	Montita	Geological mapping and drilling
1981 - 1982	Colorado	Exploration program unknown
1989 - 1990	CNM	Program abandoned
1995	Montita	Pilar – 10,000 drilling
2006 - 2010	Yamana	Surface and underground drilling
2009	Yamana	Exploration ramp, feasibility study
2010	Yamana	Mine development
2013	Yamana	Plant construction and first gold pour
2014	Yamana	Commercial production
Maria Lázara		
1962	Montita	Chip sampling, geological mapping, trenching, drilling
2006 - 2014	Yamana	Surface and underground drilling
Caiamar		
1970s	INCO	Geological mapping and surface drilling
1984	SMF	Underground development and drilling
2008 - 2013	Yamana	Underground development and drilling
2014	Yamana	Underground production

Historical Resources Estimates

In October 2009, an exploration ramp was initiated to give support for a Feasibility Study, prepared by AMEC for Yamana, over Jordino, part of the Pilar deposit. Indicated Mineral Resources of 7.7 million tonnes at an average grade of 4.94 g/t Au, containing approximately 1.2 million ounces of gold, inclusive of Mineral Reserves, were estimated as part of this study. The nine year LOM plan incorporated Mineral Reserves of 8.9 million tonnes of ore grading 4.01 g/t Au. This estimate was not reviewed by RPA and is superseded by the current Mineral Resource estimate dated December 31, 2015.

Production History

There is no estimate of the production history by garimpeiros, except for limited surveys of underground and open pits performed by Yamana.

Gold production at the Pilar Operation is summarized in the following table. Note that 2013 was a partial year.

Past Production

Year	Tonnes Processed	Grade (g/t Au)	Gold Recovery (%)	Gold (oz.)
2013	402,406	1.53	77.8	15,374
2014	1,084,129	1.87	92.1	60,091
2015	1,134,722	2.42	93.9	83,184
Total	2,621,257	2.06	90.7	158,649

Regional Geology

The Pilar, Guarinos, and Crixás Greenstone Belts are part of the Goiás Massif. It consists of three main groups of rocks:

- Granite-greenstone terrains, which include the Pilar, Guarinos, and Crixás Greenstone Belts.
- Mafic-ultramafic complexes, including the Canabrava, Barro Alto, and Niquelândia complexes.
- Volcano-sedimentary sequences of Jucelânia, Coitezeiro, and Palmeirópolis.

Geology and Mineralization

The Pilar property covers the Guarinos and Pilar Greenstone Belts and a portion of the Moquém gneissic complex.

The Guarinos Greenstone Belt is represented by a succession of basic rocks, mostly basalt and amphibolite, and by meta-sedimentary layers, related to inter-flow sedimentary events. Chlorite-quartz-garnet-schist is also present. The main structure is the Carroça Shear Zone, a reverse-dextral major shear zone, parallel to the main regional foliation with several kilometres of strike length. The shear has a mylonitic fabric and an associated 400 m wide hydrothermal alteration zone. Gold mineralization at the Caiamar and Maria Lázara mines is related to this structure.

The Pilar Greenstone Belt is composed of a thick sequence of ultramafic and mafic flows, sedimentary rocks, and felsic volcanic rocks. The Pilar and Três Buracos deposits are in this western portion along the main trend near the Moquém Complex contact. Mafic-ultramafic rocks are represented by basalt with pillow structures and komatiitic flows. The sedimentary sequence contains graphite schist, greywacke, and argillite, while the felsic volcanic rocks are acid tuffs and flows. Gold mineralization is mainly concentrated in the graphite schist but also occurs within the greywacke layers.

Gold mineralization at the Pilar and Guarinos Greenstone Belts is typical of orogenic gold deposition. The mineralization is related to, and controlled by, major faults and shear zones. At the Pilar mine, these structures are mainly low angle thrust faults and at Guarinos, they are mainly high angle transpressional structures, both probably related to the main basin closure event in the final stages of Archean-Paleoproterozoic deformation.

Strong silicification and sulphidation are the main forms of hydrothermal alteration. Host rocks are always well silicified and contain shear-related quartz veins. Arsenopyrite is the main sulphide related to the gold mineralization, while pyrite, and minor chalcopyrite, and pyrrhotite are also present. Gold is present both as free grains in clusters related to quartz veining, and in association with arsenopyrite and other sulphides.

Gold mineralization at the Pilar gold mine occurs in three levels, with each level containing a high grade core surrounded by a lower grade halo. Diamond drilling has outlined an area of gold mineralization with a strike length of 3.3 km, a width of 2.6 km, and a thickness between 10 m and 30 m.

Mineralization at the Maria Lázara gold mine is hosted by silicified biotite-chlorite-sericite schists and with quartz veins concordant with main foliation. Diamond drilling has outlined an area of gold mineralization with a strike length of 3.6 km, a width of 720 m, and an average thickness of 10 m.

Gold mineralization at the Caiamar gold mine occurs in four parallel zones and on a set of small shoot-like structures related to a transpressional shear zone. The most significant gold mineralization at the Caiamar mine occurs in zones A1 and A2 associated with intense hydrothermal alteration. Diamond drilling has outlined zones of steeply plunging gold mineralization within an area with a strike length of approximately 1.4 km, a vertical extent measuring 600 m, and thicknesses ranging from one metre to 20 m.

Exploration

Yamana began exploration in 2006 and exploration methods mainly consisted of field mapping, geological reinterpretation of previous mapping, chip sampling and diamond drilling. This exploration identified seven main targets including Pilar - Três Buracos, Anomaly 578, Morro do Tenente, Luzelândia, Guarinos South, Maria Lázara, and Guarinos North.

Up to December 2008, Yamana collected a total of 4,013 chip and channel samples, 1,100 soil samples, completed 43,372 m of diamond drilling, and cut 1,500 km of lines for geological mapping.

Two types of geophysical surveys have been carried out on the deposit. The first survey was a 2008 Public Regional Survey (MAG and GAMA, Goiás State Survey). Re-interpretation of this survey and 3D Inversion modeling of the data showed that the Pilar structure seems to be more continuous towards the southwest in the dip direction, covered by the Araxá Sedimentary sequence, and may be linked with the Maria Lázara mineralized trend. Positive stream sampling results along this trend support this interpretation.

In 2009, a 7 km^2 area was selected to be surveyed using a helicopter borne magnetometer along 350 lineal km of lines spaced on a 200 m by 200 m grid. The objective of the second survey was to outline the general architecture of the deposit and any structures that affected the mineralization. The final geophysical products were integrated with the geological data and analyzed by the Yamana exploration team.

Pilar Mine

In 2009 and up to May 2010, exploration was focused on the Pilar target with approximately 68,000 m of diamond drilling for in fill and zone extension. A 140 m decline and 100 m of horizontal drifts were driven in the HG2 level near the upper limit of the Pilar deposit. Vertical channel samples were collected at approximately four metre centres along the walls of the underground openings. Close spaced (30 m centres) drilling was carried out in the decline area prior to the underground development. The purpose of this underground development was to better understand the continuity and grade of the zone along strike and down plunge and to compare the results of the channel sampling with the previous 30 m by 30 m and 50 m by 50 m spaced drilling.

In July and August 2011, mapping and sampling in the Pilar ramp were restarted. Detailed geological mapping of the HG1 Zone was started in the 746 Gallery, and channel sampling was also carried out with the objective to improve the knowledge of the HG1 mineralization.

Drill testing of zone extensions and infill drilling continued until 2013.

Step out drilling and geophysical modelling show that the low angle structure and the hydrothermal alteration and mineralization related to it are continuous at least 1,500 m down dip. Extensions to the deposit are evident in both northern and southeastern areas.

Further drilling is ongoing in 2016. The Company has approved a budget of US$5.0 million to complete 61,200 m of infill and extension drilling at the Pilar Operation. Approximately 41,200 m of that drilling will be targeted at the Mineral Resources at the Pilar gold mine.

Maria Lázara Mine

Exploration in the Maria Lázara gold mine area started with systematic sampling of stream sediments along the Carroça Shear Zone. This work was followed up with detailed geological mapping, rock chip, and channel sampling of outcrops in anomalous areas. Diamond drilling followed on the outcropping mineralization of the zone.

An underground exploration program was initiated in 2014 to expose the mineralization and provide a bulk sample to be treated at the Pilar mine processing plant. Detailed geological mapping and channel sampling were completed on the three levels that were developed.

The total length of the underground workings developed is 1,702 m including the access drift (290 m), ramps (304 m), Level 480 (340 m), Level 500 (302 m), and Level 520 (281 m).

Channel sampling on Level 500 at the Maria Lázara gold mine was executed with diamond saw and hydraulic hammer on the northwest and southeast mineralized zone exposures. Channels spaced at 3.0 m on the walls were executed with diamond saw. For grade control, the mine team is completing "linear chip sampling" with a manual hammer, at a 6.0 m spacing and with standard sample length of 0.5 m. Standards and blanks are introduced on each sample batch for quality control. These samples are used for grade control only and not included in Mineral Resource estimation.

Using a capping grade of 18 g/t Au, the average grades returned from the channel sampling were 5.71 g/t Au (Level 480), 5.38 g/t Au (Level 500), and 5.89 g/t Au (Level 520).

Mine production at the Maria Lázara gold mine began in August 2015.

The Maria Lázara deposit is open on strike and dip. Further drilling is planned at the Maria Lázara mine. The Company has approved a budget of US$5.0 million to complete 61,200 m of infill, expansion, and exploration drilling at the Pilar Operation. Approximately 17,000 m of that infill and extension drilling will be targeted at the Maria Lázara mineralization.

Caiamar Mine

Yamana's exploration teams completed underground mapping and chip sampling on the 55 m and 110 m levels during December 2008 and January 2009. The mapping (1:500 scale) defined the two main mineralized zones and characterized the main host rocks. A geological re interpretation of the deposit was also completed.

On surface, 1:10,000 geological mapping was carried out on property. Drilling on the deposit and surrounding property started in April 2009.

Underground development began in 2013. Mine production began in 2014 and was halted in October 2015.

Drilling

Diamond drilling on the Pilar Operation's deposits totaled 361,328 m in 1,854 holes effective October 31, 2015. Of this total, historical drilling accounts for 5,537 m in 47 holes while Yamana completed the remainder. Drilling continues in 2016 in the Pilar and Maria Lázara gold mines. The drilling, effective October 31, 2015, is summarized in the following table.

Diamond Drill Summary

Mine	Year	Company	Type	No. of Holes	Metres Drilled	% of Total
Pilar	1972 - 2004	Montita	Surface/Core	47	5,537	2.4
Pilar	2006 - 2015	Yamana	Surface/Core	1,028	228,047	97.6
Três Buracos............................	2006 - 2012	Yamana	Surface/Core	67	12,014	100
Maria Lázara............................	2007 - 2015	Yamana	Surface/Core	129	41,831	100
Caiamar	1970s - 1980s	INCO	Surface	88	15,268	20.7
Caiamar	2009 - 2014	Yamana	Surface/Core	495	58,631	79.3
Total.......................................				**1,854**	**361,328**	

The drilling procedures undertaken by Montita are unknown. Because of concerns with quality, Yamana re sampled much of the half core remaining from the Montita and INCO drill holes and replaced the previous assays in the database with the new results.

Drill hole spacing over the Pilar gold mine ranges from 25 m by 25 m to 200 m by 200 m, over a strike length of four km. Drilling is less regular and drill hole spacing increases in the north of the deposit and down dip. At the Três Buracos deposit, the drilling covers approximately 1.6 km along the strike direction and 1.0 km in the dip direction of the deposit. The drill spacing is variable; 100 m by 100 m, 50 m by 50 m, and 25 m by 25 m, with some widely spaced exploration drill holes.

At the Pilar mine, the Yamana drill programs were contracted to WFS Servitec Sondagens Ltda (2006 to 2012), Servitec Foraco Sondagem S.A (2012 to 2013), UTC Engenharia S.A (2014), and Servitec Foraco Sondagem S.A again in 2015. In 2015, an Atlas Copco CS-14 drill and a Maquesonda Mach 1200 drill were used for these purposes.

At the Maria Lázara mine, the drill holes from 2001 to 2013 were completed by WFS - Servitec Sondagens Ltda and Servitec Foraco Sondagens. In 2014 and 2015, the surface holes were drilled by UTC Engenharia S.A. and Servitec Foraco Sondagens using a Maquesonda 320 drill. The underground drill holes in 2014 were completed by Yamana with a Diamec 232 drill.

At the Caiamar mine, the surface drill holes from 2009 to 2013 were completed by WFS - Servitec Sondagens Ltda. In 2013 and 2014, underground drill holes were drilled by Yamana with a Diamec 232 machine.

Diamond drill holes are designed and set up in the field by site geologists and technicians using a global positioning system (GPS). The drill holes are surveyed as soon as possible after completion using a total station theodolite with an internal differential GPS receptor.

Surface drill holes are collared in soil using HW diameter (76.2 mm) equipment, changed to HQ diameter (63.5 mm) at the top of the saprolite surface, and changed to complete the hole at NQ diameter (47.6 mm) once fresh rock is encountered. Underground drill holes are completed with LTK diameter (48 mm) equipment.

Downhole surveys are taken by the drilling contractor upon completion of the drill hole. Most drill holes have been surveyed every three metres downhole using a Deviflex Devico electronic non-magnetic multi-shot instrument or a Reflex Maxibor electronic surveying instrument. No significant drill hole deviation issues have been encountered in the drilling to date.

After drilling, a PVC pipe is cemented inside the hole and the collars are protected at the surface with a cement block affixed with a metal tag stamped with the drill hole number, final depth, inclination, azimuth, and drilling dates.

RPA is of the opinion that the logging and recording procedures are completed to industry standards.

Sample Preparation and Analysis

There is no information available concerning previous sample preparation, analyses, and security methodologies by Montita, INCO and Serra Formosa.

For the drilling conducted by the Company and Yamana, the drill core is transported to the core logging facilities by the drill contractor. The entire length of the drill hole is photographed and marked for lithological contacts. Samples are marked down the entire length of the hole at 0.5 m intervals in mineralization and 1.0 m intervals in waste, except at lithological contacts where the sample is selected to respect lithological boundaries. Samples are sawn in half with an electric diamond core saw, and sampled prior to logging. Where infill drilling is taking place, RPA recommends that the sample size be increased to whole core as it is not necessary to retain a complete core record where drilling is infilling previous drill programs.

Samples are selected by lithology and mineralization from drill holes for density determination, using the water displacement method, after the drill hole has been logged.

Diamond drill core samples have been prepared by ALS, SGS and at the current time are prepared by the Pilar gold mine on site assay laboratory. Analyses have been done by ALS in Lima, Peru, Vespasian MG, Brazil, and the Pilar gold mine on site assay laboratory. The laboratories in Brazil and Peru are independent and accredited with ISO 9001:2008, ISO 17025:2005, and IQNet Management System for the preparation and chemical analysis of mining exploration samples.

Laboratory procedures are as follows:

- Each sample bag is weighed and then dried at 100ºC at ALS, 105ºC at SGS, and 100ºC at the Pilar laboratory.

- All core samples are crushed with a jaw crusher to 90% passing <2.0 mm (10 mesh).
- This material is split to 0.5 kg using a rotary sample divider or a Jones (riffle) splitter.
- The entire sample is pulverized to 95% passing <150 mesh using a steel pulverizer.
- The crusher and pulverizer are cleaned between each sample with compressed air, and are cleaned between batches with certified blank samples.
- All samples are fire assayed.
- A prepared pulp sample is fused to 1,000°C with a mixture (200g) of lead oxide, sodium carbonate, borax, and silica and other reagents as required, inquarted with 6 mg of gold-free silver, and then cupelled to yield a precious metal bead.
- The bead is digested in 0.5 mL dilute nitric acid in the microwave oven, then 0.5 mL concentrated hydrochloric acid is added, and the bead is further digested in the microwave at a lower power setting.
- The digested solution is cooled, diluted to a total volume of 4.0 mL with de-mineralized water, and analyzed by Atomic Absorption Spectrometry (AAS) against matrix-matched standards.
- If result is over 10 ppm Au at ALS Chemex or 100 ppm SGS Geosol and Pilar, the sample is automatically submitted to analysis by using a gravimetric method.
- Granulometric tests are performed three times per shift on the crushing and pulverizing processes at the Pilar laboratory. Preparation duplicates are inserted every 20 to 30 samples.

After collection at the core logging facility, the samples are placed in a large plastic bag including identification, loaded onto a truck owned and driven by a locally based transport company, and driven to the laboratory sample preparation facility at ALS, SGS or the Pilar gold mine laboratory. ALS and SGS store all pulps and coarse rejects for 45 days, and the Pilar gold mine laboratory stores them for five days. The samples are then transported to the Pilar gold mine exploration compound, where all samples are stored in the core storage facility for the life of the Pilar Operation.

In RPA's opinion, the sample preparation, analysis, and security procedures at the Pilar Operation are adequate for use in the estimation of Mineral Resources and are generally completed to industry standards.

Quality Assurance, Quality Control and Data Verification

Quality Assurance consists of evidence to demonstrate that the assay data has precision and accuracy within generally accepted limits for the sampling and analytical method(s) used in order to have confidence in a Mineral Resource estimate. Quality Control consists of procedures used to ensure that an adequate level of quality is maintained in the process of collecting, preparing, and assaying the exploration drilling samples. In general, QA/QC programs are designed to prevent or detect contamination and allow assaying (analytical), precision (repeatability), and accuracy to be quantified. In addition, a QA/QC program can disclose the overall sampling assaying variability of the mineralization itself.

CRM, blanks, and core duplicates were inserted with drill hole core sample submissions to monitor the precision, accuracy, contamination, and quality of the laboratory processes and results. Previously analyzed pulp samples are sent to a secondary lab to monitor any bias in the primary laboratory. Formal procedures are in place for describing the frequency and type of QA/QC submission, the regularity of analysis of QA/QC results, failure limits, procedures to be followed in case of failure, or for flagging failures in the QA/QC database.

The protocols for the insertion of QA/QC samples is summarized in the following table.

QA/QC Protocols 2010 to 2015

QA/QC Type	Insertion Rate	Acceptance Criteria
Blanks	1:30	< 5 × detection limit
CRM	1:30	90% of samples <2 Std Dev
Field Duplicate	1:20	Subjective
Check	5%	Subjective

Certified Reference Material

Standards of low, medium, high, and very high gold grades are supplied in pre packaged bags purchased from Geostats Sample and Assay Monitoring Service in Australia. Geostats Sample and Assay Monitoring Service provides certificates with the round robin assay results for both fire assay and Aqua Regia/AAS analytical methods, as well as the expected standard deviation for the assay results (95% confidence limit).

Certified Reference Material 2010 to 2015

	Laboratory					
	ALS/SGS			Pilar On Site		
Mine	Submitted	Failed	% Failed	Submitted	Failed	% Failed
Pilar	577	12	2.1	1,101	56	5.1
Maria Lázara	743	9	1.2			
Maria Lázara	81	Acceptable		26	Acceptable	
Caiamar	1,258	8	0.6			
Caiamar						

An additional 107 CRMs from Maria Lázara were submitted from January to October 2015 with acceptable results following reanalysis of the failures of SGS Geosol.

Blanks

The Company's procedure requires submission of one blank sample for every 30 samples submitted to the laboratory. Blank samples are also inserted between or after samples believed to return high assay values, to check for sample contamination at laboratory. When the analysis of a blank is more than five times the laboratory detection limit (0.025 ppm at ALS and SGS and 0.08 ppm at the Pilar gold mine laboratory), an investigation is requested and the sample batch is re assayed if required.

Blank Samples 2010 to 2015

	Laboratory					
	ALS/SGS			Pilar On Site		
Mine	Submitted	Failed	% Failed	Submitted	Failed	% Failed
Pilar	568	3	0.5	832	27	3.0
Maria Lázara	745	1	0.1			
Maria Lázara	83	1	1.2	25	0	0
Caiamar	1,702	2	0.1	488	13	2.7
Caiamar				100	1	1.0

An additional 108 blanks (83 SGS Geosol, 25 Pilar) from Maria Lázara were submitted from January to October 2015. Results were excellent with the failure rate at the Pilar laboratory at 0% and at SGS Geosol only 1.2%.

An additional 100 blanks from Caiamar were submitted to the Pilar laboratory from January to October 2015. Results were excellent with the failure rate at the Pilar laboratory at 1.0%

Duplicates

The Company's procedure requires submission of one field duplicate sample for every 20 samples submitted to the laboratory. Field duplicates are submitted to measure sampling precision, sample preparation, and the analytical process. Field duplicates also provide a measure of the inherent variability of the deposits and the nugget effect. Half core divided into quarter core is used in this process.

Field Duplicates 2010 to 2015

	Laboratory					
	ALS/SGS			Pilar On Site		
Mine	Submitted	Failed	% Failed	Submitted	Failed	% Failed
Pilar	765	Unknown		1,572	Unknown	
Maria Lázara	1,087	34	3.1			
Maria Lázara	121	Acceptable		30	Acceptable	
Caiamar	Unknown		8.9	Unknown		23.5

An additional 151 field duplicates (121 SGS Geosol, 30 Pilar) from Maria Lázara were submitted from January to October 2015. Results were acceptable considering the heterogeneous nature of the gold mineralization and the low grade of most of the samples.

Yamana analyzed the results of 2,113 field duplicate samples submitted with Caiamar core and channel samples to ALS Chemex, SGS Geosol, or the Pilar laboratory from January 2010 to December 2014. ALS Chemex and SGS Geosol returned acceptable results with a failure rate of 8.94%, mainly at very low grades. The Pilar laboratory returned less satisfactory results with a failure rate of 23.49%, again at very low grades. No field duplicates were submitted in 2015.

Most of the field duplicates are below cut-off grade for the deposit. RPA recommends that additional higher grade duplicates be submitted for analysis.

Check Samples

Analysis of duplicate pulps at a secondary laboratory is useful for measuring the precision and bias of both laboratories. The Company's protocol requires 5% of the drill core sample pulps are split again and are submitted to a secondary laboratory. Samples originally submitted to ALS or SGS were re assayed at Acme. Samples originally assayed at the Pilar gold mine on site laboratory were re assayed at SGS.

Check Samples 2010 to 2015

	Laboratory					
	ALS/SGS vs Acme			Pilar On Site vs SGS		
Mine	Submitted	Failed	% Failed	Submitted	Failed	% Failed
Pilar	835	Unknown		876	Unknown	
Maria Lázara	1,188	Acceptable				
Maria Lázara	143	Acceptable				
Caiamar	Unknown		2.7	Unknown		16.8

An additional 143 pulp duplicate samples from Maria Lázara were submitted to SGS Geosol following assaying at the Pilar laboratory from January to October 2015. Acceptable results were returned.

It is not known how many of the 1,188 pulp duplicate samples from the Caiamar gold mine were originally assayed at ALS and SGS or at the Pilar gold mine laboratory. Based on the Annual QA/QC Report (Brio Gold Inc. 2015) from the Caiamar mine, no pulp duplicate sample were submitted to a secondary laboratory in 2015.

In RPA's opinion, the QA/QC program as designed and implemented by the Company and Yamana is adequate and the assay results within the database are suitable for use in a Mineral Resource estimate.

Data Verification

All drill, survey, geological, and assay information used for the Mineral Resource estimation was verified and approved by Yamana's geological staff and maintained as a series of discrete databases. The databases have been extensively used in the past years and have been corrected for errors. As well, low-confidence data have been removed from the resource database.

RPA reviewed the methods and practices used by the Pilar Operation and Yamana to generate the resource database (including drilling, sampling, analysis and data entry) and found the work to be appropriate for the geology and style of mineralization. RPA checked a select number of drill holes to verify the described methods and application of practices. No issues were identified with the database, and RPA is of the opinion that the practices and procedures used to generate the Pilar Operation database are acceptable to support Mineral Resource and Mineral Reserve estimation.

Mineral Resources

RPA reviewed and validated the Mineral Resource estimates of the Pilar Operation as received from the Company. The validated models and estimates were found acceptable by RPA. In general, RPA found that values and compilations of gold grades were accurately recorded and calculated. Interpretation of the geology and three dimensional wireframes of the estimation domains are generally reasonable. RPA, however, notes that a minimum thickness was not applied to mineralized structures in the estimation of Mineral Resources, and recommends that it be applied in future Mineral Resource estimates.

The methodology of estimating Mineral Resources by Yamana/the Company's staff includes:

- Statistical analysis and variography of gold values in the assay database.
- Geological and mineralized envelope models for the Pilar, Caiamar, and Maria Lázara gold mines, developed using Leapfrog Geo software.
- Construction of a block model using Datamine Studio 3 or Vulcan software.
- Grade interpolation using Ordinary Kriging (OK) or Inverse Distance Squared (ID2) methods.

The Mineral Resources effective December 31, 2015 are summarized in the following table.

Mineral Resources – Effective December 31, 2015

Category	Tonnage (000 t)	Grade (g/t Au)	Contained Metal (000 oz Au)
Measured			
Pilar	201	5.28	34.1
Caiamar	65	4.43	9.2
Sub-total	266	5.07	43.3
Indicated			
Pilar	2,145	2.98	205.3
Três Buracos – Open Pit	1,271	1.82	74.3
Três Buracos – Underground	28	3.02	2.71
Sub-total Três Buracos	1,299	1.84	77.0
Maria Lázara	162	3.65	19.0
Caiamar	109	4.31	15.1
Sub-total	3,715	2.65	316.4
Total Measured + Indicated	3,981	2.81	359.7
Inferred			
Pilar	13,220	3.2	1,370
Três Buracos – Open Pit	50	2.7	4
Três Buracos – Underground	680	2.7	60
Sub-total Três Buracos	730	2.7	64
Maria Lázara	4,170	4.0	540
Caiamar	550	3.8	70
Total Inferred	**18,670**	**3.4**	**2,040**

Notes:
(1) CIM definitions were followed for Mineral Resources.
(2) Mineral Resources are estimated at a cut-off grade of 2.0 g/t Au except the Três Buracos open pit resource which used a cut-off grade of 0.5 g/t Au
(3) Mineral Resources at Pilar mine, Caiamar mine and Maria Lázara mine are estimated using a long-term gold price of US$1,300 per ounce, and an exchange rate of US$1.00 = R$3.80. Mineral Resources at Três Buracos are estimated using a long-term gold price of US$1,500 per ounce, and an exchange rate of US$1.00 = R$2.70.
(4) Bulk density of 2.77 t/m3 used at Pilar, 2.78 t/m3 at Caiamar, and 2.76 t/m3 at Maria Lázara. At the Três Buracos deposit, density values used were 2.35 t/m3 (oxide) and 2.77 t/m3 (fresh rock).
(5) Mineral Resources are exclusive of Mineral Reserves.
(6) Numbers may not add due to rounding.

RPA is not aware of any environmental, permitting, legal, title, taxation, socio economic, marketing, political, or other relevant issues that would materially affect the Mineral Resource estimate.

The Company (and Yamana) is currently reporting Mineral Resource estimates for four principal areas in the district. These include the Pilar mine, and the along trend Três Buracos deposit, Maria Lázara mine, located to the west of Pilar, and the recently closed Caiamar mine, to the northwest. The following table lists the dates of the most recent Mineral Resource estimates for each area and the current status of the deposits.

Mineral Resource Estimate Dates

Deposit	Last Update	Status as at December 31, 2015
Pilar	November 2015	Active mining
Três Buracos	November 2012	No active mining
Caiamar Mine	November 2014	Mining suspended in October 2015
Maria Lázara	November 2015	Active mining

Mineral Resources at the Pilar and Maria Lázara deposits have been updated since the previous NI 43-101 technical report which was dated October 8, 2015 and effective as of July 31, 2015 to incorporate new drilling, channel sampling, and mining extraction. Caiamar Mineral Resources have been re-reported to reflect depletion due to mining extraction, which ceased in October 2015; however, the block model is unchanged from the previous report. Mineral Resources at Três Buracos are unchanged from the previous technical report as no work has been conducted in the interim on this deposit.

Mineral Resources at the Pilar Operation increased relative to December 31, 2014 due to additional drilling at the Pilar and Maria Lázara mines, as well as updated mineralization models that interpreted increased continuity of grade. Classification criteria following an internal drill hole spacing study allowed the delineation of Measured Mineral Resources at the Pilar mine, previously limited to a classification of Indicated Mineral Resources.

Mineral Reserves – Effective December 31, 2015

Category	Tonnage (000 t)	Grade (g/t Au)	Contained Metal (000 oz Au)
Proven			
Pilar	390	4.09	51
Maria Lázara	-	-	-
Sub-total Proven	**390**	**4.09**	**51**
Probable			
Pilar	3,510	2.41	272
Maria Lázara	406	1.46	19
Sub-total Probable	3,916	2.31	291
Total Proven & Probable	**4,306**	**2.47**	**342**

Notes:
(1) CIM definitions were followed for Mineral Reserves.
(2) Mineral Reserves are estimated at a cut-off grade of 1.17 g/t Au for Pilar and 1.01 g/t Au for Maria Lázara.
(3) Mineral Reserves are estimated using an average long-term gold price of US$1,150 per ounce and an exchange rate of US$1.00 = R$3.80.
(4) A minimum mining width of 1.0 m for Pilar and 1.4 m for Maria Lázara were used.
(5) Bulk density is 2.76 t/m3.
(6) Numbers may not add due to rounding.

RPA is of the opinion that the Mineral Reserves are being estimated in an appropriate manner using current mining software and procedures consistent with reasonable practice. RPA is not aware of any mining, metallurgical, infrastructure, permitting, and other relevant factors which would materially affect the Mineral Reserve estimates.

Mining Method

The Pilar Operation currently comprises three underground mining operations. The bulk of the mill feed is produced from the Pilar gold mine. One satellite deposit, Maria Lázara, currently supplements the Pilar gold mine production, while the Caiamar mine was placed on care and maintenance status in October 2015. At both the Caiamar and Maria Lázara gold mines, ore is extracted using traditional longhole sub level open stoping. The Pilar gold mine utilizes a custom step-room-and-pillar ("**SRP**") mining method for approximately 80% of its production. This is supplemented by traditional longhole stoping.

Mining was initiated at the Pilar gold mine in late 2012 and commercial production was attained in October 2014. The Maria Lázara gold mine has been in operation since August 2015.

Pilar Mine

The Pilar mineralization comprises a series of ore lenses (four of which are included in the Mineral Reserves) with an average thickness of 1.1 m, ranging typically from 1.0 m to 2.0 m, dipping of 20° to 22°.

The Pilar gold mine was originally designed as a longhole mining operation. After trial mining in late 2012, it became apparent that the longhole method selected in the Feasibility Study would not be capable of meeting the design production rate of 3,000 tpd.

In early 2013, Yamana converted a portion of the mine to SRP and purchased low profile equipment more suited to the narrow thickness of the deposit. In early 2014, the SRP method began and dilution was significantly reduced, however, stopes could not be mined at a rapid enough pace to meet production targets.

In late 2014, the design of the SRP method was again modified to incorporate the use of both standard and low profile equipment by widening strike drives from 3.5 m to 7.0 m. This revised method has been in use since early 2015 and continues to be optimized.

The orebody (averaging approximately one metre thick) is currently not capable of producing 3,000 tpd, which is why satellite deposits (such as the Maria Lázara gold mine) are required to supplement the Pilar mine production. Approximately 80% of all ore mined at the Pilar gold mine is by SRP. Mining blocks average approximately 150 m on dip and 300 m along strike. Around each mining block, a five-metre wide barrier pillar is left for long term support and to protect the integrity of the main access drives.

The mine is accessed by way of two five metre by five metre access ramps; one in the west and one in the east.

Based on geomechanical studies, all development headings and room-and-pillar stope openings (personnel entry areas) are systematically bolted with 1.6 m to 2.4 m long rebar bolts, installed after each blast. Cable bolts are installed in the longhole stopes to ensure short term roof stability to minimize dilution during the extraction phase.

Maria Lázara Mine

The Maria Lázara mine is located approximately 15 km from the Pilar processing plant. At the Maria Lázara gold mine, sub-level longhole open stoping is used to extract ore. Each mining panel consists of a main lower level and two sub-levels, accessed with 4.0 m wide by 4.5 m high drives. The vertical distance between the roof of the main level and the floor of the first sub-level is 15 m. The same vertical distance of 15 m applies between the roof of the first sub-level and the floor of the second sub-level. The vertical distance between the roof of the second sub-level and the bottom of the upper sill pillar is 11 m. The total vertical height of each mining panel between sill pillars is 54.5 m.

Roof support is being provided by a combination of roof bolts, cable bolts, shotcrete, and steel mesh. The level of artificial roof support is determined from inspections of the specific roof condition at each slice within the stope. The variation of the stope thickness is one of the most important factors which affects the level of artificial roof support used at the Maria Lázara gold mine.

The mining method is mechanized to reduce human exposure to safety hazards. The mining sequence vertically is from the bottom up for the 54.5 m of each panel and horizontally from the ends towards the central cross cut. From the end of each sub-level, a slot raise is excavated which creates the free face necessary for the sequential blasting of longhole rings. The blasted material in the mine faces is loaded and hauled by remote controlled LHDs.

Mineral Processing and Metallurgical Testing

The metallurgical testing programs completed in support of the Feasibility Study for the Pilar mine, including development of the process flow sheet and process design criteria, were completed in a number of laboratories located in Brazil and Canada. The main ore characterization study was designed and supervised by HDA Servicos S/S Ltda and carried out by Escola Politecnica da Universidade de Sao Paulo Departamento de Engenharia de Minas e de Petroleo EPUSP-Laboratory of Characterisation and Technology, UPUSP.

The test work conducted covered the following areas:

- Sample selection
- Sample characterization including:
    - Mineralogy, including X ray fluorescence (XRF) and X ray diffraction (XRD) analyses
    - Heavy media separation
    - Amalgamation

    - Cyanide leaching

- Comminution, including Bond and JK Tech SMC test work
- Gravity recoverable gold (GRG)
- Solid liquid separation

RPA recommends that metallurgical testing, including comminution, gravity, and leach testing, should be performed on any new or untested deposits, including Maria Lázara and Três Buracos, to determine their effect on the Pilar processing plant.

The metallurgical laboratory on site is primarily being used for sampling and water projects. RPA recommends that with more equipment, some of the diagnostic grinding and leach testwork could be done on site.

RPA found the processing facilities at the Pilar Operation to be in very good condition as the plant was only two years old. The processing facilities were started up in June 2013, with the first gold pour in July 2013. Commercial production was officially reached in October 2014.

The plant was designed to process 3,500 tpd from the underground mines at Pilar, Caiamar, and Maria Lázara. The target production from the mines is approximately 3,000 tpd for a total of up to 1,450,000 tpa. The focus of work in the plant is on reduction of operating costs through optimization, primarily of reagent additions.

The overall process flowsheet consists of the following unit processes:

- Primary jaw crushing;
- SAG mill feed bin;
- Single stage SAG mill grinding;
- Pebble crushing;
- Gravity concentration using centrifugal concentrators; treating the underflow of the grinding cyclones;
- Intensive cyanide leaching of the gravity concentrate using Acacia reactor;
- Grinding circuit thickening producing a leach feed of 55% solids;
- Cyanide leaching using six tanks in series;
- Carbon in pulp gold recovery using eight tanks in series;
- Cyanide detoxification using sodium metabisulphite in five tanks in series;
- Anglo American Research Laboratory (AARL) stripping of the carbon;
- Electrowinning of the carbon eluent and gravity concentrate leach solution;
- Casting of gold bars in an induction furnace.

The plant was designed to take advantage of gravity flow. The ore stockpiles and primary crushing are at the highest level, the crushed ore storage bin and grinding circuit are located on the next lower elevation, and the ground slurry from grinding flows by gravity to the leaching circuit on the next lower bench.

The Pilar, Maria Lázara and Caiamar ores are compatible and respond well to the Pilar process flowsheet. The average gold recovery was 92.0% in 2014 and 94.0% in 2015. Gold recovered by the centrifugal concentrators in the gravity circuit was

60.8% in 2014 and 63.4% in 2015. The gold grade was relatively consistent during 2015, ranging from 2.24 g/t Au in May to 2.71 g/t Au in September. The effect of the gold feed grade on gold recovery was not significant.

Cyanide consumption in 2015 was consistent during the year and lower than 2014, ranging from 0.478 kg/t in June to 0.607 kg/t in December. Grinding media consumption increased over the course of the year indicating that ore hardness is increasing, though the average for the year was similar to 2014. Metallurgical testing of the Caiamar ore yielded a Bond work index of 17.8 kWh/t, which is significantly higher than the Pilar ore, with a BWi of 10.4 kWh/t.

Expansion of the grinding circuit was being discussed in early 2015 to accommodate increased throughput and the increased ore hardness of the Maria Lázara gold mine ore, when it is brought into production. The Maria Lázara gold mine ore was introduced into the plant in May of 2015 and completely replaced the Caiamar ore by December. The December ore blend was 80% Pilar and 20% Maria Lázara ore and the production rate was not affected, indicating that the plant is capable of processing the current blend at budgeted production rates. The plant has excess capacity downstream of the grinding circuit, therefore expansion of the leaching and CIP circuits is not being considered at this time.

Unit operating costs for the Pilar process plant were lower than the budget throughout 2015. This is in part due to the optimization efforts in the plant and to the production rates that were 220,000 tonnes over budget by year end.

Environmental Licensing

The Pilar Operation has been operating since 2013 and all relevant permits are in place. Permits must be renewed on a periodic basis. Applications to renew permits nearing expiration have been submitted to the responsible regulatory agencies and approvals are pending. There are no identified environmental liabilities associated with the property.

The licences that are currently in place at the Pilar Operation are listed in the following table.

Pilar Operation Permit Status

Permit	Process Number	Description	Issue Date	Expiry Date	Status
Pilar Mine					
Installation					
1932/2014	20.745/2012	LI-Fuel Station	01/09/2014	01/09/2020	Current
Operation					
2267/2012	13509/2012	LF-Concrete area	14/09/2012	06/02/2017	Current
2527/2013	18504/2012	LF- Process Plant	29/10/2013	29/10/2019	Current
2671/2013	19837/2012	LF-Tailings Dam	11/11/2013	11/11/2015	Renewal Pending
041/2014	18348/2013	LF-Mining	09/01/2014	09/01/2020	Current
Portaria 242/2011	16852/2010	OUT-Water Pumping Vermelho River	06/06/2011	06/06/2017	Current
Portaria 340/2012	9052/2011	OUT-Water Pumping Tailings Dam	01/03/2012	01/05/2024	Current
Portaria 3470/2013	7541/2013	OUT-Water Pumping Groundwater	20/12/2013	20/12/2025	Current
Portaria 1123/2014	8042/2013	OUT-Pumping Azulão River	24/06/2014	28/05/2020	Current
Maria Lázara Mine					
Installation					
1024/2014	14062/2013	LI-Ramp Mineral Exploration	07/05/2014	07/05/2020	Current
1238/2014	14063/2013	LI-Waste Rock Dump	04/06/2014	04/06/2020	Current
Operation					
1775/2015	484/2015	LF-Mining	18/08/2015	18/08/2017	Current
Caiamar Mine					
Installation					
10/24/2014	14062/2013	LI-Ramp Mineral Exploration	07/05/2014	07/05/2020	Current
1238/2014	14063/2014	LI -Waste Rock Dump	04/06/2014	04/06/2020	Current
Operation					
2658/2013	4791/2014	LF-Operation Permit Caiamar Project	08/11/2013	08/11/2019	Current
640/2014	17474/2012	OUT-Mine Water Pumping	09/04/2014	09/04/2026	Current
1775/2015	484/2015	LF-Mining	18/08/2015	18/08/2017	Current

Note:
(1) Applications to renew expired permits have been submitted to the responsible regulatory agencies. Renewal approvals are pending.

The Company confirms that an application for renewal of the LF-Tailings Dam licence was filed 120 days prior to the expiry date of the licence. Accordingly, pursuant to environmental regulations, the licence is automatically renewed until the environmental authority makes a final decision on the renewal. The Company believes it has complied with all legal requirements and therefore has no reason to believe the renewal will be denied. In the event this license is not renewed, the tailings dam will no longer be able to operate, which would be expected to have a material adverse impact on the operations at the Pilar Mine.

Environmental Impacts and Mitigation Actions

To meet the requirements of item IX of article 2 of the Resolution CONAMA 01/86, an Environmental Impact Study ("**EIS**") and an Environmental Impact Report ("**RIMA**") were prepared for project implementation at Pilar de Goiás.

The EIS and RIMA required that project environmental management be developed with the purpose of monitoring the presumed impacts for physical, biotic, and anthropic means. Such management shall encompass the following programs:

- Environmental Management System;
- Social Communication Program;
- Environmental Education Program;
- Archaeological Prospecting Program;
- Work Management Program;
- Erosive Processes Prevention and Control Program
- Noise and Vibration Control Program;
- Liquid Effluents Control Program;
- Atmospheric Emissions Control Program;
- Fauna and Flora Control Program;
- Degraded Areas Rehabilitation Program;
- Solid Residues Management Program;
- Water Capitation Management Program;
- Surface Waters Quality Monitoring Program:
- Hydrogeological Monitoring Program;
- Atmospheric Emissions and Air Quality Monitoring Program;
- Noise and Vibration Monitoring Program;
- Fauna Monitoring Program.

The environmental impacts of the Pilar Operation, such as noise level, alteration of the morphology, increase of dust levels, surface and groundwater quality, deforestation, aquifer lowering, social expectation and changes, etc., have been assessed and appropriate mitigation measures have been presented in the EIS, which was approved by the state.

Social Impact

A series of programs such as Open Doors, partnership seminars, environmental education programs, and lectures in the schools and communities have been put in place around the Pilar Operation. No significant issues with the local communities have been identified during the first years of operation of the Pilar gold mine and associated operations at the Caiamar and Maria Lázara gold mines.

Capital Cost Estimates

The Pilar Operation LOM plan sustaining capital cost estimate was modified to only include the sustaining capital expenditures required to extract the Mineral Reserves. The sustaining capital costs, including closure and reclamation of these activities, are estimated to total US$51.8 million as shown in the following table.

Projected Sustaining Capital Costs

Description	2016 (US$M)	2017 (US$M)	2018 (US$M)	2019 (US$M)	2020 (US$M)	2021 (US$M)	2022 (US$M)	Total (US$M)
Pilar Mine								
Buildings & Infrastructure	1.054	0.135	0.232	0.100				1.520
Machinery & Equipment	2.069	1.155	0.196					3.420
Mine Development	11.278	11.247	8.261	5.540	0.156			36.483
Pillar Mine Total	**14.401**	**12.537**	**8.689**	**5.640**	**0.156**			**41.423**
Maria Lázara Mine								
Buildings & Infrastructure	0.119	0.110						0.229
Machinery & Equipment	0.194							0.194
Mine Development								---
Maria Lázara Mine Total	**0.313**	**0.110**						**0.423**
Total Sustaining								41.846
Closure & Reclamation							9.906	9.906
Total	**14.714**	**12.647**	**8.689**	**5.640**	**0.156**		**9.906**	**51.752**

Operating Costs

The actual unit operating cost for 2013, 2014, and 2015 is summarized in the following table.

Actual Unit Operating Costs—2013, 2014 and 2015

Activity	2013 (US$/t milled)	2014 (US$/t milled)	2015 (US$/t milled)	Total (US$/t milled)
Mining	31.55	40.62	33.97	35.38
Milling	26.33	17.11	12.67	18.70
General & Administration	7.60	6.79	5.28	6.56
Total	**65.48**	**64.52**	**51.92**	**60.64**
Exchange Rate (R/US)	2.15	**2.35**	**3.33**	**2.69**

Projected unit operating costs for this mill feed are shown in the following table. Projected unit operating costs are based on a BRL/USD exchange rate of 3.8.

Projected Unit Operating Costs

Description	2016 (US$/t Milled)	2017 (US$/t Milled)	2018 (US$/t Milled)	2019 (US$/t Milled)	2020 (US$/t Milled)	2021 (US$/t Milled)	2022 (US$/t Milled)	Average (US$/t Milled)
Pilar Mine								
Mining	37.95	38.14	38.35	38.61	36.51	39.31	29.93	38.04
Maria Lázara Mine								
Mining	21.72	19.34						20.63
Transport to Pilar Mine	4.29	4.29						4.29
Maria Lázara Mine Total	**26.01**	**23.63**						**24.92**
Milling	13.15	13.15	13.15	13.15	13.15	13.15	13.15	13.15
General & Administration	4.26	4.26	3.22	2.46	2.32	2.20	2.20	3.27
Total	**52.53**	**52.45**	**54.72**	**54.22**	**51.98**	**54.66**	**45.28**	**52.39**
Exchange Rate (BRL/USD)	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8

Total operating costs for the LOM plan (2016 to 2022) are estimated to total US$225.6 million, which averages US$52.39/t milled and is consistent with actual unit operating costs achieved in 2015. Unit operating costs were higher in 2013 and 2014 as the mine was in start-up mode. The actual operating cost profile has improved over time as more experience with the deposit was obtained and operational efficiencies were realized.

Exploration, Development and Production

The 2016 exploration program at the Pilar Operation includes drilling at the Pilar and Maria Lázara gold mines and continued in mine evaluation at the Caiamar gold mine. At the Pilar gold mine, exploration drilling was focused on infill drilling in support of operations and Mineral Resource expansion along favourable trends in both the strike and down dip directions. Drilling added significantly to resources and reserves in the main zone for these mines, as well as in structurally stacked secondary zones.

At the Maria Lázara gold mine, drilling in the main area conducted in 2015 helped define the mineralized zone for placement of primary ramps and secondary development completed during the middle of 2015. Actual production commenced in August 2015. The Maria Lázara gold mine is expected to contribute 25,000 ounces of gold per year to the Pilar Operation. Results to date from the Maria Lázara infill drilling program confirm the extent of the mineral body and support the current grade shells and widths. Further drilling to expand the resource is planned for the remainder of the year.

At the Caiamar gold mine, sampling and mapping of favourable trends occurred in 2015 in support of production. Production ceased at the end of 2015.

A total of approximately 40,000 metres of exploration drilling from the surface at the Pilar gold mine and the Maria Lázara gold mine was completed in 2015 along with an additional 6,800 metres of conversion drilling from underground. Infill drilling at the Pilar gold mine continued to support the significant potential of the mine, including intersecting high grade intercepts above current mineral reserve grade. At the Maria Lázara gold mine, delineation and exploration drilling was completed and returned positive results. The Mineral Resources at the Pilar gold mine remain open in all directions and Company continues to step out and infill to expand mineral reserves. Exploration in 2016 is focused on reserve and resource expansion and mine life extension, as well as limited regional exploration, including at the Três Buracos deposit open pit target, which is located five kilometers from the Pilar gold mine. A total of 61,200 metres of drilling is planned in 2016.

The Company expects 2016 production from the Pilar Operation to be between 85,000 to 90,000 ounces of gold and 83,000 to 87,000 ounces in 2017.

Santa Luz Project

The scientific and technical information in this summary relating to Santa Luz Project is derived from, and in some instances is a direct extract from, and based on the assumptions, qualifications and procedures set out in, the Santa Luz Technical Report that supports the re-start of the Santa Luz Project. Such assumptions, qualifications and procedures are not fully described in this prospectus and the following summary does not purport to be a complete summary of the Santa Luz Technical Report. Reference should be made to the full text of the Santa Luz Technical Report, which is available for review under the Company's profile on SEDAR at www.sedar.com.

Property Description and Location

The Santa Luz Project is located within the Maria Preta mining district, 35 km north of Santa Luz town, in Bahia state. It is approximately 240 km northwest of the state capital, Salvador, 115 km from the Fazenda Brasileiro Mine, and 163 km from Yamana's Jacobina Mine. The centre of the property has approximate latitude and longitude coordinates of 11°00' 28"S and 39°18' 28"W.

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Mineral Tenure

The Santa Luz Project covers an area totalling 62,604 ha including 47 EPs at various stages of application (54,679 ha), of one which is at final exploration stage with Final Exploration Report already submitted to DNPM; one exploration claim (1,993 ha); five mining concessions (2,544 ha); and five mining concessions in application (3,389 ha). The list of EPs, exploration claims, and mining concessions as of November 2016 follows.

Exploration Permits

DNPM Number	Owner	Expiry Date	Area (ha)
870.209/11	SLDM	27-Aug-17	1,000.67
870.212/11	SLDM	15-May-17	1,055.38
870.348/11	CBPM	11-Jul-17	966.07
870.504/11	CBPM	18-Jul-17	999.98
870.567/11	SLDM	11-Jul-17	1,827.48
870.711/11	SLDM	27-Aug-17	975.81
870.839/11	SLDM	27-Aug-17	1,995.42
870.841/11	SLDM	27-Aug-17	1,053.65
871.167/11	SLDM	27-Aug-17	998.83
871.168/11	SLDM	27-Aug-17	963.42
871.170/11	SLDM	9-Sep-17	334.06
871.651/10	CBPM	2-Jan-17	994.24
871.825/10	CBPM	2-Jan-17	49.66
872.311/10	SLDM	11-Mar-17	1,997.93
872.314/10	SLDM	11-Mar-17	1,997.29
872.315/10	SLDM	11-Mar-17	1,994.50
872.316/10	SLDM	11-Mar-17	1,147.43
872.317/10	SLDM	11-Mar-17	1,157.53
872.466/11	SLDM	24-Oct-17	912.77
872.827/11	CBPM	20-Aug-17	951.80
872.898/10	SLDM	11-Jul-17	997.40
872.903/11	SLDM	24-Oct-17	999.99
872.904/11	SLDM	24-Oct-17	999.68
870.345/14	SLDM	26-Aug-17	536.41
871.964/11	SLDM	No expiration date	1,779.48
870.764/12	SLDM	14-Sep-18	1,790.75
870.766/12	SLDM	14-Sep-18	1,929.53
870.767/12	SLDM	14-Sep-18	1,000.00
870.768/12	SLDM	14-Sep-18	218.00
872.265/12	SLDM	15-Sep-18	1,992.79
872.281/12	SLDM	15-Sep-18	998.52
872.527/12	SLDM	3-Sep-18	323.00
874.087/11	SLDM	15-Sep-18	502.32
874.422/11	SLDM	14-Sep-18	1,042.20
872.021/12	SLDM	14-Sep-18	68.15
874.423/11	SLDM	14-Sep-18	998.88
874.677/11	SLDM	15-Sep-18	999.92
874.679/11	SLDM	15-Sep-18	991.71
874.680/11	SLDM	15-Sep-18	999.03
874.681/11	SLDM	15-Sep-18	1,000.06
874.682/11	SLDM	15-Sep-18	1,657.15
872.148/13	SLDM	8-Sep-18	1,749.80
871.281/15	SLDM	17-Sep-18	977.50
871.637/14	SLDM	8-Sep-18	758.70
870.447/15	SLDM	8-Sep-18	1,988.87
870.962/14	SLDM	2-Mar-19	1,988.36
872.552/15	SLDM	14-Apr-19	999.79
872.557/15	SLDM	14-Apr-19	182
871.456/16	SLDM	17-Out19	1949.64
871.466/16	SLDM	6-Out-19	999.88

DNPM Number	Owner	Expiry Date	Area (ha)
871.489/16	SLDM	17-Out19	2,000
871.519/16	SLDM	17-Out19	931.82
Total		**52**	**53,699.13**

Exploration Claim

DNPM Number	Owner	Expiry Date	Area (ha)
871.835/16	SLDM	10-Aug-16	1992.86
Total	**1**		**1992.86**

Final Report Submission

DNPM Number	Owner	Expiry Date	Area (ha)
8720.046/05	CBPM	No expiration date	979.42
Total	**1**		**979.42**

Notes:
(1) CBPM: Companhia Baiana de Pesquisa Mineral (mineral rights held under agreement with SLDM)
(2) SLDM: Santa Luz Desenvolvimento Mineral Ltda. is a 100% Brio-owned Brazilian company

Mining Concessions

DNPM Number	Owner	Final Report Submission Date	Date of Award	Status	Area (ha)
870.189/88	Santa Luz	12-May-08	27-Dec-13	Mining Concession	241.15
870.394/83	CBPM	7-Jul-88	6-Jun-14	Mining Concession	298.06
870.430/85	Santa Luz	12-Aug-88	13-Feb-92	Mining Concession	1,000.00
871.002/83	Santa Luz	22-Nov-88	6-Oct-95	Mining Concession	1,000.00
872.851/05	Santa Luz	12-May-08	3-Jul-14	Mining Concession	4.28
870.994/83	Santa Luz	9-Aug-88	—	Application Submitted	931.80
870.999/83	Santa Luz	12-Aug-88	—	Application Submitted	68.20
871.510/14	Santa Luz	—	—	Application Submitted	999.99
871.842/12	UML	—	—	Application Submitted	701.69
871.846/10	Santa Luz	—	—	Application Submitted	687.67
Total					**5,932.84**

Notes:
(1) CBPM: Companhia Baiana de Pesquisa Mineral (mineral rights held under agreement with SLDM)
(2) Santa Luz: Santa Luz Desenvolvimento Mineral Ltda. is a 100% Brio owned Brazilian company.
(3) UML: Utinga Mineração Ltda is a subsidiary company of CBPM (mineral rights held under agreement with SLDM).

The Company believes that the applications for mining concessions submitted meet all legal requirements and has no reason to believe that the concessions will be denied. If the applications are denied, the concessions will be put into an auction process and its subsidiary has the ability to bid to re-apply for the land. As this mineral tenure relates to the main target area and the expansion areas of the Santa Luz mine, a denial of the concessions may not have an immediate impact on the operations of the Company, but could have a mid to long-term adverse impact on operations.

Mineral and Surface Rights in Brazil

An annual fee per hectare ranging from US$0.35 to US$0.70 is paid by the holder an EP to the DNPM and reports of exploration work performed must be submitted. During the period where a formal EP application has been submitted by a company for an area, but not yet granted, no exploration work is permitted. These are referred to herein as exploration claims.

EPs are valid for a maximum of three years, with a maximum extension equal to the initial period, issued at the discretion of the DNPM. The annual fee per hectare increases by 50% during the extension period. After submission of a final exploration report and its approval by the DNPM, the EP holder may request a mining concession. Mining concessions are granted by the Brazilian Ministry of Mines and Energy, are renewable annually and have no set expiry date. The concessions remain in good standing subject to generally complying with mining code requirements, submission of annual production reports and payments of royalties to Brazil's federal government.

Surface rights can be applied for if the land is not owned by a third party. The owner of an EP is guaranteed, by law, access to perform exploration field work, provided adequate compensation for damages and rent for occupation of the property is paid to third party landowners. The EP holder bears all environmental liabilities resulting from the exploration work.

The Company, through its parent company Yamana, has all required permits to conduct the proposed work on the property. Neither the Company nor RPA is aware of any other significant factors and risks that may affect access, title, or the right or ability to perform the proposed work on the property.

Land Use

The Santa Luz Project claims cover several farms. Agreements have been signed between Yamana and the landowners to allow mining and exploration activities, and these agreements have been transferred to the Company.

Royalties

The Brazilian government collects a 1% gross revenue royalty on all gold operations in Brazil. In addition, a 1% gross revenue royalty is payable to Companhia Sisal do Brasil ("**COSIBRA**"), a large surface rights owner, over the C1, Antas 2, and Antas 3 areas. A 2% royalty is payable to the previous owner, CBPM, on any gold extracted within mining permit, 870.394/1983, covering the east portion of the C1 deposit. The CBPM mineral rights are held under agreement.

Accessibility

The Santa Luz Project is located within the Maria Preta mining district, 35 km north of Santa Luz town (population 36,000), and approximately 240 km northwest of the state capital, Salvador (population 2.675 million). Access from Salvador is by way of highway BR-324 to Feira de Santana, BR-116 to Serrinha, BA-409 to Conceição do Coité, and finally BA-120 to Santa Luz. From Santa Luz, the property is accessed via a municipal dirt road.

A railway (former Viação Férrea Federal Leste Brasileiro) operated by CVRD, links Salvador and the sister cities Juazeiro and Petrolina, and has a station in Santa Luz.

A few gravel runways in the region can handle small aircraft, the closest being located at the cities of Valente and Serrinha, approximately 20 km and 90 km from Santa Luz, respectively. Since early 2015, Feira de Santana airport, which is 153 km away from Santa Luz, started operation of daily flights from Campinas city, São Paulo state.

Climate

The climate in the area is semi-arid and hot. There are two rainy seasons; the first from September to December typified by thunder storms, or "trovoadas", and the second from April to June. Outside the rainy seasons, the predominant climate is dry and hot. Temperatures range from 16°C in July and August, to 40°C in January and February, and averages 24°C. The average annual air humidity is 71.6%. The potential evaporation of the region is approximately 2,000 mm/year, representing a rain/evaporation deficit for the Santa Luz Project area.

Physiography

The altitude of the Santa Luz Project area ranges from 250 m to 300 masl. The regional drainage system is characterized by small ephemeral streams within the Itapicurú river hydrographic basin.

Ground cover at the Santa Luz Project area consists of small to medium-sized desert vegetation. It is mostly composed of bromeliads, cactus, and legumes, which are highly resistant to long dry periods. Sisal, a fibrous plant used in making rope and twine, is farmed in the area.

Infrastructure

The current mine includes open pit workings and gold ore processing facilities, as well as other necessary buildings and infrastructure. This infrastructure, which is currently on care and maintenance, includes: mine workings and equipment; a 5,480 tpd processing plant (prior to the antipcated additional grinding power being installed); and a tailings storage facility with a current design capacity of 2.8 million m^3 remaining. Other buildings and supporting facilities include workshops, a storeroom, a fuelling station, offices, dry facilities, a cafeteria, a medical clinic, and a laboratory.

Water for use on the Santa Luz Project site is currently sourced from the Itapicurú River, the main drainage system in the area, at a rate of 370 m^3/hr. The water supply infrastructure includes an intake structure and pumps located at the river, as well as a 900,000 m^3 capacity water dam.

Power consumption by the Santa Luz Project facilities at the current plant approximately 70,000 MWh per year, from a total installed load of approximately 12 MW. Power is supplied from a 138 kV power line that extends from the Coelba power station to the main substation at the plant site.

Project Tenure History

During the 1970, the property was controlled by CVRD, at the time a state owned mining company. Between 1979 and 1981, CBPM, a state-owned mineral exploration company charged with identifying mineral investment opportunities in Bahia, conducted several geological and prospecting programs within the RIGB. Several gold-bearing trends and prospects, including the C1 and Mansinha North deposits within the Santa Luz Project area were identified. These deposits were subsequently mined between 1987 and 1995 by CBPM's subsidiary Rio Salitre Mineração Ltda.

In January 2005, Yamana completed an agreement with CBPM to acquire 7,000 ha of land over the historic C1 (formally called Maria Preta) mine and gold deposit. Under this agreement, CBPM retained a 2% royalty interest in these concessions. In May 2007, Yamana extended its ownership through the acquisition of mining concessions from MSE, formerly owned by CVRD, which included the Antas 1 (now considered part of C1), Antas 2, and Antas 3 deposits and associated historic mine workings. The 2007 agreement also retained a royalty interest which was transferred from MSE to Callix Finance Inc. in April, 2014 and was finally extinguished through an agreement between Yamana and Callix Finance Inc. in March, 2015. In December 2014, Yamana formed Brio Gold and began to transfer certain assets including the Santa Luz Project to the Company.

Exploration and Development History

During the 1970s, CVRD conducted a regional prospecting program in Bahia state targeting base metals, while other private and state companies including Ferbasa, Caraíba Metais, and Anglo American carried out intensive prospecting, geological mapping, and research programs. It was during this time that the RIGB was identified through field mapping and geochemical surveys conducted by the CVRD.

Between 1979 and 1981, CBPM conducted several geological and prospecting programs within the RIGB.

Production History

Estimates of historical production from the Santa Luz Project area include:

- CBPM reported historical production of 56,971 oz from the C1 orebody and nearby deposits.

- CVRD mined Antas 1 as an open pit over 450m of length, exploiting a mineralized zone reported to have an 8m average width. Mine production was 400,000 tons with an average grade of 4.5 g/t. Antas 3 was mined as an open pit to 35m over 400m of strike. A CIP plant treated 221,000 tonnes of oxidized material at an average gold grade of 2.88 g/t AU, and 86,366 tonnes were heap leached at an average grade of 1.64 g/t. Antas 2 was mined over 250 m of length, an average thickness of 10 m, and to a depth of 60 m. A total of 270,000 tonnes of ore were produced at an average grade of 2.5 g/t Au.

Since 1995, artisanal miners have extracted material from the area on a relatively small scale, using a variety of methods including panning, small underground workings, and some small scale processing plants. These operations were distal to the main deposit areas. While gold production data from these artisanal mines are not available, this mining is believed to have been significant for the local economy.

Yamana gold production in 2013 and 2014 is summarized in the following table.

Yamana Production 2013-2014

Year	Tonnes Processed	Gold Grade (g/t Au)	Gold Produced (oz.)	Recovery (%)
2013 (June to December)	844,000	1.55	13,000	30.5
2014 (January to August)	1,084,000	1.69	20,400	33.6
Total	**1,928,000**	**1.63**	**33,400**	**32.3**

Regional Geology

The RIGB comprises the northeastern portion of the São Francisco Craton, which underlies most of Bahia State, in addition to the surrounding states of Minas Gerais, Sergipe, and Goiás. The São Francisco Craton is the result of a collision between several small Archean cratons during the Paleoproterozoic Trans-Amazon Orogeny (approximately 2 Ga).

The RIGB is the largest greenstone belt in the São Francisco Craton. It extends for approximately 100 km in a north-south trend, and ranges in width from 30 km to 50 km. The RIGB's dimensions were dilated by large granitoid batholitic intrusions and granite-gneiss domes. During the Trans-Amazon Orogeny, the belt was folded and experienced upper greenschist facies metamorphism, and locally, amphibolite facies metamorphism.

Local and Property Geology

Gold deposits and prospects at the Santa Luz Project area occur in silicified breccia zones at or proximal to the faulted contacts of the volcanic and sedimentary domains within the RIGB in a continuous north and locally northeasterly-striking mineralized zone. The Santa Luz Project consists of six deposits: C1, Antas 2, Antas 3, Mansinha South, Mansinha North, and Mari. The largest of these are C1, accompanied by Antas 3, and Antas 2. Significant gold targets and deposits in the Santa Luz trend include the C1 (formally called Maria Preta and including Antas 1), Antas 2, Antas 3, the Mansinha Trend (south, including M11 and M3-M4 and north, including M16 and M17), and the Mari Deposit.

Mineralization

At the Santa Luz Project, gold mineralization is mainly related to quartz-carbonate-sulphide veining and breccia filling hosted in sheared and hydrothermally altered rocks. Breccia may be comprised dominantly of carbonaceous sedimentary, dacitic, or other volcanic rocks, depending on local geology. The host rocks of the gold mineralization exhibit weak to moderately strong alteration. The most common observed hydrothermal alteration features are albitization, carbonatization, sulphidation, sericitization, and silicification. Host rocks are locally entirely replaced by albite, quartz, sericite and carbonate minerals. Mineralized zones range in thickness from a few metres to tens of metres and have relatively long strike and dip lengths. Mineralization for C1 and Antas 3 is open at depth beyond the current limits of drilling and along strike although it becomes relatively weaker

RPA is of the opinion that the regional and property geology is well understood by Brio Gold and that the style of mineralization is consistent with an orogenic gold type deposit.

Exploration

Between 1979 and 1995, CVRD and CBPM undertook several extensive stream sediment and soil geochemistry programs over the entire Maria Preta Gold District. Encouraging results were followed up using geophysics and drilling. Due to the wealth of historic exploration data, Yamana has conducted only a limited number of small drilling, geological mapping and rock chip sampling programs. Yamana's exploration strategy has been based on review of pre-existing data and drilling. Historic and present owners have drilled a total of 1,433 drill holes, collecting over 165,600 m of drill core and chip samples in the district.

From September 2015 through June 2016, Yamana conducted a resource, metallurgical, and geotechnical drilling program in support of the Prefeasibility Study (the "**PFS**") documented in the Santa Luz Technical Report.

The majority of the concessions at the Santa Luz Project are at an early exploration stage or have seen no exploration activity other than regional mapping, regional geochemistry surveys, and airborne surveys completed by the previous owners. RPA is of the opinion that many of these concessions remain prospective for gold.

Significant gold mineralization is known to exist in the C1 breccia zone at levels below the modelled C1 open pit. This resource is referred to as the “C1 Underground” on maps and cross sections and in the current Mineral Resource tabulation. The C1 Underground has been explored with drill holes at 100 m to 300 m spacing, generally becoming less densely-spaced with depth. Additional drilling could upgrade the classification of this resource, and could potentially expand the resource along strike and further down dip. Yamana plans in-fill and step-out drilling for the C1 Underground resource, with the goal of potentially developing underground mining reserves.

There are several other satellites targets in the Santa Luz Project area, including the Mansinha North, Mansinha South, Mari and Alvo 36 areas, where gold resources have been historically defined and are believed to show potential for the development of additional resources for Yamana. These areas are proximal to the C1 processing facilities, have returned positive drill results, and, in some cases, have been historically mined as open pits with heap leach gold recovery. Future drilling on these prospects could potentially develop additional resources as well.

Drilling

Drilling on the Santa Luz Project area has been conducted in phases by several companies from 1979 to 2016. Very limited information on the historical drilling details is available. In 2015 and 2016, the Company conducted resource definition, metallurgical and geotechnical drilling in support of the PFS. A drilling summary, including historical drill logs captured by Yamana, follows.

Drill Hole Database

Deposit	DDH No. Holes	DDH Metres	RAB No. Holes	RAB Metres	RC No. Holes	RC Metres	Metallurgical No. Holes	Metallurgical Metres	Geotechnical No. Holes	Geotechnical Metres	Wells No. Holes	Wells Metres	Total Drilling No Holes	Total Drilling Metres
Historical (1975-1995)(1)(2)														
C1	67	3,184											67	3,184
Antas 2	70	5,588											70	5,588
Antas 3	109	6,394											109	6,394
Subtotal	**246**	**15,166**											**246**	**15,166**
Yamana (2003-2013)														
C1	203	57,855	301	7,871	6	983							510	66,709
Antas 2	29	5,272	131	3,275									160	8,547
Antas 3	150	21,389	374	8,939									524	30,328
Mansinha(3)	86	10,558	761	21,709	8	1,197							855	33,464
Mari	59	6,795	234	6,476	22	3,039							315	16,310
Other Targets(4,5)	159	24,789	418	11,696	57	7,050							634	43,535
Wells											43	2,486	43	2,486
Subtotal	**686**	**126,658**	**2,219**	**59,966**	**93**	**12,269**					**43**	**2,486**	**3,041**	**201,379**
Brio (2015-2016)														
C1	50	9,348					2	287	8	1,368			60	11,003
Antas 2	8	1,225							4	439			12	1,664
Antas 3	24	2,852					3	289	5	440			32	3,580
Mansinha(3)														
Mari														
Other Targets(4,5)														
Wells														
Plant Site									12	176			12	176
Stockpiles					446	4,166							446	4,166
Subtotal	**82**	**13,425**			**446**	**4,166**	**5**	**576**	**29**	**2,424**			**562**	**20,590**
C1	320	70,387	301	7,871	6	983	2	287	8	1,368	0	0	637	80,896
Antas 2	107	12,085	131	3,275	0	0	0	0	4	439	0	0	242	15,799
Antas 3	283	30,635	374	8,939	0	0	3	289	5	440	0	0	665	40,302
Mansinha(3)	86	10,558	761	21,709	8	1,197	0	0	0	0	0	0	855	33,464
Mari	59	6,795	234	6,476	22	3,039	0	0	0	0	0	0	315	16,310
Other Targets(4)	159	24,789	418	11,696	57	7,050	0	0	0	0	0	0	634	43,535
Wells	0	0	0	0	0	0	0	0	0	0	43	2,486	43	2,486
Plant Site	0	0	0	0	0	0	0	0	12	176	0	0	12	176
Stockpiles	0	0	0	0	446	4,166	0	0	0	0	0	0	446	4,166
Grand Total	**1,014**	**155,249**	**2,219**	**59,966**	**539**	**16,435**	**5**	**576**	**29**	**2,424**	**43**	**2,486**	**3,849**	**237,135**

Notes:
(1) Type of historical drilling is unknown.
(2) Summary includes digitally captured historical drilling only and is not thought to be comprehensive. and not used in resource estimate
(3) Collectively referred to as Mansinha South (M3M4, M11) and Mansinha North (M17).
(4) Includes 26 gold targets on the property.
(5) Metres are rounded.

Previous Drilling (1979-1995)

Limited detail on the CVRD and CBPM drilling programs is available. Approximately 34,500 m of surface diamond drilling and reverse circulation (air-percussion) drilling was completed from 1979 to 1995, the majority of which was over now depleted open pit mine areas, including C1, Antas 2, Antas 3, C1W, Mansinha Trend, and Mari. A portion of these have been digitally captured by Yamana. Due to data quality concerns, data from these drilling campaigns has not been included in the Mineral Resource database.

Yamana (2003-2013)

Drilling was conducted by Yamana on the Santa Luz Project from 2003 to 2013. Yamana has principally employed diamond drilling where campaigns focused on the definition of gold resources. Rotary air blast ("**RAB**") drilling has been used to generate shallow mineralization targets between known mineralization zones, and reverse circulation ("**RC**") drilling has been used to pre-collar deep targets at the Santa Luz Project and to test some shallow targets.

Brio Gold (2014-2016)

In support of the PFS and the potential re-start of operations at Santa Luz, Brio Gold conducted core and RC drilling from September 2015 through July 2016. All core drilled was HQ (63.5 mm) diameter and was drilled by the company Drillgeo Geologia e Sondagem Ltda. Resource definition holes are logged, split, and analyzed for geochemistry and specific gravity and results are used for resource modeling. Geotechnical holes are oriented core holes that provided structural data used in geomechanical modelling to derive pit slope parameters. Metallurgical holes provided core samples for ore processing tests.

In RPA's opinion, the drilling and logging methods are acceptable for the purposes of a Mineral Resource estimate.

Drilling and Logging Procedures

Diamond drill programs have been completed by Geosol, Rede, and Servitec drilling companies, in addition to Yamana owned drill rigs. Various sized drill hole diameters have been employed, including AQ, BQ, HQ, NQ, NQ2, LTK48, and HWL, however, the majority of drilling was completed using HQ or NQ diameter core. RC drilling on site was contracted to Geosedna. No information was available on the RAB drilling campaigns, which were used in the preliminary exploration to generate targets for diamond drill holes.

Drill holes collars have been surveyed using the UTM South American Datum 1969 as baseline. All RC and diamond infill drill holes, or planned holes located on significant exploration targets, are sighted using a total station theodolite, which is also used to record azimuth orientation. A check of the azimuth and dip angles is performed prior to the completion of the hole. Initial collar locations of exploratory RAB, RC, and diamond drill holes are sighted using a hand-held GPS, with drill hole dip and azimuth of each hole sighted using a handheld compass.

Down hole surveys of RC and diamond drill holes are completed at three metre intervals using magnetic and non-magnetic survey equipment, including Deviflex, Reflex-Maxibor, Pee Wee, and Reflex-gyro. Results are duplicated and compared. The survey is performed a third time if a discrepancy above a 2% tolerance limit is found. Downhole surveys of RAB holes are not performed.

Sample Preparation and Analysis

Sampling of the 2015-2016 drill holes focused on the mineralized zones and a significant enough length of core above and below the targeted mineralization was sampled to ensure that the mineralized zone was captured. Samples have a nominal length of one metre, however, the length was adjusted so that sample endpoints respected geological contacts. Samples were tagged with a plasticized paper tag indicating sample number, a duplicate of which was stapled inside the core box. QA/QC samples, including duplicates, blanks, and standards, were incorporated into the sample stream.

Diamond drill core was sawn in half lengthwise with an electric diamond blade core saw and sampled by a trained sampler, returning half of split core to the core box and submitting the other half for sample preparation and analysis. Half core samples were placed in a marked plastic bag with their paper sample tag, and closed with a piece of string for delivery to the laboratory. Sample weight was approximately two kilograms.

RC chips were collected at three metre intervals using a cyclone. The recovered material was split using a Jones riffle splitter to obtain a sample of approximately three kilograms for analysis. The cyclone was cleaned using strong airflow and a brush following each run. Core and chips are stored within two purpose built core sheds on-site, both of which are locked at night.

For density determination, core samples were collected from each drill hole in the various lithologies in order to represent the majority of rock types at the C1, Antas 3, and Antas 2 areas. One representative sample of mineralized and non-mineralized lithologies was taken from the remaining half HQ drill core of each hole. Usually, the sample was 10 cm to 15 cm in length, preferably collected at the beginning of geochemical sample intervals. In total, 300 core samples were analyzed for bulk density, 150 from the C1 open pit resource, 126 samples from Antas 3, and 24 from Antas 2.

The Company used independent and internationally recognized laboratories for sample preparation and analysis. The density test samples were sent to the ALS Laboratory in Lima, Peru ("**ALS Lima**"). Density data obtained were reported by ALS Lima in digital reports accompanied by their respective certificates. This laboratory is ISO 9001:2000 and ISO 17025:2005 accredited.

Sample preparation was completed at ALS in Vespasiano, Minas Gerais, Brazil. This laboratory is ISO 9001:2000 and ISO 17025:2005 accredited. For shipping from the mine site to the laboratory, the samples were placed in a larger plastic shipping sack, accompanied by documentation of the batch and samples, loaded onto a truck owned and driven by a locally based transport company, and driven to the laboratory. Each sample was logged into a laboratory information management system (LIMS), weighed, dried, and then crushed to better than 90% passing a 2 mm screen (10 mesh) using a jaw crusher. A 300 g split was taken using a Jones riffle or rotary splitter, and pulverized to better than 95% passing a 150 mesh, using a steel pulverizer. Following pulverization, a 100 g split was taken using a rotary splitter or spatula. Between samples, crushers and pulverizers were cleaned using compressed air, and between batches, with certified blank material. After the samples were crushed and pulverized, pulp splits were sent for geochemical analysis at ALS Lima. Remaining sample material was returned to the Santa Luz Project.

Assays were processed at ALS Lima. Gold content was determined by 50 g fire assay with an atomic absorption (AA) finish. Also at ALS Lima, the capacity of samples to re-absorb gold from cyanide leach solutions was analyzed using special wet chemical cyanide leach tests, which measure the concentration of gold in leach solutions with and without an added gold spike, determining the amount of gold that is re-absorbed from the leach solution by the rock sample. In addition to the analyses performed at ALS, 5% of analyzed samples were also sent to SGS Geosol in Vespasiano, Minas Gerais, Brazil for an inter-laboratory check of the fire assay.

Sample Security

The Santa Luz mine site is surrounded by a security fence and has controlled access at a gate house manned by full time security personnel. At the drill site, samples were under the control of Yamana employees and employees of the companies Drillgeo Geologia e Sondagem Ltda. for core drilling or Geosedna Perfurações Especiais S/A for RC drilling. Samples were delivered daily by drilling company personnel to the sample processing facility at the mine site and turned over to Yamana personnel. Only employees of Yamana and of the drilling contractor were authorized to be at the drill sites and in the sample processing facility. Core and chips were stored within two purpose built core sheds on-site, both of which are locked at night.

After logging and sampling, the samples were prepared for shipment to ALS in Vespasiano, Minas Gerais, Brazil. The samples were placed in larger plastic shipping sacks, accompanied by documentation of the batch and samples, loaded onto a truck owned and driven by a locally based transport company, and driven to the laboratory. Samples were under constant supervision during transport. ALS places a large emphasis on confidentiality and data security. Industry standard Chain of Custody and Work Order forms are used in sample transfers. Appropriate steps are taken to protect the integrity of samples at all processing stages. After the completion of analyses, data are sent securely via electronic transmission to Brio Gold, accompanied by signed Assay Certificates.

RPA Opinion

In RPA's opinion, sample preparation, analysis, and the security and confidentially protocols as designed and implemented by Brio are adequate and generally completed to industry standards and are suitable for use in a Mineral Resource estimate.

Quality Assurance, Quality Control, and Data Verification

QA consists of evidence to demonstrate that the assay data has precision and accuracy within generally accepted limits for the sampling and analytical method(s) used to have confidence in a resource estimate. QC consists of procedures used to ensure that an adequate level of quality is maintained in the process of collecting, preparing, and assaying the exploration drilling samples. In general, QA/QC programs are designed to prevent or detect contamination and allow assaying (analytical), precision (repeatability), and accuracy to be quantified. In addition, a QA/QC program can disclose the overall sampling-assaying variability of the sampling method itself.

Historical QA/QC

No information on QA/QC protocols is available for historical data. The historical data were not included in the resource database.

Yamana QA/QC

Yamana initiated a QA/QC protocol at the Santa Luz Project site in 2005. Assays collected during the 2004 program were not accompanied by QA/QC samples. RPA reviewed internal reports prepared for the Santa Luz Project area on QA/QC results collected and analyzed by Yamana from 2005 to 2008, and from 2008 to 2012. RPA described these QA/QC programs and results in its Preliminary Economic Assessment report dated September 15, 2015 (the "**PEA**"), made recommendations for future QA/QC programs, and concluded that the associated drill results are acceptable to be used for Mineral Resource and Mineral Reserve estimates.

Brio Gold QA/QC

Brio Gold conducted a drilling program at the Satna Luz Project from October 2015 to April 2016 for which it implemented the QA/QC protocol for drill hole sampling described below. This drilling program generated approximately 7,500 resource samples along with approximately 1,500 QA/QC samples. The Company verified the accuracy and precision of its geochemical analyses for the drilling program by inserting standards of known metal content in the sample stream, by preparing and assaying duplicate splits of sample intervals, and by re-analyzing approximately five percent of all sample pulps at a second laboratory. Details of the Company's QA/QC procedure are as follows:

- One gold standard was submitted per 20 drill core samples
- One silver standard was submitted per 20 drill core samples
- One blank was submitted per 20 drill core samples
- One field duplicate (two quarter-split core samples are prepared from the sample interval) was submitted per 20 core samples
- Five percent of all drill core sample pulps were submitted to a secondary laboratory for re-analysis (check assay).

Certified Reference Material

There were 17 certified reference materials (CRM) used, including six gold standards, nine silver standards and one blank, which was used for both gold and silver. The standards span a range of gold and silver concentrations that approximate the range of metal concentrations expected in Brio Gold's analytical samples. The certified values, acceptable ranges of values (+/- 2 SD), and other statistics for the CRM are summarized in the following table.

CRM QA/QC 2015-2016

Standard ID	Certified Grade (ppm)	Standard Deviation	Acceptable Range (ppm) +/- 2SD		Source
G307-7	7.87	0.28	7.31	8.43	1(1)
G312-9	5.84	0.25	5.34	6.34	1(1)
G398-10	4.07	0.19	3.69	4.45	1(1)
G900-5	3.21	0.13	2.95	3.47	1(1)
G912-5	0.38	0.02	0.34	0.42	1(1)
G997-3	1.41	0.08	1.25	1.57	1(1)
Quartz 403/002P				<0.025(3)	2(2)

Silver Standard	Certified Grade (ppm)	Standard Deviation	Acceptable Range (ppm) +/- 2SD		Source
GBM311-2	10.4	0.9	8.6	12.2	1[(1)]
GBM311-4	15.1	1.0	13.1	17.1	1[(1)]
GBM311-6	4.2	0.6	3.0	5.4	1[(1)]
GBM910-6	3.6	0.4	2.8	4.4	1[(1)]
GBM912-5	4.2	0.3	3.6	4.8	1[(1)]
GBM914-3	1.2	0.2	0.8	1.6	1[(1)]
GBM914-4	0.8	0.2	0.4	1.2	1[(1)]
GBM914-8	8.5	0.5	7.5	9.5	1[(1)]
GBM997-6	462.7	27.7	407.3	518.1	1[(1)]
Quartz 403/002P				<2.5[(3)]	2[(2)]

Notes:
(1) GEOSTATS PTY LTD, O'Connor, WA, Australia.
(2) QUIMICA Brasileira Ltda, Belo Horizonte, Brazil.
(3) 5x lower detection limit used as pass/fail.

There is a good correlation between the CRMs used and the average economic metal concentration in the drill samples. For instance, on average only 0.3% of the gold concentrations in the drill samples lie above the highest gold concentration in the CRM suite (7.87 ppm Au).

The performance of mineralized CRMs in the analytical stream is excellent for gold. For the range of gold values between 0.5 g/t and 5 g/t, the overall bias of assays for all of the standards is less than 1%, and the bias for the worst-performing standard is less than 2%. Notably, that bias is negative, suggesting a slight underestimation of actual gold values. For silver, the bias is more variable, ranging from -7.5% to 4.5%. Overall, the silver bias also tends to be slightly negative. Details of the performance of each standard are provided in the following table.

	Gold (ppm)		Bias		> +/- 2SD		> +/- 3SD	
Standard ID	Expected	Found	(%)	n	(#)	(%)	(#)	(%)
G912-5	0.38	0.37	-2.59	63	0	0	0	0
G997-3	1.41	1.42	0.46	68	0	0	0	0
G900-5	3.21	3.18	-0.81	70	0	0	0	0
G398-10	4.07	4.06	-0.24	66	0	0	0	0
G312-9	5.84	5.73	-1.82	58	0	0	0	0
G307-7	7.87	7.89	0.24	53	0	0	0	0
			Total	378	0	0	0	0

	Silver (ppm)		Bias		> +/- 2SD		> +/- 3SD	
Standard ID	Expected	Found	(%)	n	(#)	(%)	(#)	(%)
GBM914-4	0.80	0.78	-2.38	50	4	8	0	0
GBM914-3	1.20	1.25	3.83	50	1	2	1	2
GBM910-6	3.60	3.42	-5.00	50	0	0	0	0
GBM911-6	4.20	4.02	-4.20	59	0	0	0	0
GBM912-5	4.20	3.90	-7.23	56	0	0	7	13
GBM914-8	8.50	8.89	4.54	50	4	8	0	0
GBM311-2	10.40	10.47	0.65	50	0	0	0	0
GBM311-4	15.10	15.46	2.37	12	0	0	0	0
GBM997-6	462.70	428.00	-7.50	4	0	0	0	0
			Total	381	9	2	8	2

Blanks

The blank standard for gold and silver performed very well, indicating insignificant contamination and good accuracy for assays at low metal concentrations. Of 392 blanks analyzed, only 54 samples reported results above the lower detection limit for gold, and those 54 samples returned average results of only 0.007 ppm gold. No samples reported results above the lower detection limit for silver. This may reflect that the ICP method is more precise than fire assay for extremely homogeneous materials. No blanks returned results above the acceptable limits for either gold or silver, which is set at five times the lower detection limit.

Duplicates

Field duplicates were taken by preparing two quarter-split samples from one sample interval and sending both to ALS labs for analysis. Field duplicate assays show minor variability between the two quarter-split samples. More than a third of the pairs show less than 10% variation in returned gold grade, and 85% of all samples demonstrate 50% variation or less. These results demonstrate the minor amount of natural heterogeneity on the scale of split core, and indicate that the splitting and sampling are generally reliable. From geologic and analytical experience, an occasional nugget effect sample occurs, but only on a very limited basis in higher grade samples. The first and second sample groups both returned average results of 0.35 g/t Au. Results for silver also show minor variability between the two pairs. Nearly all samples (91%) show 10% or less variation in the silver results.

Check Assays

The primary laboratory for the Santa Luz Project in 2015 and 2016 was ALS Minerals Ltd. Approximately 5% of all pulp samples were re-analyzed for gold and silver at the secondary laboratory SGS in Vespasiano, Minas Gerais, Brazil. The gold fire assay results show good agreement, with 51% of all samples having 10% or less variation between the two laboratories, and 87% of all samples showing less than 50% variation. The variation is partially attributable to the precision of the fire assay method at the gold grades being compared. Both laboratories returned an average grade of 0.30 g/t Au for all sample pairs. No comprehensive silver comparison can be made between the two laboratories because too few samples were above the detection limit at both. Of the 12 samples above detection limit, the average grades are 2.7 g/t Ag from ALS and 2.8 g/t Ag from SGS, generally supporting the silver values in the database.

Brio implemented a QA/QC protocol for drill hole samples using standard geologic practices in accordance with industry guidelines. The results verified the accuracy and precision of the geochemical analyses, and Brio believes that the drill results are acceptable to be used for Mineral Resource and Mineral Reserve estimation.

RPA conducted a series of verification tests on the drill hole database provided by Brio Gold. These tests included a search for missing information and tables, unique location of drill hole collars, and overlapping sample or lithology intervals. Empty tables were limited to lithology, alteration, and geotechnical results. No other database issues were identified.

RPA compared 2% of assays within the complete Santa Luz drill hole database to assay certificates, including 24% of the C1 assay database. Certificates were provided by Brio Gold and were not sourced from the original assay laboratory. No major discrepancies or limitations were found.

The core from a number of drill holes was reviewed during the site visit to confirm logging and sampling practices. Acceptable practices were noted.

RPA Opinion

RPA offers the following opinions:

- Based on the data validation and the results of the standard, blank and duplicate analyses, the assay and bulk density databases are of sufficient quality for Mineral Resource estimation for the Santa Luz deposits.

- Santa Luz data comply with industry standards with no major discrepancies or limitations being found and are adequate for the purposes of Mineral Resource estimation.

Mineral Resources

Since October 2015, Brio has completed approximately 16,400 m of drilling with the primary purpose of better defining the metallurgical characteristics of the orebody, expanding the Mineral Resource, and converting Mineral Resources to Mineral Reserves. Mineral Resources for each of the deposits at Santa Luz were estimated by the Company in 2016 with the support of resource, geotechnical and metallurigical drilling and extensive metallurgical test work conducted in 2015 and 2016. The Santa Luz Project consists of six deposits: C1, Antas 2, Antas 3, Mansinha South, Mansinha North, and Mari. The largest of these are C1, accompanied by Antas 3 and Antas 2, and these three are the only deposits used in 2016 Mineral Resource estimate. Lithology, alteration, and mineralization domains were constructed over each deposit using gold grade thresholds specific to each area, in combination with lithology, alteration, and structural information. Variography and basic statistics were used to inform interpolation plans, which used ordinary kriging or inverse distance squared to estimate gold values from capped gold composites within discrete block models in a series of interpolation passes. Density was averaged from on-site samples and applied to lithology and weathering domains in each deposit. Blocks were classified based on interpolation pass and kriging variance. RPA conducted a series of block validation and data integrity tests on the block model. Mineral Resources were constrained using a Lerchs Grossman pit.

RPA has reviewed and updated the Mineral Resource estimate for the Santa Luz Project to an effective date of June 30, 2016 and is of the opinion that the parameters, assumptions, and methodology used for Mineral Resource estimation are appropriate for the style of mineralization. Validation work indicates that the block models are reasonable and acceptable, however, they should be reviewed on an ongoing basis. RPA has worked with Santa Luz Project staff to deplete the resource block models for production to March 31, 2015.

RPA has reviewed the Mineral Resource estimation methodology and results with Santa Luz Project and Brio Gold personnel and with reference to audit reports of the Santa Luz Mineral Resource estimates prepared by Brio Gold. In RPA's opinion, the assumptions, parameters, and methodology used for the Santa Luz Project Mineral Resource estimates are appropriate for the style of mineralization and mining methods.

Mineral Resource Estimate Summary as of June 30, 2016

Category of Mineral Resource	Tonnes (t) (000)	Gold Grade (g/t)	Contained Gold (oz)
Measured – Open Pit	4,259	1.32	181,000
Measured – Underground	125	1.96	8,000
Indicated – Open Pit	434	1.14	16,000
Indicated – Underground	7,630	2.34	575,000
Total Measured & Indicated	**12,448**	**1.95**	**780,000**
Inferred – Open Pit	400	1.53	20,000
Inferred – Underground	5,500	2.10	375,000
Total Inferred	**5,900**	**2.07**	**395,000**

Notes:
(1) CIM definitions were followed for Mineral Resources.
(2) Underground Mineral Resources are reports at a cut-off grade of 1.5 g/t Au.
(3) Open Pit Mineral Resources are reported at a cut-off grade of 0.50 g/t Au.
(4) Mineral Resources are exclusive of Mineral Reserves.
(5) No minimum thickness was used in the resource estimation.
(6) Mineral Resources are estimated using a short-term gold price of US$1,500 per ounce, and constrained by a pit shell.
(7) Totals may not add due to rounding.

Mineral Reserves

RPA has generated the Mineral Reserve estimates for the C1 and Antas 3 deposits, and reviewed the stockpile estimates prepared by Brio Gold for the Santa Luz project. RPA visited the site, met with management, and carried out a number of checks to verify the procedures and numerical calculations used in the estimation of the Mineral Reserves. The open pit Mineral Reserves are estimated by RPA as of June 30, 2016 using a gold price of US$1,250/oz and metal recoveries of 90% for dacite ore (Dacite), 81% for CARL, and 78% for CARH. Categories of Dacite, CARL, and CARH are based on TOC cut-off grade of <0.3%, 0.3% to 1.2%, and >1.2% respectively. A reserve pit discard cut-off grade of 0.49 g/t Au was used for Dacite, 0.63 g/t Au for CARL, and 0.65 g/t Au for CARH. Mineral Reserves are estimated only for C1, Antas 3, and stockpiles.

RPA's review of the Mineral Reserve estimate included a comparison of the 2013 and 2014 mine production to the Mineral Reserve estimate for the same volume. After making adjustments to cut-off grade used for reserve estimation, RPA notes a reasonable agreement between the 2013-2014 production numbers and the 2016 reserve model.

Mineral Reserves Estimate Summary as of June 30, 2016

Category of Mineral Reserve	Tonnes (t) (000)	Gold Grade (g/t)	Contained Metal (oz Au)
Proven – Open Pit	22,354	1.50	1,081,000
Probable – Open Pit	2,267	1.11	81,000
Probable – Stockpile	2,059	0.89	59,000
Total Proven & Probable	**26,679**	**1.42**	**1,221,000**

Notes:

(1) CIM definitions were followed for Mineral Reserves and Resources.

(2) Open Pit Mineral Reserves are reported at a cut-off grades for Dacite = 0.49 g/t Au, CARL = 0.63 g/t Au, and CARH = 0.65 G/T Au.

(3) A minimum mining width of approximately 40 m was used for pushback design.

(4) Bulk density is 2.69 t/m3.

(5) Mineral Reserves are estimated using a gold price of US$1,250 per ounce, and constrained by a designed pit. Metal recoveries used were 90% for dacite ore, 81% for low carbonaceous (CARL) ore, and 78% for high carbonaceous (CARH) ore.

(6) Exchange Rate of US$1.00 = R$3.70.

(7) Totals may not add due to rounding.

Mining Method

The Santa Luz Project will be a conventional truck and shovel open pit mining operation. The ore and waste rock will be drilled and blasted, loaded onto trucks, and hauled to the crusher area, stockpile areas, or waste rock piles. Ancillary activities will include, but not be limited to, road maintenance, road dust control, site dewatering, dump and stockpile maintenance, grade control, and tailings facility heavy equipment support (as needed). Mining operations are scheduled to start in the first half of 2018.

The LOM plan was developed by RPA based on the Company's 2016 Mineral Resource estimate. RPA has been assisting the Company with the mine planning since the end of 2015. RPA met with the Santa Luz Project staff during two site visits. Since the previous yearly LOM schedule generated by RPA for the PEA was out of date, RPA generated a new LOM schedule in the Runge scheduling software, XPAC.

The mining costs used for open pit optimization and mine planning were provided by Brio Gold and reviewed by RPA, and assume contract mining with a fleet of 40 t trucks starting in 2018. The base cost to mine dacite and carbonaceous material is estimated to be US$1.94/t, with an incremental cost of US$0.007/t per five metre bench starting with the 240 bench.

Open Pit

Open pit optimization was conducted on the potentially mineable Mineral Resources to determine the potential pit limits, using US$1,250/oz Au. Whittle software version 4.5.5 was used for open pit optimization. Blocks classified only as Measured and Indicated Resources were included in the reserve pit optimization process for C1, Antas 2, and Antas 3. It was determined that C1 and Antas 3 can be classified as Mineral Reserves from the evaluations completed, Antas 2 does not produce a Mineral Reserve at this time.

The current Mineral Reserves total 26.7 Mt of Proven and Probable Mineral Reserves, as presented in the table below, and include 2.1 Mt of stockpile. The pit designs are based on a price of US$1,250/oz Au and include mining of 152.7 Mt of waste. The overall waste to ore stripping ratio is 5.7:1.

PFS Design Pit Mineral Reserve Summary

PFS Reserve by Classification	Tonnes t (000)	Gold Grade (g/t Au)
C1		
Proven	17,735	1.62
Probable	680	1.50
Waste	124,019	-
Stripping ratio	**6.7**	-
Antas 3		
Proven	4,619	1.07
Probable	1,587	0.95
Waste	28,596	-
Stripping ratio	4.6	-
Stockpile		
Probable	2,059	0.89
Total Santa Luz		
Proven	22,354	1.50
Probable	4,325	1.00
Total Santa Luz Waste	152,615	-
Stripping Ratio	**5.7:1**	

Mineral Processing and Metallurgical Testing

The metallurgical testing programs for the Santa Luz Project processing facilities began in 2005 and supported the Yamana 2009 Feasibility Study. A pilot test program was performed in 2009, followed by further pilot plant testing in 2010. Production at the Santa Luz mine and mill commenced in 2013, however, it was discontinued in September 2014 and the facilities put on care and maintenance, following a period of very low gold recoveries associated with the processing of carbonaceous ores. Expected plant modifications to the existing circuit require the installation of a Vertimill, a kerosene removal tank and regeneration kiln, six leaching tanks, a detoxification circuit, additional carbon regeneration capacity (reactivation furnace), and two additional elution columns.

In late 2014, a metallurgical testing program was initiated by Brio to evaluate the existing process facilities, to determine the causes of the low gold recoveries and to develop a revised flowsheet to successfully process the carbonaceous material at the Santa Luz Project.

Following the PEA in 2015, a new metallurgical testwork program commenced, broken into two phases: flowsheet development and optimization followed by variability testing. Flowsheet development and optimization testwork commenced on existing ore obtained from stockpiles and previous testwork campaigns, with the addition of fresh samples being provided from a new drilling campaign that was initiated at the end of 2015. Variability samples were also selected from the drill core, to provide a better understanding of the variability across the two main ore types. The results of the testing program lead to a decision to develop a preliminary design and economic assessment based on a whole ore CIL flowsheet rather than the original flotation and concentrate leaching flowsheet. In late 2015, a new testwork program was established to assist in flowsheet optimization, including the comparison of a RIL circuit versus a conventional CIL circuit. With the addition of variability testwork, it was decided to move forward with a CIL process.

A dedicated kerosene blinding circuit is included in the flowsheet to effectively use kerosene to deactivate the naturally occurring carbon that was the main cause for the gold recovery problems. The design will utilize as much of existing equipment as possible and either add or modify equipment as required. The process will now include:

- Primary and secondary crushing.
- Primary SAG mill grinding.
- Secondary grinding using a Vertimill.
- Cyclone classification.

- Kerosene pre-treatment in a dedicated circuit prior to CIL leaching.
- Whole ore CIL leaching.
- Cyanide destruction.
- Carbon acid washing, pressure Zadra carbon elution, and carbon regeneration.
- Electrowinning of the gold.
- Doré casting.
- The flotation tailing pond will be lined and both ponds used for whole ore tailings.

Environmental Studies, Permitting and Social or Community Impact

According to the Brazilian Federal Resolution CONAMA No. 237/97, the environmental licensing for a mining project is handled by the state in which the project resides. The environmental licensing process in Bahia is under the responsibility of INEMA (Instituto do Meio Ambiente e Recursos Hidricos, or the Environmental and Water Resources Institute) and CEPRAM (Conselho Estadual de Meio Ambiente, or Environment State Council). The Santa Luz Project has two operational licences with several conditions that comprise monitoring and mitigation actions, such as the monitoring of water quality, noise levels and particulate matter. In the past years, the Santa Luz Project has maintained compliance with the general conditions established by INEMA, as demonstrated by several Environmental and Safety ("**E&S**") reports.

The Company is currently requesting the renewal of its Operation Licences, which will expire in December 2016. As required by Brazilian legislation, the application for renewal must be submitted at least 120 days before its expiration date. The Company has submitted the proper applications and is preparing the necessary documentation required by INEMA, such as consolidated E&S reports from the past three years, tax payment receipts, and legal documentation, among other documents. The Company has also requested an amendment of its Operation Licence considering the future operational process, which includes the construction of the processing plant and tailings dam.

The current permitting status for the Santa Luz Project is presented in the following table.

Santa Luz Project Permitting Status

Permit	Process Number	Issue Date	Expiration Date
Operation Licence – Mine, Plant and Tailings Dam	Portaria nº 6611	27/12/2013	27/12/2016
Operation Licence – Mine (CBPM area)	Portaria nº 6674	03/01/2014	03/01/2017
Fuel Station	2012.001.000005/LAC	13/07/2012	-
Water Permit – Pumping 4 groundwater wells	Portaria nº 6563	13/12/2013	13/12/2017
Water Permit – Pumping 6 groundwater wells	Portaria nº 6269	01/11/2013	01/11/2017
Freshwater Pumping permit	Portaria nº 7573 and 7574	23/05/2014	25/08/2018
Review conditioning of Portaria nº 6674	Portaria nº 9425	13/03/2015	-
Review conditioning of Portaria nº 6611	Portaria nº 9426	13/03/2015	-
Transfer of Portaria nº 6611	Portaria nº 10.584	14/10/2015	-
Application for renewal of the LO	2016.001.034218/REQ	19/05/2016	-
Application for change – dam and plant	2016.001.034525/REQ	20/05/2106	-

The Company confirms that an application for renewal of Operating Licence #6611 was filed 120 days prior to the expiry date of the licence. Accordingly, pursuant to environmental regulations, the licence is automatically renewed until the environmental authority makes a final decision on the renewal. The Company believes it has complied with all legal requirements and therefore has no reason to believe the renewal will be denied. In the event the Operating Licence #6611 is not renewed, the mine plant and tailings dam will no longer be able to operate which would be expected to have a material adverse impact on the operations at the Santa Luz Project.

Environmental Impacts and Mitigation Actions

The control actions for mitigation, compensation, and monitoring of environmental impacts are encompassed in the following plans and programs:

- Surface and Underground Water Monitoring Program
- Noise Monitoring Program
- Hydrogeological Monitoring Program
- Compensation actions relative to the Sistema Nacional de Unidades de Conservação (SNUC – National System of Protected Areas), law 9985/2000
- Archaeological Rescue Program
- Wastes Management Program
- Social Communication Program
- Environmental Education Program
- Reclamation Plan
- Erosion and Water Courses Sanding Prevention Program
- Control of Water and Energy Consumption Program

The Company develops and submits to INEA several monitoring reports on a regular basis to demonstrate compliance with the relevant conditions of the licences. There are no specific requirements for wastewater discharges, as the beneficiation plant operates in a closed circuit. Water supply is provided by ten groundwater wells, and also by a freshwater abstraction from the Itapicurú River. With the new operational scheme, the current leaching dam will be transformed into a water dam, improving the water storage system.

Tailings Pond Capacity and Management Scheme

The Santa Luz tailing storage facility ("**TSF**") has a total area of approximately 735,000 m² (maximum dimensions of 990 m wide by 1,442 m long). It currently includes separate impoundments for flotation tailings and leach tailings. The flotation TSF is currently unlined, while the leach TSF is a lined facility. The status of Santa Luz tailings storage as of September 2016 were:

The new process plant design will eliminate the flotation process and will revert to whole ore leaching, which means that all the tailings generated from the plant will have been in contact with leaching reagents and will have to be stored in a lined tailings impoundment. The current flotation TSF will be modified, with the implementation of a geomembrane to accept leach tailings, and the current flotation leaching TSF will be used only for water storage.

Operation of the tailings dams will be similar to current operations. Tailings will be detoxified in the process facilities and pumped to the TSF. The slurry will be discharged from drop points around the periphery of the pond, providing a beach layer between the water and the dam. An alternative will be to dewater the tailing solids at the flotation TSF using cyclones. The solids will be deposited in the flotation TSF and the cyclone overflow water will be pumped to the leach TSF. Water will be reclaimed from the pond using a barge pump system and pumped to the process plant for reuse. The Company has requested an amendment to its Operational Licence (*Licença de Alteração*) considering the future operational process. Brio Gold expects to obtain the renewed licence in the first half of 2017.

Waste Water Treatment and Disposal Scheme

The Santa Luz Project wastewater is treated in a closed circuit, with 100% of recirculation of industrial water, which means that there are no discharges of process wastewater from utility operations to surface water. Septic systems are used for treatment and disposal of domestic sanitary sewage.

Acid Rock Drainage Evaluation

Representative samples were collected to complete an evaluation of the potential for acid rock drainage ("**ARD**"). The samples were analyzed for total sulphur, total carbon, inorganic carbon, and carbonate carbon. The assays confirmed that the sulphur concentration increases with depth which is consistent with the transitions from oxide ore to semi-oxidized ore and then to fresh ore. The acid neutralizing capacity was also measured. The maximum potential acidity was then estimated based on the acid neutralizing capacity and the total sulphur concentrations. Based on this analysis, all of the ore grade samples were found to be non-acid forming with a high factor of safety, so it is unlikely that ARD will be generated. Additional testwork is required to confirm the preliminary results.

Site Water Balance

Water supply is currently sourced from the Itapicurú River, the main drainage system in the area, at a rate of 392 m3/hr. The water supply infrastructure includes an intake structure and three pumps located at the river, as well as a 900,000 m3 capacity water dam. There are also ten additional deep wells, with different intake capacities, ranging between 152.00 m^3/d and 1,471 m^3/d, as approved by the local environmental agency (INEMA). The system is flexible and enables direct supply to the plant or to the dam, according to operational needs.

With the remodelling of the current leaching dam and with additional water pumping from the Itapicurú River and the deep wells, the Company expects to have, by March 2017, a total water storage of 1,307,756 m^3, which allows a safe operation from a water supply perspective, considering the expected annual process water consumption (approximately 400,000 m^3 per annum).

Requirements for New Environmental Licenses and Permits

No further licences and permits are expected to be needed in the short term as part of the current project, except the periodic renewals required for the current licences and permits. In the medium term, additional environmental and social studies may be necessary if the mining area exceeds the limits outlined in the current Operational Licences. In this case, the company will consult INEMA about the required E&S studies in order to obtain the proper Installation Licence.

Social Impact

An agreement was set between INCRA (the Brazilian Institute of Settlement and Land Reform), the Santa Luz Project, and the Nova Esperança Association for the relocation of the "Agrovila" (Nova Esperança Village) including the construction of houses in the new area along with schools, a community center, and a health center. Eight-two individual contracts were signed for the relocation of families from the area, compensation measures, and construction of new 60 m^2 houses.

Yamana has previously committed to a number of community concessions to the nearby village of Nova Esperanca, including village relocation, community compensation, and other environmental considerations for a total of R$20.6 million. Based on an R$3.4 = US$1.00 exchange rate, this amounts to US$6.06 million, planned in 2016. These costs are included in the initial capital.

In 2015, Yamana carried out some formal meetings with representatives of INCRA and the Nova Esperança Village to inform them about the Project status and operations forecast. The Company also advised that the contract is going to be suspended until operations at the Santa Luz Project restart. It appears that the community is accepting the process and no signs of negative reactions have been identified.

Approximately US$15,000 will be paid to each resettled family, in addition to the construction of new houses and a village. The Company also advised that approximately US$3,000 have already been paid and that additional US$3,000 will have been paid by August 2016. Brio Gold expects to have finished the construction of the new houses/village by December 2017, together with the resumption of Santa Luz Project operations.

Yamana has implemented a series of programs such as "Open Doors", partnership seminars, environmental education programs, and lectures in the schools and communities around the Santa Luz Project area. No significant issues with the local communities have been identified during the first years of operation at the Santa Luz Project.

Capital Cost

Initial capital costs are US$84.2 million, including US$42.0 million for processing plant construction and US$8.0 million for tailings dam construction. Reclamation and closure costs for the Santa Luz Project have been estimated to be approximately US$8.1 million. Capital costs for the Santa Luz Project cash flow are summarized in the following table. No mining capital costs were included; there is mining contractor infrastructure available at the site and no additional pre-production mining costs at the Santa Luz Project. There are no infrastructure capital costs included in the current Santa Luz Project capital cost given that the mine was placed under care and maintenance in 2014 and the infrastructure is in good condition.

Summary of Project Cash Flow Capital Costs

Capital Category	2017 (US$000)	2018 (US$000)	2019 (US$000)	2020-2027 (US$000)	Total (US$000)
Initial Capital Cost					
Plant Only	29,990	4,129			34,119
Contingency	7,190	990			8,180
Infrastructure	6,908	951			7,859
EPCM	5,201	716			5,917
Other (tax)	8,665	1,193			9,858
Tailings	8,000	0			8,000
Owner's Costs	4,204	377			4,581
Community	5,644	0			5,644
Initial Capital Subtotal	**75,802**	**8,356**	**0**	**0**	**84,158**
Sustaining Capital Cost			7,224	17,537	24,761
Exploration Capital Cost					
Total Capital Cost	**75,802**	**8,356**	**7,224**	**17,537**	**108,918**
Reclamation and Closure					8,095

Note:
(1) 2017 exchange rate R$3.65 = US$1.00, 2018 exchange rate R$3.76 = US$1.00, 2019 exchange rate R$3.83 = US$1.00, 2020 – 2027 exchange rate R$3.91 = US$1.00

Operating Costs

A summary of the cash flow project's operating cost is shown in the following table.

Summary of Cash Flow Project Operating Costs

Total Operating Costs	LOM (US$ 000)	Unit Costs, US$/t ore
Mining Cost	US$340,097	US$12.75
Processing	383,254	14.37
Re-handle Cost	1,690	0.06
Variable G&A (doré transport)	7,617	0.29
Fixed G&A	59,839	2.24
Other Operating Expenses	1,370	0.05
By-Product Credits	0	0.00
Total LOM Operating Costs	US$793,867	US$29.76

Notes:
(1) 2017 exchange rate R$3.65 = US$1.00, 2018 exchange rate R$3.76 = US$1.00, 2019 exchange rate R$3.83 = US$1.00, 2020 – 2027 exchange rate R$3.91 = US$1.00

Economic Analysis

The pre-tax and after-tax cash flow projection is summarized in the following table and is based on the LOM production schedule and capital and operating costs.

Santa Luz Project Cash Flow Summary

Description	Unit	Value
Pre-Tax IRR	%	73%
Pre-tax NPV at 0.0% discount rate	MUS$	382
Pre-tax NPV at 5.0% discount rate	MUS$	274
Pre-tax NPV at 10.0% discount rate	MUS$	227
After-tax IRR	%	71%
After-tax NPV at 0.0% discount rate	MUS$	374
After-tax NPV at 5.0% discount rate	MUS$	268
After-tax NPV at 10.0% discount rate	MUS$	222

Economic Criteria

Revenue:

- Approximately 7,400 ore tonnes per day processed (approximately 2.7 Mtpa)
- Cash flow processing recoveries at Santa Luz are 80% for gold in high carbonaceous material, 84% for gold in low carbonaceous material, and 86% for gold in dacite
- Gold and silver payments at refinery vary for each metal
- Nominal exchange rate US$1.00 = R$3.7
- Metal prices for cash flow: US$1,300/oz gold
- No salvage value was applied to any of the equipment or infrastructure
- Project Life: Ten years
- Yearly revenues were calculated by subtracting the applicable refining charges and transportation costs from the payable metal value
- Revenue is recognized at the time of production
- There are only Proven and Probable Mineral Reserves in production schedule. The total production schedule includes 26.7 Mt of ore.

Costs:

- There is no pre-production period.
- Unit operating costs for mining, processing, power, fuel, and G&A were applied to annual mined/processed tonnages, to determine the overall yearly operating cost.
- Closure costs for the Project have been estimated to be US$8.1 million, and they are included in the cash flow.
- Initial capital cost totals US$84.2 million. Capital and operating costs are based on 2017 exchange rate R$3.65 = US$1.00, 2018 exchange rate R$3.76 = US$1.00, 2019 exchange rate R$3.83 = US$1.00, and a 2020-2027 exchange rate R$3.91 = US$1.00.

Royalties

An existing royalty agreement with the Federal Government for 1% gross revenue, and another agreement for 1% gross revenue with COSIBRA, was included in the cash flow and pit optimization analysis. An additional 2% royalty was included for the CBPM area of the C1 deposit.

Taxation

RPA has relied on the Company with respect to all taxation rates and rules associated with the Santa Luz Project, including, but not limited to, any associated municipal, provincial, state, and federal taxes, royalties, and other production-based taxes, and other applicable laws that would allow for the modification of taxes applicable to the Santa Luz Project. The after-tax cash flow model contained in this summary includes the application of the tax rates and rules provided by the Company.

Exploration, Development and Production

The Company has completed a significant exploration program at the Santa Luz Project. Since October 2015, the Company has completed approximately 16,400 metres of drilling. The drill program was focused primarily on upgrading the current resources to reserves for metallurgical testwork. These results were included in the Technical Report on the Santa Luz Project, which also includes a new reserve estimate. Detailed engineering is currently underway, with construction to be completed by early 2018 for the re-commissioning of the Santa Luz Project expected in the first quarter of 2018.

RDM Mine

The scientific and technical information in this summary relating to the RDM Mine is derived from, and in some instances is a direct extract from, and based on the assumptions, qualifications and procedures set out in, the RDM Mine Technical Report. Such assumptions, qualifications and procedures are not fully described in this prospectus and the following summary does not purport to be a complete summary of the RDM Mine Technical Report. Reference should be made to the full text of the RDM Mine Technical Report, which is available for review under the Company's profile on SEDAR at www.sedar.com.

Property Description and Location

The RDM Mine is situated in the northern part of Minas Gerais, Brazil. The mine site is 145 km by road northeast of the city of Montes Claro (population 400,000), and 15 km from the nearest town Riacho dos Machados (population 10,000). The center of the current open pit has geographic coordinates of 16°03'40" South Latitude and 43°08'16" West Longitude with an approximate elevation of 895 masl.

Brio Gold Inc.

Riacho dos Machados Gold Mine

Minas Gerais State, Brazil

Location Map

Land Tenure

The RDM Mine property consists of 13 tenements and two mining concessions with a total area of approximately 22,628 ha. The tenements form a mostly contiguous block extending north and south of the central-positioned mining concession. Mineral tenure for the RDM Mine is held under the name of MRDM, incorporated under the laws of Brazil and registered with the Federal Taxpayer's Roll under No. 08.832.667/001-62. The property was initially staked under the name of Ouro Fino Gold Mine on March 30, 2001 (File #16,835) and was subsequently registered in the name of Carpathian prior to its acquisition by the Company on April 29, 2016. Surface rights for the RDM Mine were owned by individuals and entities in Minas Gerais and have been purchased by MRDM. It is reported that there are no reservations, restrictions, rights-of-way, or easements on the RDM Mine to any third party.

The Brazilian government, through the DNPM, is authorized to grant t a mining concession to any entity that discovers a new mineable deposit. There are no expiration dates on the mining concession held by Carpathian, provided MRDM meets expenditure and environmental requirements and pays a required annual mining fee. The expenditure and environmental requirements have been met and MRDM is current with all requirements to hold the mining tenements in good standing. The table below provides a summary of the mining property tenements as of November 2016.

Mining Property Tenements

DNPM No	Title	Hectares	Issue Date	Expiration Date	Comments
831.005/82	Mining Concession	1,000.00	18-Mar-92	Unlimited	
833.479/06	Exploration License	1,963.10	22-May-14		Exploration final report submitted (Positive)
833.480/06	Application for Mining Concession	1,230.64	19-Dec-13		
834.015/06	Exploration License	1,921.76	22-May-14		Exploration final report submitted (Positive)
834.016/06	Exploration License	1,988.40	22-May-14		Exploration final report submitted (Positive)
834.017/06	Exploration License	785.00	22-May-14		Exploration final report submitted (Positive)
834.018/06	Exploration License	1,981.86	22-May-14		Exploration final report submitted (Positive)
834.020/06	Exploration License	1,998.50	22-May-14		Exploration final report submitted (Positive)
834.021/06	Exploration License	1,994.00	22-May-14		Exploration final report submitted (Positive)
831.869/08	Exploration License	116.72	21-Dec-12	--	Exploration final report submitted
831.630/10	Exploration License	1,999.71	27-Nov-14	27-Nov-17	License renewed for additional 3 years
831.631/10	Exploration License	1,999.77	12-Nov-14	12-Nov-17	License renewed for additional 3 years
831.632/10	Exploration License	718.39	12-Nov-14	12-Nov-17	License renewed for additional 3 years
832.220/13	Exploration License	1,466.27	09-Apr-14	9-Apr-17	Exploration License granted for 3 years
831.341/12	Exploration License	1,464.13	06-May-14	06-May-17	Exploration License granted for 3 years
	TOTAL	**22,628.26**			

Note:
(1) For those licenses with issuance dates in May 2014, extensions have been submitted but final approvals have not been received yet.

The Company believes that the application for the mining concession related to DNPM 833.480/06 meets all legal requirements and has no reason to believe that the mining concession will be denied. If the application is denied, the concessions will be put into an auction process and the Company's subsidiary has the ability to bid to reapply for the land. As this mineral tenure relates to an expansion area of the RDM Mine, a denial of the licenses and concessions could have an adverse impact on operations of the Company.

Royalties

Certain royalties are levied on mineral production in Brazil in accordance with Federal law. The current statutory royalty imposed by the federal government on gold properties is 1% of sales proceeds less sales tax, transportation, and insurance costs. Additionally, a royalty must be paid to the landowner if the surface rights do not belong to the mining titleholder. This landowner royalty is equal to one-half the government royalty, which in the case of gold would amount to an additional 0.5%. The RDM Mine has the surface right ownership for the deposit area and infrastructure, so any mineral production from this portion of the RDM Mine area, and any surface area subsequently acquired by MRDM or the Company, will carry no landowner royalty.

The RDM Mine also carries a 1% royalty on gold and a 2% royalty on base metals, payable by MRDM to Mineração Brilhante Ltda, who previously had an interest in the property. The mineralization in the RDM Mine area currently carries no economic base metals.

RPA is not aware of any environmental liabilities on the property. MRDM has all required permits to conduct the proposed work on the RDM Mine. RPA is not aware of any other significant factors and risks that may affect access, title, or the right or ability to perform the proposed work program on the property.

Accessibility

The RDM Mine is approximately 145 km by road northeast of Montes Claros in the northern part of Minas Gerais State, southeastern Brazil. The RDM Mine can be accessed from Monte Claros by traveling west on Highway 251 and north on MG 120. The RDM Mine's main gate is accessed from a west bound gravel road off MG 120. The nearest town is Riacho dos Machados (population approximately 10,000) approximately 25 km northeast from the RDM Mine. Monte Claros (population 400,000) is the region's largest industrial city, offering full service facilities and daily commercial air flights to the major Brazilian cities of Belo Horizonte (560 km from the RDM Mine), Brasília, and Salvador.

Climate

The RDM Mine is located in southeastern Brazil in the northern part of Minas Gerais, in the Serrada climate zone. The climate is semi-tropical with two seasons, a dry winter and a rainy summer, with the main period of rain occurring between November and March. Average temperatures vary from 17°C in January to 30°C in July. Annual precipitation ranges from approximately 300 mm to 1,500 mm, with an average of 1,100 mm over the last few years, and pan evaporation averages 1,398 mm/year. The RDM Mine is operated year-round. Severe rainfall and drought can occur in the RDM Mine area.

Physiography

The RDM Mine is located within the Espinhaço Mountains (Serra do Espinhaço) that divide the São Francisco and Jequitinhonha river basins. The terrain consists of rolling hills, locally steep and drained by sparse intermittent streams, mainly active in the wet season. Elevations range from 770 masl to 900 masl.

The prevailing vegetation is overgrown semi-tropical savanna known as "cerrado," consisting of brushy forest land interspersed with open grassy fields. The local area supports only limited agriculture, mainly subsistence cattle grazing in the area near the mine site. In addition to ranching, eucalyptus tree farms are found and principally produce charcoal consumed in metallurgical ovens.

Local Resources

The RDM Mine area has a moderate history of mining activity. Mining suppliers and contractors are locally available. Both experienced and general labour is readily available from Porteirinha and Riacho Dos Machados, with an estimated population of approximately 38,700 citizens in the municipality of Porteirinha, and approximately 9,700 inhabitants in the municipality of Riacho Dos Machos (2014 census).

Infrastructure

The infrastructure at the RDM Mine includes:

- open pit mine
- 7,000 tonnes per day (tpd) (2.55 Mtpa) processing facilities
- three-bay, tent structure mine shop
- offices and support buildings
- access road
- waste management

- cafeteria
- transportation facilities
- communications systems
- tailings storage facility (TSF)
- on-site power generation with eight diesel generators

Infrastructure remaining in place at the mine site from the previous owner includes an active 13.8 kV power line and right-of-way, a 120 m deep exploration shaft (2.8 m diameter) with headframe, warehouses, housing facilities, and various other buildings, including core storage.

Project Tenure History

CVRD discovered the RDM Mine deposit in early 1986. CVRD operated the property as an open pit gold mine until closure in 1997. The mine remained idle from 1997 until October 2008, when Carpathian acquired the mineral rights of the RDM Mine and started prospecting and exploration.

Exploration and Development History

CVRD, through its exploration arm, DOCEGEO, conducted geological mapping, geochemical and geophysical surveys, and trenching from 1979 to 1987. The work resulted in the discovery of the Ouro Fino deposit.

From 1987 through 1994, CVRD conducted the following exploration:

- RC drilling to define the oxide gold mineralization.
- Diamond drilling ("**DD**") to explore the deeper sulfide mineralization.
- Underground exploration, to explore the mineralization below the southern portion of the open pit. The work included a vertical shaft, lateral development, underground drilling to further explore the deeper sulfide mineralization, and metallurgical test work (Technomin, 2011).

Historical Resource Estimates

Prior to the start of mining operations in 1989, CVRD estimated open pit oxide Mineral Reserves of 2.7 million tonnes grading 2.22 g/t Au, containing 193,000 oz Au. RPA notes that this estimate is historical in nature, however, it is relevant as it shows a very good reconciliation with actual production.

In 1996, CVRD estimated underground sulfide Mineral Resources of 2.59 million tonnes grading 4.88 g/t Au, containing 405,000 oz Au in the Measured plus Indicated categories, and 1.19 million tonnes grading 4.01 g/t Au, containing 153,000 oz Au in the Inferred Resource category. RPA did not review the assumptions, parameters, and methodology of the underground estimate. The estimate pre-dates NI 43-101, is historical in nature, and should not be relied upon.

Production History

Gold production at the RDM Mine is summarized in the following two tables and includes CVRD production and Carpathian production.

CVRD began the open pit operation at the Ouro Fino deposit in 1989. Oxidized gold ore was mined and processed by cyanide heap leach until 1997, when operations ceased. Production from the operation is summarized in the following table.

Past Production – CVRD

Year	Ore (000 t)	Grade (g/t Au)	Waste (000 t)	Strip Ratio W:O	Contained Au (000 oz)	Produced Au (000 oz)	Process Recovery (%)
1989	12	2.46	2	0.13	1	0	-
1990	334	1.89	321	0.96	20	14	71
1991	506	2.12	963	1.9	32	28	80
1992	517	1.93	1,175	2.27	40	27	83
1993	628	1.98	1,593	2.54	31	31	77
1994	568	1.68	1,378	2.43	20	26	84
1995	362	1.68	961	2.65	18	16	84
1996	294	1.88	487	1.66	-	13	72
1997	0	-	-	-	-	1	-
Total	3,220	1.89	6,879	2.14	196	155	79

Carpathian acquired the RDM Mine on October 30, 2008, completed a feasibility study, and began production in 2014. A summary of Carpathian's production is shown in the following table.

2014-2015 Production – Carpathian

Month	Mined Ore Tonnes (000 t)	Process Tonnes (000 t)	Process Grade (g/t Au)	Recovery (%)	Metallurgical Au (oz)	Shipped Au (oz)
2014 Totals	2,191	1,422	1.22	86	47,897	47,964
Jan-Sept 2015 Totals	1,201	814	1.17	75	27,517	31,286
Project to Date Totals	**3,392**	**2,236**	**1.20**	**82**	**75,414**	**79,250**

Geological Setting, Mineralization, and Deposit Type

The RDM Mine occurs in the north-south trending Araçuaí Fold-Thrust Belt along the eastern margin of the São Francisco Craton, a major Archean-age basement block which underlies more than one million square kilometres in eastern Brazil. The Araçuaí Fold Belt is 15 km to 45 km wide and consists of a series of metavolcanic-metasedimentary rocks of late Archean to late Proterozoic age, which were deposited in a broad intracontinental to oceanic rift-type basin that existed between the São Francisco Craton and the Congo Craton (now part of Africa). Mineralization along the Araçuaí Fold Belt is thought to be the result of hydrothermal fluids generated by syntectonic igneous and metamorphic activity.

The principal host for the gold mineralization is the quartz-muscovite schist of the Riacho dos Machados Group ("**RMG**"). The mineralization occurs in a belt of hydrothermally altered rock developed along a district-scale shear zone that extends almost 30 km along a N20°E strike direction and dips 40° to 45° east. The mineralization has a typical amphibolite facies mineral association which is progressively altered to greenschist facies assemblage. The gold mineralization occurs as "stacked" tabular horizons that are mostly concordant with the principal rock foliation (shear zone). These tabular zones typically consist of a main zone which may be sided by a thinner footwall or hanging wall zones, separated by three meters to ten meters of unmineralized rock. Continuity along strike and at depth is good with gold mineralization occurring continuously over a 2,000 m strike length and up to 1,000 m down dip.

Mineralization occurs in the hydrothermal/shear zone and gold grades are closely related to the sulfide content, especially arsenopyrite. Gold occurs as microscopic native-gold grains - typically, finer than 400 mesh (37 microns) - at contacts between recrystallized quartz grains, muscovite grains and as inclusions in arsenopyrite, and less commonly in pyrrhotite, quartz-veinlets, tourmaline, and pyrite.

The Riacho dos Machados gold deposit is considered to be a classic mesothermal orogenic gold deposit in a sheared and deformed Archean to Proterozoic age greenstone belt sequence. It is comprised of metamorphosed volcanic-sedimentary rock units intruded by slightly younger post-tectonic igneous bodies. The deposit is classified as mesothermal as it likely formed under relatively high temperature at considerable depth in the earth's crust by hydrothermal and/or metamorphic processes.

Deposits of this type may have great vertical extents (down-plunge), commonly two km or more. In many deposits, the gold occurs in fissure veins, veinlets, stockworks, and altered wall rock.

Exploration

MRDM commenced exploration in 2008 and continued work until 2012. This work further explored the primary targets developed by CVRD exploration drilling and also served to validate the CVRD historical data. Since acquisition in 2008, Carpathian exploration activities up to present day have included, but are not limited to, resampling of CVRD drill core, surface trenching, soil geochemistry, mapping, and exploration drilling.

Historic and present owners have drilled a total of 798 drill holes collecting over 85,000 m of drill core and chip samples.

The surface exploration targets drilled to date have returned narrow or discontinuous zones of mineralization. There are no high priority targets defined by drilling to date that present prospective satellite pits to the current operation. There is, however, a clear 14 km trend of mineralization that has not been comprehensively drill tested and, in RPA's opinion, there is still moderate to good potential to discover additional mineralization.

The Riacho dos Machados gold deposit remains the principal deposit in the district, offering expansion potential along trend to the north and to the south, however, the degree of mineralization appears to be decreasing. Additional potential continues down dip where the mineralization is a target for potential underground mining. In RPA's opinion, this potential is strongly limited by the geometry of the open pit.

MRDM has defined and explored a number of prospects in the region, with emphasis on exploring the 30 km district-scale shear with a N20°E strike direction and a 40° to 45° east dip. The Passagem Nova target area ten kilometres east of the RDM Mine is the most promising of the exploration areas. Mineralization is characterized by injections of quartz sulfide veinlets and veinlet stockworks associated with kaolinite. The mineralization is in metavolcanic rocks adjacent to a dioritic intrusive body. Country rocks surrounding the intrusive are intensely propylitized and contain tourmaline, hematite, and quartz sulfide veinlets with gold and copper mineralization.

Drilling

The drilling at the RDM Mine deposit included DD and RC drilling and is summarized in the following table.

Drilling Summary

Year	Company	Drilling Type	Holes	Metres
1987	DOCEGEO (CVRD)	DD	30	2,091
1988	DOCEGEO (CVRD)	DD	41	3,367
1989	DOCEGEO (CVRD)	DD	23	3,502
1990	DOCEGEO (CVRD)	DD	26	4,164
1991	DOCEGEO (CVRD)	DD	20	3,677
1992	DOCEGEO (CVRD)	DD	1	407
1993	CVRD	DD	6	471
		RC	179	7,430
1994	CVRD	DD	17	2,891
		DD_UG	64	2,348
1995	CVRD	DD	8	6,020
2008	CARPATHIAN	DD	64	11,277
2009	CARPATHIAN	DD	29	3,684
		RC	59	4,646
		RC+DD	65	12,296
2010	CARPATHIAN	DD	85	11,648
2012	CARPATHIAN	DD	81	5,720
Grand Total			**798**	**85,640**

There has been no exploration drilling in the RDM Mine area since 2012.

Sample Preparation and Analysis

All CVRD samples were sent either to the DOCEGEO laboratory in Araci, Bahia, or CVRD's laboratories in Santa Luzia, Minas Gerais state, Brazil. Apparently, no blanks, standards, or duplicates were introduced into the sample/analytical stream prior to sending them to the laboratory. Analytical techniques were apparently changed during the different drilling campaigns. Original assay reports are not available. Assays that were hand entered on geologic logs provide the source of the historic drill assay database.

MRDM used independent and internationally recognized laboratories for sample preparation and analysis. The primary laboratories used were the following:

- 2008 Phase I drilling campaign: ALS Brasil Ltda., Vespasiano, Brazil (near Belo Horizonte). This laboratory is ISO 9001:2000 and ISO 17025:2005 accredited. The assay method was 50 g fire assay code A26 with a detection limit of 0.01 ppm Au; and

- 2009 Phase II and 2010 Phase III drilling campaigns: SGS, Vespasiano, Brasil (near Belo Horizonte). This laboratory is ISO 9001:2000 and ISO 17025:2005 accredited. The assay methods used was 50 g fire assay code FAA505 with a detection limit of 5 ppb Au.

Sample preparation and analytical procedures were similar for both laboratories.

- Drying and weighing of whole sample

- Crushing of sample to -2 mm

- Sample homogenization and splitting to a one kilogram sub-sample
- Pulverization to 95% passing -150 mesh
- 50 g fire assay and analysis by atomic absorption spectroscopy (AAS)

Sample Security

Samples are currently collected by a trained sampler under the supervision of a technician or a geologist, with all QA/QC samples inserted within a sequential numbered sequence and recorded.

Prior to trucking to the laboratory, samples are stored in a secure locked room at the mine site. The samples are shipped by truck directly to the laboratory in Belo Horizonte using the transport company TNT Transportes Ltda. After arriving at the laboratory, the samples are checked in with the submission sheet, each sample is weighed, and each sample receives a new code and barcode label. If any problem is identified with the samples, the laboratory calls the site geologists for clarification on the specific discrepancies. The sample rejects are stored in the laboratory and are returned to the site in the next available transport.

RPA finds that the sampling methods, chain of custody procedures, and analytical techniques are appropriate and meet acceptable industry standards. In RPA's opinion, the sample preparation, analysis, and security procedures at the RDM Mine are adequate for use in the estimation of Mineral Resources.

Quality Assurance, Quality Control, and Data Verification

The CVRD drill campaigns did not include the use of current QA/QC procedures. The QA/QC program used in the 2008 to 2010 drilling campaigns at the RDM Mine included the insertion of CRM, blanks, and duplicates into the sample stream at the frequency summarized in table below. Approximately 29,000 QA/QC samples were submitted. The RDM Mine program also included umpire assays.

Quality Assurance/Quality Control Samples Insertion Rate

	Phase I 2008 (%)	Phase II 2009 (%)	Phase III 2010 (%)
CRM	4.9	4.4	4.6
Pulp Blank	4.6	4.6	4.6
Coarse Blank	4.9	4.4	4.6
Pulp Duplicate	2.3	4.6	4.6
Coarse Duplicate	3.3	4.4	4.3
Total	20.0	22.3	22.5

Notes:
(1) Phase I 2008, Phase II 2009, and Phase III 2010 are drill campaigns.
(2) Numbers may not add due to rounding.

Certified Reference Material

CRM samples are materials of known values used to check and quantify the analytical accuracy of laboratories.

CRM samples were purchased from Rocklabs as pulps that were assayed in a round robin of 28 laboratories. The average value and its SD for the round robins are certified. The variation from the standard's mean value in SDs defines the QA/QC variance and is used to determine acceptability of the standard sample assay. Approximately 150 g of sample material is submitted per QA/QC sample.

Twelve CRMs were used, ranging from a low of 0.025 g/t Au to a high of 8.573 g/t Au, and represented the expected range of grades at the RDM Mine. The assay result was considered a failure if it returned a value greater than three SDs from the expected value or two consecutive readings greater than two SDs from the expected value. In the case of a failure, the entire batch was returned to the assay laboratory for re-analysis.

After reviewing the CRM control charts for the three drill campaigns, RPA is of the opinion that the results display acceptable accuracy.

Control Blanks

MRDM submitted pulp blanks and coarse blanks (i.e., barren samples) into the sample stream to check for potential laboratory contamination, drift, or tampering. The detection limit was 0.01 g/t Au and a failure was defined as greater than 0.05 g/t Au.

RPA reviewed the control charts of the 1,338 pulp blanks submitted and notes there was no indication of contamination. Similarly there was no evidence of contamination in the 1,148 coarse blanks.

Duplicate Samples

MRDM submitted pulp and coarse duplicate samples to monitor data variability as a function of sample homogeneity and laboratory precision. The sample pairs are analyzed using relative difference plots and scatter plots.

In 2008, 255 pulps and 354 coarse samples from ALS were re-submitted to SGS for analysis. In 2009 and 2010, a total of 1,092 pulps and 549 coarse samples returned from SGS were re-submitted to SGS for analysis.

In RPA's opinion, the relative difference and scatter plots demonstrate a reasonable variability between the duplicate analyses.

External Check Assay Program

The check assay program in 2009 was comprised of 318 pulp samples sent to ALS to check the accuracy of the SGS laboratory. The samples returned acceptable accuracy. There were no external check assays submitted for the 2008 and 2010 drill campaigns.

In RPA's opinion, the combination of the verification of the CVRD data and the results of the RDM Mine QA/QC programs indicate that data is appropriate for Mineral Resource estimation.

Data Verification

MRDM re-sampled approximately 25,000 m of mineralized sections in 156 holes drilled by CVRD. The MRDM results compare reasonably well with original assay results, reflecting the same mineralized intervals with adequate similarity in grade and thickness, although on a sample per sample comparison, the differences may be significant

RPA conducted a limited number of checks on the resource database, including a search for unique, missing, and overlapping intervals, a total depth comparison, duplicate holes, and a visual search for extreme or deviant survey values. No significant errors were encountered.

RPA reviewed the original assay certificates from ten selected holes in the mineralization. No errors were found when compared to the Mineral Resource database.

RPA agrees with Cube and NCL that the Resource Definition (RESDEF) database is sufficiently reliable and appropriate for use in the estimation of Mineral Resources and Mineral Reserves.

RPA did not collect independent samples, as in their opinion, the historical and current production of gold is sufficient to verify the presence of gold mineralization

Mineral Resources

RPA reviewed the Mineral Resource estimate of the RDM Mine operations prepared by Cube. RPA notes that the Mineral Resources were prepared by Cube for Carpathian in December 2014, and that they were independently audited. RPA has worked with MRDM and Cube staff to deplete the resource block models, to reflect the Mineral Resource as of September 30, 2015, as summarized in the following table. The estimate conforms to CIM Definition Standards for Mineral Resources and Mineral Reserves (CIM, 2014).

Mineral Resource Summary – September 30, 2015

Category	Tonnage (000 t)	Au Grade (g/t)	Au Ounces (000 oz)
Open Pit Resources			
Measured	62	0.81	2
Indicated	6,864	0.84	186
Measured + Indicated	6,926	0.84	188
Inferred	3,306	1.12	119
Underground Resources			
Indicated	43	1.54	2
Inferred	5,252	1.76	297
Total Resources			
Total Measured + Indicated	6,969	0.85	190
Total Inferred	8,558	1.51	416

Notes:
(1) CIM Definition Standards (2014) were followed for Mineral Resources.
(2) Mineral Resources are exclusive of Mineral Reserves.
(3) Underground Mineral Resources are reported at a cut-off grade of 1.0 g/t Au.
(4) Open Pit Mineral Resources are reported at a cut-off grade of 0.35 g/t Au.
(5) Mineral Resources are estimated using a short-term gold price of US$1,500/oz and constrained by a pit shell.
(6) Totals may not add due to rounding.

The validated models and estimates were found acceptable by RPA. In general, RPA is of the opinion that values and compilations of gold grades were accurately recorded and calculated.

RPA is not aware of any environmental, permitting, legal, title, taxation, socio-economic, marketing, political, or other relevant issues that would materially affect the Mineral Resource estimate.

Mineral Reserves

A summary of Mineral Reserves is shown in the following table. RPA notes that the Mineral Reserves were prepared by Cube in December 2014, and have been independently audited and depleted by RPA to reflect the Mineral Reserves as of September 30, 2015.

Mineral Reserve Summary – September 30, 2015

Category	Tonnage (000 t)	Au Grade (g/t)	Au Ounces (000 oz)
Proven			
Open Pit	15	0.90	0.4
Stockpile	1,234	0.73	29
Total	1,249	0.74	30
Probable			
Open Pit	17,619	1.20	682
Stockpile	0		0
Total	17,619	1.20	682
Proven + Probable			
Open Pit	17,634	1.20	682
Stockpile	1,234	0.73	29
RDM Mine Total	18,869	1.17	711

Notes:
(1) CIM Definition Standards (2014) were followed for Mineral Resources.
(2) Mineral Reserves were generated by Cube and adjusted by RPA to reflect the September 30, 2015 mining surface.
(3) Mineral Reserves are quoted at a cut-off grades of 0.3 g/t Au for oxide, 0.4 g/t Au for transition, and 0.4 g/t Au for fresh rock.
(4) Mineral Reserves are reported using a long-term gold price of US$1,250/oz.
(5) Process recovery of 90%.
(6) The numbers may not add due to rounding.

RPA is not aware of any known mining, metallurgical, infrastructure, permitting, or other relevant factors that could materially affect the Mineral Reserve estimate. Approximately 98% of the Mineral Reserves remaining in the open pit are either fresh rock (93.5%) or transition material (5.3%). Very little oxide ore remains in the Mineral Reserves.

Mining Method

Conventional open pit mining methods are employed at the RDM Mine open pit including drilling, blasting, loading, and hauling. The RDM Mine began production in March 2014 and, to September 2015 inclusive, has mined approximately 3.4 million ore tonnes grading approximately 1.20 g/t Au. Current pit bottom elevations for the north and south ends of the open pit were approximately 789 m and 813 m, respectively, as of October 2015. Surface rights are sufficient for mine waste stockpiles, TSF, and processing plants sites.

The mining schedule is composed of four crews, which alternate over a two-week period for eight-hour shifts. Operations are 24 hours per day, 365 days per year scheduled time, which is common in Brazil and is considered reasonable.

Pit dewatering was carried out in 2015, primarily from in-pit sumps and perimeter wells, and will also be required in the upcoming production year (2016).

Excavator and truck availabilities are estimated to be 85% and 85% to 90%, respectively, which are reasonable. Equipment life hours used are slightly optimistic, however, RPA is of the opinion that they are acceptable. For a seven year mine life, major rebuilds and/or replacements capital will be required for some of the mine equipment.

Mine Design

The bench height is 12 m, however, mining occurs on six meter lifts (flitches) in waste, and three meter lifts in ore. Road widths are 21 m. Berm widths normally are six meters in the oxide and transition ore, eight meters in the hanging wall fresh rock, and 12 m in the footwall fresh rock. The mine planning is appropriate for this stage of production.

Mineral Processing and Metallurgical Testing

The processing plant was designed to process 7,000 tpd, with a plan to expand to 9,000 tpd (3.28 Mtpa) with some modifications, using three-stage crushing, ball mill grinding, CIL, sulfur dioxide-air cyanide detoxification, and a gold adsorption, desorption, and recovery ("**ADR**") plant.

The crushing circuit includes a three-stage crushing plant with an availability based on 80% for the crushing circuit. In the grinding circuit, ore is transferred from the fine ore storage to the ball mill feed conveyor. Water mixes with the ore in the feed to the ball mill. Slurry discharges from the ball mill into the cyclone feed box where the slurry is pumped to the cyclones. Underflow from the cyclones returns to the ball mill feed. The cyclone overflow is the product from the comminution circuit. It flows by gravity to a linear trash screen. The underflow from the trash screen flows by gravity into a thickener feed box. The slurry is pumped to slurry holding tanks that feed the CIL circuit. The thickener overflow solution is returned to the process water tank.

The CIL circuit includes two leach tanks followed by six CIL tanks. The slurry flows by gravity from the first tank to the last, with cyanide and milk of lime added to the circuit to obtain the correct pH and to extract the gold from the ore. Activated carbon is advanced counter currently through the circuit from the last tank to the first. From the first tank, activated carbon is pumped to a loaded carbon tank, from which the carbon is transferred to the ADR plant.

A sulfur dioxide-air cyanide destruction circuit is provided to reduce the cyanide concentration in the tailings to less than 1.0 ppm of total cyanide. The RDM Mine conforms to the criteria established by the International Cyanide Management Code.

Gold is recovered from the activated carbon in the ADR plant, which is designed to process carbon in three tonne batches. Strip solution from the carbon elution circuit that contains a high concentration of gold is pumped to the electrowinning cells, where the gold is plated onto cathodes and recovered as sludge from the cells. The sludge is filtered, dried, and smelted in an electric induction furnace to produce gold doré that is shipped off site for further refining and sale. After the stripping circuit, the activated carbon is fed to the carbon regeneration kiln for removal of any organic contaminants in order to maintain the carbon activity required to adsorb gold from the CIL solution. After regeneration, the carbon is returned to the last CIL tank.

The slurry discharging from the cyanide destruction circuit is the final tailings from the plant. It flows to a tailings pump box, and from the pump box it is pumped to the TSF. The tailings dam is designed to be raised on an annual basis. An area of the TSF is available for water storage, with a small dike isolating the water storage area from the rest of the TSF.

The RDM Mine processing facilities have been operating since March 2014, however, at that time, construction of a number of components of the processing facilities had not yet been completed. Currently, some operating challenges remain due to incomplete construction, and a lack of revenue has precluded the ability to correct all of the deficiencies. Two main issues impact the operation, which are as follows:

- The planned power line was not constructed so the plant is operating using power generated by diesel generators. The available power restricts the charge in the ball mill to 22% which makes it impossible to achieve the target grind size (i.e., 80% passing 54 µm) at the design tonnage of the plant (i.e., 7,000 tpd).

- Construction of a water reservoir was delayed so there is limited storage capacity for water within the tailings management area. The rainfall experienced in the past year has been lower than average and the water wells do not provide sufficient water to maintain the plant operation at design capacity. Consequently, the plant was operated with a very high slurry density in order to process a higher tonnage. A slurry density greater than approximately 45% solids by weight results in inefficient adsorption of the solubilized gold onto the activated carbon in the CIL circuit. Therefore, the solution tailings losses are greater than planned and the overall recovery of gold is lower than designed. With the completion of the water reservoir, on which construction is currently underway, the RDM Mine is expected to operate at full capacity, producing approximately 100,000 ounces per year.

Environmental Studies, Permitting and Social Impact

The RDM Mine is located in a remote and dry location, and vegetation and faunal compositions are consistent with populations found in a broad geographic range. The area does not represent critical habitat for any biodiversity resources. The general area of the mine was previously disturbed by Vale (formerly known as CVRD), which operated the mine from 1989 to 1997. The mining operations will result in vegetation suppression over an area of approximately 362 ha.

Due to the previous mining activities and environmental liabilities, MRDM conducted supplementary baseline studies to assess groundwater, surface water, and soil quality prior to the start of operations. As part of the conditions of the environmental license, MRDM conducted environmental monitoring programs of surface water, groundwater, soil, fauna, and flora to closely monitor potential changes in quality of these resources. MRDM has ongoing reclamation programs and has set aside areas for biodiversity conservation.

The RDM Mine currently operates under conditions of the following permits and licenses:

- Operation License (Parecer Único No. 0390682/2015 SIAM) – Valid until June 8, 2019
- Agreement with the PM (MPMG-0522.11.000.018-2)
- Groundwater well permits (COPAM No. 17991 through 17998)
- Authorization for the construction of the TSF (Portaria No. 03842/2011)
- Authorization for dewatering of the pit (Portaria No. 00935/2012)
- Authorization for an impoundment of the Ribeirao Piranga for an area of 0.29 ha
- Authorization for onsite storage and handling of 90 m3 of fuel

MRDM will operate in compliance with requirements of the above listed permits and authorizations. MRDM will also comply with other applicable regulations, such as physical integrity and stability of large structures (e.g., tailings dam, pit, waste rock piles, and stockpiles) that must be reported to DNPM and occupational health and safety performance indicators and plans that must be submitted to the Ministry of Labour and Employment.

Environmental Impacts and Mitigation Actions

MRDM has environmental and social staff, policies, and procedures required for compliance with Brazilian regulations, however, the company does not have an integrated environmental and social management system. Environmental monitoring data are compiled into Excel spreadsheets and managed with assistance of external consultants.

The environmental impact assessment required that the RDM Mine environmental management be developed with the purpose of monitoring the presumed impacts for physical, biotic, and anthropic means. Such management should encompass the following programs:

- Environmental Management System;
- Social Communication Program;
- Environmental Education Program;
- Archaeological Prospecting Program;
- Work Management Program;
- Erosive Processes Prevention and Control Program
- Noise and Vibration Control Program;

- Liquid Effluents Control Program;
- Atmospheric Emissions Control Program;
- Fauna and Flora Control Program;
- Degraded Areas Rehabilitation Program;
- Solid Residues Management Program;
- Water Capitation Management Program;
- Surface Waters Quality Monitoring Program:
- Hydrogeological Monitoring Program;
- Atmospheric Emissions and Air Quality Monitoring Program;
- Noise and Vibration Monitoring Program;
- Fauna Monitoring Program.

The environmental impacts of the RDM Mine, such as noise level, alteration of the morphology, increase of dust levels, surface and groundwater quality, deforestation, aquifer lowering, social expectation and changes, etc., have been assessed and appropriate mitigation measures have been presented in the environmental impact assessment, which was approved by the state.

In 2011, MRDM prepared a plan for the management and control of ARD, which included several measures to control the generation of ARD, a storm water drainage system, and semi-annual groundwater and surface water monitoring. As a condition of the environmental license, MRDM will continue to monitor ground and surface water resources and additional mitigation measures will be implemented should ARD be detected.

Social Impact

MRDM's relations with local communities began in 2009, when the company initiated baseline studies and subsequently conducted formal (regulatory-driven) and informal meetings with directly and indirectly affected stakeholders. The RDM Mine currently employs approximately 630 people, including direct employees and contractors, and the majority are from local communities and towns. Management of the RDM Mine conducts monthly meetings with local communities and coordinates with directly affected stakeholders regarding issues related to water resources. As part of environmental and social compensation programs, MRDM will develop social programs that are aligned with the communities' interests.

Capital Cost

Initial capital cost to construct the RDM Mine and mill was estimated to be approximately US$171 million.

The MRDM gold mine is an active mining operation, however, production is currently limited by power and water supplies. Capital expenditures are planned for 2016 and 2017 to remedy these limitations. In addition, there is some construction work that is not complete. Capital expenditures required to be completed in 2016 is approximately US$15 million. The cost represents new capital projects, secondary capital projects, sustaining capital, and other indirect costs, which includes some additional reparations and corrections to operate more efficiently. The four main components of the final scope are the construction of a separate water storage dam, installation of the power transmission line, the raise in height of the tailings dam from RL826 masl to RL831 masl , and repairs/improvements to the process plant.

The overall RDM Mine LOM costs, excluding the finance costs, are estimated to total US$60.0 million, as summarized in the following table.

Summary of Total Capital Costs

Capital Cost Area	Capital Costs (US$ thousands)
Direct Cost	
Critical Capital Projects	17,265
Secondary Capital Projects	16,185
Total Direct Cost	**33,450**
Other Costs	
EPCM / Owners / Indirect Cost	1,672
Subtotal Costs	**35,122**
Contingency	7,608
Initial Capital Cost	**42,730**
Sustaining	**12,013**
Exploration	-
Working Capital (Not Applied)	-
Reclamation and Closure	5,255
Total Capital Cost	**59,997**

Notes:
(1) R$4.0:US$1 exchange rate.
(2) Critical capital items include a water dam, power line, and critical spares.

Operating Costs

A summary of the operating costs over the RDM Mine LOM is shown in the table below. LOM mining costs are reported to be US$1.62/t of total material, which is normal.

Projected Unit LOM Operating Costs

Mining Area	Units	LOM Average	2016	2017	2018	2019	2020	2021	2022
Mining	US$/t moved	1.62	1.93	1.73	1.62	1.55	1.54	1.61	1.54
Mining	US$/t ore milled	11.94	16.99	9.85	10.24	13.54	14.46	15.75	3.35
Processing	US$/t ore milled	9.77	13.75	12.83	8.79	8.79	8.79	8.79	9.08
G&A	US$/t ore milled	2.44	4.79	2.44	2.14	2.14	2.14	2.14	2.58
Re-handle	US$/t moved	0.45	0.37	0.32	0.30	0.34	0.33	0.48	1.30
Total	**US$/t ore milled**	**24.21**	**35.70**	**25.17**	**21.17**	**24.46**	**25.38**	**26.93**	**15.04**

Note:
(1) R$4.0:US$1 exchange rate.

Exploration, Development and Production

The RDM Mine is an open pit operation that began production in March 2014. The mine is currently operating at reduced capacity due to water availability, and, therefore, is expected to produce approximately 50,000 ounces in 2016, with attributable production to Brio Gold of approximately 30,000 ounces (May to December 2016). With the construction of a water storage facility, which is currently underway and planned to be functionally completed by the end of 2016 for 2017 production, the Company expects production in 2017 to be between 75 to 85 koz per year. At full capacity, the RDM Mine is expected to produce on average approximately 100,000 ounces per year.

With further exploration, the Company believes there is potential to extend the currently contemplated seven year mine life, expand the resource and convert resources into reserves.

USE OF PROCEEDS

The Company will not receive any proceeds from the Offering or the Additional Distribution. The Common Shares being distributed pursuant to the Employee Distribution are being transferred by way of gift, and no proceeds will be paid or received by any party.

Yamana intends to use all of the net proceeds from the Offering and the Additional Distribution, being approximately C$187.2 million after deducting the Managing Dealer Fee, the Underwriter Fee and estimated expenses of the Offering of C$5.7 million, for net debt reduction.

The foregoing represents Yamana's current intentions based upon its present plans and business conditions to use and allocate the net proceeds of the Offering and the Additional Distribution. However, management of Yamana will have discretion to modify the allocation of the net proceeds, if necessary. If an unforeseen event occurs, business conditions change or Yamana needs to account for business fluctuations, Yamana may use the proceeds of the Offering and the Additional Distribution differently than as described in this prospectus. See "*Risk Factors – Risks Relating to the Offering – Yamana may not use the proceeds as described in this prospectus*".

DETAILS OF THE OFFERING

The following information with respect to the Purchase Rights has been provided by Yamana.

Issue of Purchase Rights and Record Date

Yamana is distributing, as dividend in-kind, to the record holders of Yamana Shares as of the Record Date, transferable Purchase Rights to purchase, in aggregate, up to 59,225,957 Common Shares owned by Yamana at a price of C$3.25 per whole share. Each holder of record of Yamana Shares will receive 0.0625 of a Purchase Right for each Yamana Share held by that holder as of 5:00 p.m., Toronto time, on November 25, 2016, the Record Date (or one whole Purchase Right for every 16 Yamana Shares held). Each whole Purchase Right will entitle the Holder (provided that such Holder is in an Eligible Jurisdiction and able to exercise such Purchase Right or is an Approved Eligible Holder) to purchase one Common Share. Each Purchase Right entitles the Holder to a Basic Purchase Right and an Additional Purchase Privilege. See "*– Sale or Transfer of Purchase Rights*" and "*– How to Complete a Purchase Rights Certificate – To Sell or Transfer Purchase Rights – Form 3*".

For Yamana Shareholders who hold their Yamana Shares in registered form, a Purchase Rights Certificate evidencing the number of Purchase Rights distributed to the Yamana Shareholders as at the Record Date will be mailed together with a copy of this prospectus and a notice to shareholders to each such Yamana Shareholder as at 5:00 p.m. (Toronto time) on the Record Date. See "*– Purchase Rights Certificate – Yamana Shares Held in Registered Form*". Yamana Shareholders who hold their Yamana Shares through a CDS Participant will not receive physical certificates evidencing their ownership of Purchase Rights and must contact their particular CDS Participant to exercise or sell their Purchase Rights. See *"– Purchase Rights Certificate – Yamana Shares Held Through CDS*".

Only Yamana Shareholders who hold their Yamana Shares in registered form and who are resident in the Eligible Jurisdictions are entitled to receive Purchase Rights Certificates. The Purchase Rights may not be exercised by or on behalf of a Yamana Shareholder resident in an Ineligible Jurisdiction. Instead, Ineligible Holders will be sent a copy of this prospectus along with a letter advising them that their Purchase Rights Certificates will be held by the Purchase Rights Agent, who will hold such Purchase Rights as agent for the benefit of all such Ineligible Holders. See "*– Ineligible Holders and Approved Eligible Holders*". In addition, see "*Plan of Distribution*" for a description of the applicable restrictions on the exercise and transfer of Purchase Rights by persons in the United States.

A Holder of a Purchase Right is not, by virtue of holding such Purchase Right, a shareholder of Brio Gold and does not have any of the rights of a shareholder (including the right to receive any dividend or distribution of any nature whatsoever which may be declared payable on the Common Shares).

Subscription Basis

Each Yamana Shareholder of record as at 5:00 p.m. (Toronto time) on the Record Date (other than Yamana Shareholders in Ineligible Jurisdictions) is entitled to receive 0.0625 of a Purchase Right for each Yamana Share held (or one whole Purchase Right for every 16 Yamana Shares held). For each whole Purchase Right held (other than by an Ineligible Holder that is not an Approved Eligible Holder or a person in the United States that is not a QIB) the Holder is entitled to acquire one Common Share at the Exercise Price by exercising and making payment in the manner described herein on or before the Expiry Time on the Expiry Date. As at November 16, 2016 there were 947,615,319 Yamana Shares issued and outstanding. 0.0625 of a Purchase Right will be distributed for each Yamana Share held on the Record Date. Accordingly, the number of Purchase Rights ultimately distributed will depend on the number of Yamana Shares outstanding on the Record Date. No fractional Common Shares will be transferable upon the exercise of any Purchase Rights, and no cash or other consideration will be paid in lieu thereof. An entitlement to a fractional Common Share will be rounded down to the next lowest whole number of Common Shares. Purchase Rights delivered to CDS Participants may not be delivered by such CDS Participants to beneficial holders unless such holders are resident in an Eligible Jurisdiction. CDS Participants may only exercise such Purchase Rights (i) on behalf of Holders in Ineligible Jurisdictions if such Holders can demonstrate to the Company that they are Approved Eligible Holders as described under "*–Ineligible Holders and Approved Eligible Holders*" and (ii) on behalf of Holders in the United States if such Holders can demonstrate to the Company that they are QIBs, as described under "*Plan of Distribution*", and in each case such Holders have submitted payment in full of the Exercise Price to the Purchase Rights Agent at or prior to the Expiry Time on the Expiry Date.

Commencement Time and Expiry Time

The Purchase Rights will be eligible for exercise on and following the Commencement Time and will expire at the Expiry Time (5:00 p.m. (Toronto time)) on the Expiry Date. A Holder who exercises Purchase Rights pursuant to the terms and conditions contained herein will not become a shareholder of record of the Company until the closing of the Offering. **PURCHASE RIGHTS NOT EXERCISED BY THE EXPIRY TIME ON THE EXPIRY DATE WILL BECOME VOID AND BE OF NO VALUE.**

Basic Purchase Right

Each Yamana Shareholder as at 5:00 p.m. (Toronto time) on the Record Date (other than Yamana Shareholders in Ineligible Jurisdictions) is entitled to receive 0.0625 of a Purchase Right for each Yamana Share held. For each whole Purchase Right held, the Holder (excluding any Ineligible Holder that is not an Approved Eligible and excluding any person in the United States that is not a QIB) is entitled to acquire one Common Share under the Basic Purchase Right at the Exercise Price per Common Share by exercising and making payment in the manner described herein at or before the Expiry Time on the Expiry Date. A Holder that exercised to purchase some, but not all, of the Common Shares pursuant to the Basic Purchase Right will be deemed to have elected to waive the unexercised balance of such Purchase Rights and such unexercised balance of Purchase Rights will be void and of no value unless the Purchase Rights Agent is otherwise specifically advised by such Holder at the time the Purchase Rights Certificate is surrendered that the Purchase Rights are to be transferred to a third party or are to be retained by the Holder. Holders who exercise the Basic Purchase Right for their Purchase Rights in full are also entitled to exercise to purchase Additional Common Shares, if any, that are not otherwise exercised under the Offering on a *pro rata* basis, prior to the Expiry Time on the Expiry Date pursuant to the Additional Purchase Privilege. See "*– Additional Purchase Privilege*".

For Yamana Shares held in registered form, in order to exercise the Purchase Rights represented by a Purchase Rights Certificate, the Holder must complete and deliver the Purchase Rights Certificate to the Purchase Rights Agent in accordance with the terms of this Offering in the manner and upon the terms set out in this prospectus and pay the aggregate Exercise Price for all Common Shares with respect to which Purchase Rights have been exercised. All exercises of Purchase Rights are irrevocable once submitted.

For Yamana Shares held through a CDS Participant, a Yamana Shareholder may subscribe for Common Shares by instructing their particular CDS Participant holding the Yamana Shareholder's Purchase Rights to exercise all or a specified number of such Purchase Rights and forwarding the aggregate Exercise Price for all Common Shares, together with any prescribed forms, in accordance with the terms of the Offering to such CDS Participant. Any exercise to purchase Common Shares made in connection with the Offering through a CDS Participant will be irrevocable and Yamana Shareholders will be unable to withdraw their exercises for Common Shares once submitted.

The Exercise Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of the Purchase Rights Agent. In the case of exercise through a CDS Participant, the Exercise Price is payable by certified cheque, bank draft or money order drawn to the order of such CDS Participant, by direct debit from the Holder's brokerage account or by electronic funds transfer or other similar payment mechanism. The entire Exercise Price for Common Shares purchased on exercise of Purchase Rights must be paid at the time of exercise and must be received by the Purchase Rights Agent at the Applicable Purchase Rights Agent Office prior to the Expiry Time on the Expiry Date. Any beneficial Holders who wish to exercise Purchase Rights to purchase Common Shares pursuant to the Offering must provide the CDS Participant holding their Purchase Rights with instructions and payment sufficiently in advance of the Expiry Time on the Expiry Date to permit the proper exercise of their Purchase Rights. CDS Participants will have an earlier deadline for receipt of instructions than the Expiry Date. Holders should contact their particular CDS Participant for complete details on how to exercise the Basic Purchase Right. Purchase Rights not exercised at or before the Expiry Time on the Expiry Date will be void and will have no value.

Unless the Purchase Rights Agent is instructed otherwise in writing by a Holder, all Common Shares purchased pursuant to the exercise of Purchase Rights held by registered Holders will be registered in the name of the person subscribing for those Common Shares and certificates or direct registration system ("**DRS**") statements ("**DRS Statements**"), as applicable, representing the Common Shares will be mailed by first class insured mail as soon as practicable after closing of the Offering to the Holder at the address appearing on the Purchase Rights Certificate**.**

All Common Shares purchased pursuant to the exercise of the Purchase Rights through a CDS Participant will be made electronically through the non-certificated inventory system administered by CDS (the "**NCI System**"). No physical share certificates will be issued.

Additional Purchase Privilege

Each Holder who has exercised in full his or her Basic Purchase Right may subscribe for Additional Common Shares, if available, at a price equal to the Exercise Price for each Additional Common Share. The number of Additional Common Shares will be the difference, if any, between the total number of Common Shares transferrable upon exercise of Purchase Rights and the total number of Common Shares actually subscribed for and paid for pursuant to the Basic Purchase Right at the Expiry Time on the Expiry Date. Subscriptions for Additional Common Shares will be received subject to allotment only and the number of Additional Common Shares, if any, that may be allotted to each Holder will be equal to the lesser of: (i) the number of Additional Common Shares that such Holder has subscribed for; and (ii) the product (disregarding fractions) obtained by multiplying the number of Additional Common Shares available to be transferred by a fraction, the numerator of which is the number of Purchase Rights previously exercised by the Holder pursuant to the Basic Purchase Right and the denominator of which is the aggregate number of Purchase Rights previously exercised pursuant to the Basic Purchase Right by all Holders who have subscribed for Additional Common Shares. If any Holder has subscribed for fewer Additional Common Shares than such Holder's *pro rata* allotment of Additional Common Shares, the excess Additional Common Shares will be allotted in a similar manner among the Holders who were allotted fewer Additional Common Shares than they subscribed for.

To apply for Additional Common Shares under the Additional Purchase Privilege, each Holder must forward his or her request to the Purchase Rights Agent or their CDS Participant, as applicable, prior to the Expiry Time on the Expiry Date. Payment for Additional Common Shares, in the same manner as required upon exercise of the Basic Purchase Right, must accompany the request when it is delivered to the Purchase Rights Agent or a CDS Participant, as applicable. Payment of such price must be received by the Purchase Rights Agent prior to the Expiry Time on the Expiry Date, failing which the Holder's entitlement to such Additional Common Shares will terminate. Accordingly, a Holder subscribing through a CDS Participant must deliver his or her payment and instructions to a CDS Participant sufficiently in advance of the Expiry Time on the Expiry Date to allow the CDS Participant to properly exercise the Additional Purchase Privilege on his or her behalf. A Holder subscribing for Additional Common Shares will be notified as soon as practicable after the Expiry Date of the number of Additional Common Shares, if any, allotted to the Holder.

Yamana can provide no assurances that a Holder will actually be entitled to purchase the number of Additional Common Shares transferable upon the exercise of the Additional Purchase Privilege in full at the expiration of the Offering. Yamana will not be able to satisfy any orders for Additional Common Shares pursuant to the Additional Purchase Privilege if all Holders exercise their Basic Purchase Right in full.

If the Offering is fully subscribed, then the funds included for subscriptions under the Additional Purchase Privilege will be returned by the Purchase Rights Agent or applicable CDS Participant to the relevant Holders (or credited to the Holder's account with its CDS Participant). In addition, the Purchase Rights Agent or applicable CDS Participant will return to any subscriber of Additional Common Shares under the Additional Purchase Privilege, within 30 days of the Expiry Date, any excess funds paid in respect of an exercise to purchase Additional Common Shares where the number of Additional Common Shares available to that Holder is less than the number of Additional Common Shares subscribed for. No interest will be payable by the Purchase Rights Agent, CDS Participant or Yamana in respect of any excess funds returned to Holder.

Unless the Purchase Rights Agent is instructed otherwise in writing by a Holder, all Common Shares purchased pursuant to the exercise of Purchase Rights held by registered Holders will be registered in the name of the person subscribing for those

Common Shares and DRS Statements representing the Common Shares will be mailed by first class insured mail as soon as practicable after closing of the Offering to the Holder at the address appearing on the Purchase Rights Certificate**.**

All Common Shares purchased pursuant to the exercise of the Purchase Rights through a CDS Participant will be made electronically through the NCI System. No physical share certificates will be issued.

Reasons for the Offering

Beginning in 2014, Yamana implemented a four stage plan to surface value from its Brio Gold division, which holds certain of Yamana's non-core properties in Brazil. The first stage of the plan was the appointment of a dedicated management team responsible for focusing on improving and optimizing the Brio Gold assets. The second stage of the plan involved implementation of the improvements and optimization of the Brio Gold assets. The third stage of the plan has been an ongoing education of public markets and Yamana Shareholders, in particular, as to the value potential of the Brio Gold portfolio. The final stage of the plan is to surface optimal value for Yamana and Yamana Shareholders.

To that end, over the past year, Yamana has extensively considered strategic alternatives relating to surfacing value for its interest in Brio Gold, including a sale of such interest or Brio Gold as a whole and engaging in discussions with Canadian financial institutions to explore the possibility of an underwritten secondary offering of Yamana's interest in the Company. The Yamana Board has determined that the Offering is in the best interests of Yamana and Yamana Shareholders and is expected to immediately surface value for Yamana Shareholders by providing, among other things, financial and operational benefits to Yamana while continuing to have exposure to the Brio Gold assets through a separate public company. Expected benefits of the Offering include, but are not limited to, the following:

- *Clarity of Strategic Focus*. The Yamana Board believes that following the Offering, Yamana will have a more focused business with a streamline portfolio of quality assets and be better able to dedicate resources to pursue appropriate growth opportunities and execute strategic plans best suited to its core business in an efficient manner. In particular, Yamana will be able to better focus on its recent exploration successes and optimization initiatives and on its advancing Canadian exploration and near-development opportunities.

  Brio Gold, as a separate public entity, will have greater flexibility to implement and execute a strategy to maximize value that is suited to its asset portfolio and expected shareholder base.

- *Improved Valuation.* Following the Offering, it is expected that market participants will increase their focus on Yamana's established production profile and internal pipeline of projects and exploration potential that underpin Yamana's organic growth potential. Increased focus on the quality of Yamana's assets and greater prominence on optionality within its streamlined portfolio is expected to support a better understanding of Yamana's potential to create value.

  The Brio Gold portfolio, as a part of Yamana, is currently undervalued when evaluated against comparable standalone public companies. Following the Offering, it is expected that market participants will focus on Brio Gold's existing production platform, planned growth and potential for further strategic growth and, as a result, Brio Gold's market value should be in line with similar precious metals producers.

- *Additional Liquidity*. The Offering is expected to provide Yamana with up to C$192,484,360 in gross proceeds, which it can use to advance its current net debt reduction initiatives and further strengthen its balance sheet.

  As a separate public company with a strong balance sheet and liquidity profile, Brio Gold is expected to have direct access to equity and debt financing to fund its strategic growth.

The Offering seeks to maximize shareholder value and is in line with Yamana's vision and corporate strategy:

- Mission: to mine precious metals profitably and responsibly.
- Vision: to be the recognized leader in precious metals mining.
- Corporate Strategy: to be a recognized Americas focused growth company with exposure to world-class mining jurisdictions with an expanding Canadian platform implementing a portfolio approach to asset management and operational execution while focusing on cash flow optimization and organic growth supplemented by strategic acquisitions.

- Tactical Priorities: Operational execution, quality management, management of assets and balance sheet and transparency.

Following the Offering, Yamana will have a streamlined portfolio of large scale, high quality assets including three, soon to be four, world class mines and enabling a greater focus on internal growth with a significantly strengthened balance sheet and strong cash flow generation. This streamlined portfolio would be managed by a high quality operational management team in an enhanced management structure. The chart below provides an overview of Yamana's streamlined portfolio of high quality assets in the Americas pro forma the Brio Gold spinout.

Notes:

(1) Refer to Yamana's July 28, 2016 press release.

(2) Constitutes Forward-Looking Information. See "Statement Regarding Forward-Looking Information" in this prospectus for additional details.

Yamana intends to continue to proportionally consolidate Brio Gold production as appropriate, with the spinout resulting in an improved Yamana consolidated cost profile. Yamana also intends to continue sponsorship of Brio Gold in the interim, after which it will evaluate monetization opportunities through shareholder distribution or other actions to reach a lower level of ownership. The Offering repositions Yamana with a strengthened balance sheet facilitating organic growth and increases its Canadian presence through advanced exploration and development projects as well as optimization initiatives including Cerro Moro; Suruca; Chapada optimizations; Jacobina grade and throughput optimization; Minera Florida exploration; Odyssey; Kirkland Lake (Upper Beaver); Monument Bay; and Gualcamayo Deep Carbonates.

Determination of Exercise Price

The Yamana Board, in consultation with the Managing Dealers, has determined the Exercise Price to be C$3.25 per whole Common Share. In determining the Exercise Price, the Yamana Board considered, among other things, (i) the Fairness Opinion, (ii) the desirability of broad participation in the Offering by Yamana Shareholders and (iii) Yamana's liquidity needs and the aggregate amount of proceeds to be paid to Yamana pursuant to the Offering.

There can be no assurance that Common Shares will trade at prices near or above the Exercise Price on closing of the Offering. You should not consider the Exercise Price to be an indication of the price at which Common Shares will trade following the Offering.

Fairness Opinion

Canaccord Genuity Corp. was retained by the Opportunities and Risks Committee of the Yamana Board (the "**Opportunities and Risks Committee**") to act as financial advisor to the committee in connection with the Offering, and to, among other things, provide an oral and a written opinion (the "**Fairness Opinion**") to the Opportunities and Risks Committee as to the fairness, from a financial point of view, of the consideration to be paid per Common Share on the exercise of Purchase Rights distributed to the Yamana Shareholders pursuant to and in the context of the Offering. Canaccord Genuity Corp. provided its oral Fairness Opinion to the Opportunities and Risks Committee prior to the filing of this prospectus, and delivered its written Fairness Opinion prior to the filing of the final prospectus in connection with the Offering.

In consideration for its services as financial advisor to the Opportunities and Risks Committee, Yamana agreed to pay Canaccord Genuity Corp. US$250,000 in connection with the written Fairness Opinion. In addition, Yamana agreed to reimburse Canaccord Genuity Corp. for its reasonable out-of-pocket expenses and to indemnify Canaccord Genuity Corp., its subsidiaries and affiliates and each of their respective directors, officers, employees, partners, agents, shareholders and advisors and each other person, if any, controlling Canaccord Genuity Corp. or any of its subsidiaries, affiliates and each shareholder of Canaccord Genuity Corp., in respect of certain potential liabilities that may arise in connection with its engagement.

Neither Canaccord Genuity Corp., nor any its affiliates, is an affiliate, insider or associate (as such terms are defined in the *Securities Act* (British Columbia)) of Yamana or Brio Gold, or any of their respective associates or affiliates. In the ordinary course of its business, Canaccord Genuity Corp. may provide financial advisory or investment banking services to Yamana, Brio Gold or any of its affiliates from time to time. In addition, in the ordinary course of its business, Canaccord Genuity Corp. acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have, today or in the future, positions in the securities of Yamana, Brio Gold or its affiliates or associates and, from time to time, may have executed or may execute transactions on behalf of Yamana, Brio Gold or their clients for which it received or may receive compensation.

The oral Fairness Opinion presented to the Opportunities and Risks Committee included, among other things, a discussion by Canaccord Genuity Corp. of the analyses conducted and the assumptions, qualifications and limitations considered in connection with providing its Fairness Opinion.

In connection with the preparation of the Fairness Opinion, Canccord Genuity Corp. analyzed financial, operational and other information relating to Yamana and Brio Gold, including information derived from meetings and discussions with the management of Yamana and Brio Gold. Subject to the exercise of professional judgment and except as expressly described in the Fairness Opinion, Canaccord Genuity Corp. did not conduct any independent investigations to verify the accuracy and completeness of such information. The Fairness Opinion is conditional upon the completeness, accuracy and fair presentation of all financial, operational and other information that was relied upon.

The oral Fairness Opinion was prepared and presented on the basis of securities markets, economic, financial and general business conditions prevailing as at October 9, 2016, and the conditions and prospects, financial and otherwise, of Yamana and Brio Gold as they were reflected in the information and documents reviewed by Canaccord Genuity Corp. and as represented by the management, officers and directors of Yamana.

Based on the assumptions, analysis and qualifications set out in the Fairness Opinion, Canaccord Genuity Corp. is of the opinion that, as of October 9, 2016, the Exercise Price to be paid per Common Share on the exercise of the Purchase Rights is fair, from a financial point of view, to the Yamana Shareholders.

Canaccord Genuity Corp. was not engaged to, and did not, prepare a valuation or appraisal of Yamana or Brio Gold, or any of their respective, assets, securities or liabilities, and the Fairness Opinion should not be construed as such. Furthermore, the Fairness Opinion does not constitute a recommendation to the Opportunities and Risks Committee or to any Yamana Shareholder as to whether the Yamana Shareholders should exercise the Purchase Rights received.

Principal Shareholder

As of the date hereof, Yamana currently holds all of the Company's issued and outstanding Common Shares, and certain members of its management hold Brio RSUs, representing the right, subject to certain vesting conditions, to receive Common Shares representing approximately 5% of the Company's issued and outstanding Common Shares on a fully diluted basis.

If all of the Purchase Rights are exercised in full and the Additional Distribution is completed, it is anticipated Yamana will hold approximately 46.3% of the issued and outstanding Common Shares, on a non-diluted basis. It is Yamana's intention to continue to provide sponsorship and support to Brio Gold and to retain a residual equity interest in the Company. Over time, Yamana will consider diluting its interest in the Company through methods, including dividends to shareholders and secondary offerings to an ownership level of approximately 20%.

Effect of the Offering on Outstanding Yamana Shares

The Offering will not affect the number of Yamana Shares owned by Yamana Shareholders or their percentage ownership of Yamana. If a Yamana Shareholder does not exercise his, her or its Purchase Rights to purchase Common Shares, following the Offering such holder will no longer retain the same indirect ownership interest in the Brio Gold businesses and the Yamana Shares that he, she or it holds will not reflect the earnings, assets or liabilities of Brio Gold.

The trading price of Yamana Shares immediately following the Offering may be higher or lower than immediately prior to the Offering because Yamana will own a lower proportionate share of the assets and liabilities of Brio Gold, the ongoing earnings of Brio Gold will no longer be consolidated in Yamana's earnings at 100% and Yamana will receive anticipated cash proceeds of up to C$192,484,360 as a result of the sale of the Common Shares (assuming all of the Purchase Rights are exercised in full).

Ineligible Holders and Approved Eligible Holders

Except as set out below, this Offering is made only in the Eligible Jurisdictions. Accordingly, neither an exercise under the Basic Purchase Right nor under the Additional Purchase Privilege will be accepted from any person, or such person's agent, who appears to be, or whom Yamana has reason to believe is, an Ineligible Holder, except that Yamana may accept exercises for Common Shares in certain circumstances from an Approved Eligible Holder.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the EU Prospectus Directive (each, a "**Relevant EU Member State**") with effect from and including the date on which the EU Prospectus Directive is implemented in that Relevant EU Member State, an offer to the public of the Purchase Rights and the Common Shares to be transferred at any time upon exercise of the Purchase Rights may not be made in that Relevant EU Member State, except that such securities may be offered to the public in that Relevant EU Member State at any time under the following exemptions under the EU Prospectus Directive, if it has been implemented in that Relevant EU Member State:

- to legal entities which are "qualified investors" as defined in the EU Prospectus Directive;

- to fewer than 100, or, if the Relevant EU Member State has implemented the relevant provisions of the PD Amending Directive, 150, natural or legal persons (other than "qualified investors" as defined in the EU Prospectus Directive) as permitted under the EU Prospectus Directive; or

- in any other circumstances falling within Article 3(2) of the EU Prospectus Directive,

provided that no such offer of securities shall result in a requirement for, the publication of this prospectus pursuant to Article 3 of the EU Prospectus Directive, or supplementing this prospectus pursuant to Article 16 of the EU Prospectus Directive, and each person who initially acquires securities or to whom any offer is made will be deemed to have represented, warranted to and agreed with Yamana that it is a "qualified investor" within the meaning of the law in that Relevant EU Member State implementing Article 2(1)(e) of the EU Prospectus Directive.

For the purposes of this provision, (i) the expression an "**offer to the public**" in relation to the Purchase Rights and the Common Shares to be transferred at any time upon exercise of the Purchase Rights in any Relevant EU Member State means the communication in any form and by any means of sufficient information on the terms of the offer and such securities to be offered so as to enable an investor to decide to purchase any of such securities, as the same may be varied in that Relevant EU Member State by any measure implementing the EU Prospectus Directive in that Relevant EU Member State, (ii) the expression "**EU Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant EU Member State) and includes any relevant implementing measure in each Relevant EU Member State and (iii) the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

In relation to the United Kingdom, this document contains no offer of transferable securities to the public in the United Kingdom within the meaning of sections 85(1) and 102B of the United Kingdom Financial Services and Markets Act 2000, as amended (the "**FSMA**"). This document is not an "approved prospectus" for the purposes of Section 85(7) of FSMA.

Accordingly, this document has not been examined or approved as a prospectus by United Kingdom Financial Conduct Authority (the "**FCA**") under Section 87A FSMA or by the London Stock Exchange and has not been filed with the FCA pursuant to the rules published by the FCA implementing the EU Prospectus Directive nor has it been approved by an "authorised person" for the purposes of Section 21 of FSMA. No offer of securities to the public (for the purposes of Section 102B of FSMA) is being made in connection with the Purchase Rights which would require the publication of a prospectus in accordance with Section 85 of FSMA.

Accordingly, in relation to the United Kingdom, this document is only being distributed to and is only directed at: (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 Financial Promotion Order 2005 (the "**Order**"); or (ii) persons falling within Article 49(2)(a) to (d) of the Order (high net worth companies, unincorporated associations, etc.); or (iii) persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). The Purchase Rights and Common Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Purchase Rights or Common Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Switzerland

The Purchase Rights or the Common Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (the "**SIX**") or on any other stock exchange, multilateral or organized trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the listing rules of the SIX or the listing rules of any other stock exchange, multilateral or organized trading facility in Switzerland.

Neither this document nor any other offering or marketing material relating to the Purchase Rights, the Common Shares or the Offering may be publicly distributed or otherwise made publicly available in Switzerland. In addition, neither this document nor any other offering or marketing material relating to the Offering, the Company, the Purchase Rights or the Common Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the Offering of Purchase Rights or Common Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and neither the Company, the Purchase Rights nor the Common Shares have been or will be authorized under the Swiss Federal Act on Collective Investment Schemes (the "**CISA**"). The investor protection affected to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Purchase Rights or Common Shares.

Japan

Neither the Purchase Rights nor the Common Shares have been or will be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). This Prospectus may not be directly or indirectly distributed or otherwise made available in Japan or to or for any person resident in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to or for others for re-distribution or making available, directly or indirectly, in Japan or to, or for the benefit of, any person resident in Japan. The Purchase Rights may not be directly or indirectly distributed, offered or sold in Japan or to, or for the benefit of, any person resident in Japan, or to others for re-distribution, re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any person resident in Japan, or directly or indirectly exercised in Japan or by any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. The Common Shares may not be offered or sold directly or indirectly in Japan or to, or for the benefit of, any person resident in Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan.

Norway

No Purchase Rights or Common Shares may be offered to the public in Norway nor admitted to trading on a regulated market in Norway unless and until (a) a prospectus in relation to those Purchase Rights or Common Shares has been approved by the Financial Supervisory Authority of Norway or, where appropriate, approved in another Relevant Member State and such competent authority has notified the Financial Supervisory Authority of Norway, all in accordance with the Prospectus Directive and the Norwegian Securities Trading Act; or (b) an exemption from the requirement to prepare a prospectus is available under the Norwegian Securities Trading Act.

France

The Purchase Rights and the Common Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

Neither this prospectus nor any other offering material relating to the Purchase Rights and the Common Shares described in this prospectus has been and will be submitted to the Autorité des Marchés Financiers (the "**AMF**") for approval in France or to the competent authority of another member state of the European Economic Area and notified to the AMF in France. Accordingly, neither this prospectus nor any other offering material relating to the Purchase Rights and the Common Shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the Purchase Rights and the Common Shares to the public in France.

Such offers, sales and distributions will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors ("*investisseurs qualifiés*"), other than individuals, and/or (iii) a restricted number of non-qualified investors ("*cercle restreint d'investisseurs*") acting for their own account, all as defined in and in accordance with Articles L. 411-2, L.533-16, L.533-20, D. 411-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code monétaire et financier*.

Pursuant to Article 211-3 of the of the General regulation of the AMF, investors in France are informed that the Purchase Rights and the Common Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance to Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 of the French Code monétaire et financier.

Treatment of Purchase Rights

Purchase Rights Certificates will not be issued and forwarded by the Company to Ineligible Holders who are not Approved Eligible Holders. Ineligible Holders will be presumed to be resident in the place of their registered address unless the contrary is shown to the satisfaction of the Company. Registered Ineligible Holders will be sent a letter advising them that their Purchase Rights Certificates will be issued to and held on their behalf by the Purchase Rights Agent. The letter will also set out the conditions required to be met, and procedures that must be followed, by Ineligible Holders wishing to participate in the Offering. Purchase Rights Certificates in respect of Purchase Rights distributed to such Ineligible Holders will be distributed to and held by the Purchase Rights Agent as agent for the benefit of such Ineligible Holders. The Purchase Rights Agent will hold the Purchase Rights until 5:00 p.m. (Toronto time) on December 12, 2016 in order to provide Ineligible Holders an opportunity to claim a Purchase Rights Certificate by satisfying the Company that the issue of Purchase Rights and of Common Shares pursuant to the exercise of Purchase Rights will not be in violation of the laws of the applicable jurisdiction. Following such date, the Purchase Rights Agent, for the account of registered Ineligible Holders, will, prior to the Expiry Time on the Expiry Date, attempt to sell the Purchase Rights of registered Ineligible Holders represented by Purchase Rights Certificates in the possession of the Purchase Rights Agent on such date or dates and at such price or prices as the Purchase Rights Agent determines in its sole discretion.

Beneficial owners of Yamana Shares registered in the name of a resident of an Ineligible Jurisdiction, who are not themselves resident in an Ineligible Jurisdiction, who wish to be recognized as an Approved Eligible Holder and who believe that their Purchase Rights Certificates may have been delivered to the Purchase Rights Agent, should contact the Purchase Rights Agent at the earliest opportunity, and in any case in advance of 5:00 p.m. (Toronto time) on December 12, 2016, to request to have their Purchase Rights Certificates mailed to them.

The Purchase Rights and the Common Shares transferable on the exercise of the Purchase Rights have not been qualified for distribution in any Ineligible Jurisdiction and, accordingly, may only be offered, sold, acquired, exercised or transferred in transactions not prohibited by applicable laws in Ineligible Jurisdictions. Notwithstanding the foregoing, persons located in such Ineligible Jurisdictions may be able to exercise the Purchase Rights and purchase Common Shares provided that they furnish an investor letter satisfactory to the Company on or before December 12, 2016. The form of investor letter will be available from Yamana or the Purchase Rights Agent upon request. A Holder in an Ineligible Jurisdiction holding on behalf of a person resident in an Eligible Jurisdiction may be able to exercise the Purchase Rights provided the Holder certifies in the investor letter that the beneficial purchaser is resident in an Eligible Jurisdiction and satisfies Yamana that such subscription is lawful and in compliance with all securities and other applicable laws.

No charge will be made for the sale of Purchase Rights by the Purchase Rights Agent except for a proportionate share of any brokerage commissions incurred by the Purchase Rights Agent and the costs of or incurred by the Purchase Rights Agent in connection with the sale of the Purchase Rights. Registered Ineligible Holders will not be entitled to instruct the Purchase Rights Agent in respect of the price or the time at which the Purchase Rights are to be sold. The Purchase Rights Agent will endeavour to effect sales of Purchase Rights on the open market and any proceeds received by the Purchase Rights Agent with respect to the sale of Purchase Rights net of brokerage fees and costs incurred and, if applicable, the Canadian tax required to be withheld, will be divided on a *pro rata* basis among such registered Ineligible Holders and delivered by mailing cheques (in Canadian funds) of the Purchase Rights Agent therefor as soon as practicable to such registered Ineligible Holders at their addresses recorded on the books of the Company. Amounts of less than C$10.00 will not be remitted. The Purchase Rights Agent will act in its capacity as agent of the registered Ineligible Holders on a best efforts basis only and none of Yamana, the Company or the Purchase Rights Agent accept responsibility for the price obtained on the sale of, or the inability to sell, the Purchase Rights on behalf of any registered Ineligible Holder. None of Yamana, the Company or the Purchase Rights Agent will be subject to any liability for the failure to sell any Purchase Rights of registered Ineligible Holders or as a result of the sale of any Purchase Rights at a particular price or on a particular day. There is a risk that the proceeds received from the sale of Purchase Rights will not exceed the costs of or incurred by the Purchase Rights Agent in connection with the sale of such Purchase Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be remitted.

Holders of Purchase Rights who are not resident in Canada or the United States should be aware that the acquisition and disposition of Purchase Rights or Common Shares may have tax consequences in the jurisdiction where they reside, which are not described herein. Accordingly, such Holders should consult their own tax advisors about the specific tax consequences in the jurisdiction where they reside of acquiring, holding and disposing of Purchase Rights or Common Shares.

Purchase Rights Agent and Subscription Office

CST Trust Company has been appointed to act as the Purchase Rights Agent to: (i) receive subscriptions and payments from Holders for the Common Shares subscribed for under the Basic Purchase Right and, if applicable, the Additional Purchase Privilege; (ii) perform the services relating to the exercise and transfer of the Purchase Rights including the transfer of Common Shares; and (iii) use its best efforts to sell Purchase Rights distributed to Ineligible Holders and to deliver the proceeds thereof to such Ineligible Holders. Yamana will pay for all such services of the Purchase Rights Agent. The Purchase Rights Agent will accept subscriptions for Common Shares and payment of the Exercise Price from Holders by hand, courier or registered mail at the Applicable Purchase Rights Agent Office:

By Mail:

P.O. Box 1036
Adelaide Street Postal Station
Toronto, Ontario
M5C 2K4

Attention: Corporate Actions

By Hand, by Courier or by Registered Mail:

320 Bay Street
Basement Level (B1)
Toronto, Ontario
M5H 4A6

Attention: Corporate Actions

Enquiries relating to the Offering should be addressed to the Purchase Rights Agent by telephone at (416) 682-3860 or North American Toll Free at 1-800-387-0825 or by sending an e-mail to inquiries@canstockta.com.

The method of delivery of Purchase Rights Certificates to the Purchase Rights Agent is at the discretion of the Yamana Shareholder. None the Purchase Rights Agent, Yamana or the Company will be liable for the failure to deliver or the delivery of Purchase Rights Certificates or the Exercise Price to an address other than the address set out above. Delivery to an address other than the address set out above may result in an exercise to purchase Common Shares or a transfer of Purchase Rights not being accepted. If mail is used, registered mail is recommended.

Information Agent

Laurel Hill Advisory Group has been appointed by Yamana to act as the Information Agent with respect to the Offering. The mandate of the Information Agent will be to contact holders of Purchase Rights and to outline the steps of the Offering, including the steps required to exercise the Purchase Rights as set forth in this prospectus, and recommend that Holders consult with their investment dealer or broker if they have any inquiries with respect to whether or not they should exercise their Purchase Rights. The Information Agent will not, in any circumstance, provide any investment advice to holders of Purchase Rights. The Information Agent will receive customary compensation for its services from Yamana.

Questions and requests for assistance relating to the Offering may be directed to the Information Agent, Laurel Hill Advisory Group by telephone at 1-877-452-7184 toll-free (1-416-304-0211 for collect calls) or by e-mail at assistance@laurelhill.com.

Delivery of Purchase Rights by Intermediaries

Purchase Rights delivered to brokers, dealers or other intermediaries may not be delivered by those intermediaries to beneficial Yamana Shareholders who are resident in Ineligible Jurisdictions. See "– *Issue of Purchase Rights and Record Date*" and "– *Subscription Basis*".

Purchase Rights Certificates

Yamana Shares Held in Registered Form

For all Holders with an address of record in an Eligible Jurisdiction whose Yamana Shares are held in registered form, a Purchase Rights Certificate representing the total number of Purchase Rights to which each such Holder is entitled as at the Record Date will be mailed together with a copy of this prospectus and a notice to shareholders to each such Holder. In order to exercise the Purchase Rights represented by the Purchase Rights Certificate, such Holder must complete and deliver the Purchase Rights Certificate in accordance with the instructions set out under "– *How to Complete a Purchase Rights Certificate*" below. Purchase Rights not exercised by the Expiry Time on the Expiry Date will become void and be of no value. All exercises to purchase Common Shares made in connection with the Offering will be irrevocable and subscribers will be unable to withdraw their exercises to purchase Common Shares once submitted.

Yamana Shares Held Through CDS

For all beneficial Holders who hold their Yamana Shares through a securities broker or dealer, bank or trust company or other CDS Participant with an address of record in an Eligible Jurisdiction in the NCI System, a global certificate representing the total number of Purchase Rights to which all such Holders as at the Record Date are entitled will be distributed in registered form to CDS and will be deposited with CDS at the Commencement Time. Yamana expects that each beneficial Holder will receive a confirmation of the number of Purchase Rights distributed to him or her from his or her CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining the book-entry accounts for CDS Participants holding Purchase Rights.

None of Yamana, the Company, their respective directors or officers, the Managing Dealers, or the Purchase Rights Agent will have any liability for: (i) the records maintained by CDS or CDS Participants relating to the securities offered herein or the book-entry accounts maintained by them; (ii) maintaining, supervising or reviewing any records relating to such securities; or (iii) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or CDS Participants.

The ability of a person having an interest in Purchase Rights held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

How to Complete a Purchase Rights Certificate

To Exercise to Purchase Common Shares Pursuant to the Basic Purchase Right – Form 1

The maximum number of Purchase Rights that may be exercised pursuant to the Basic Purchase Right is shown in the box on the upper right hand corner on the face page of the Purchase Rights Certificate.

In order to exercise to purchase Common Shares, a holder of a Rights Certificate must complete and sign Form 1 on the Purchase Rights Certificate in accordance with the instructions thereon and deliver the completed and signed Purchase Rights Certificate, together with the full payment for the number of Common Shares to be purchased for, to the Applicable Purchase Rights Agent Office in the manner described in this prospectus on or before the Expiry Time on the Expiry Date. See "– *Basic Purchase Right*" above.

The method of delivery is at the discretion and risk of the Holder and delivery to the Purchase Rights Agent will only be effective when the Purchase Rights Certificate and payment is actually received by the Purchase Rights Agent at the

Applicable Purchase Rights Agent Office. Purchase Rights Certificates and payments received after the Expiry Time on the Expiry Date will not be accepted.

A Holder who completes Form 1 so as to exercise some but not all of the Purchase Rights represented by a Purchase Rights Certificate will be deemed to have elected not to exercise the balance of the Purchase Rights represented thereby unless the Purchase Rights Agent is otherwise specifically advised by such Holder at the time the Purchase Rights Certificate is surrendered that the Purchase Rights are to be transferred to a third party or are to be retained by the Holder by completing either Form 3 or Form 4.

Payment for the number of Common Shares to be purchased at the Exercise Price must be made in Canadian funds by certified cheque, bank draft or money order payable to the order of "CST Trust Company". Under no circumstances will interest accrue or be paid by the Company or the Purchase Rights Agent on any consideration received in connection with the exercise of Purchase Rights. A Holder unsure how to subscribe should contact the Purchase Rights Agent.

To Subscribe for Common Shares Pursuant to the Additional Purchase Privilege – Form 2

Complete and sign Form 2 of the Purchase Rights Certificate only if you wish to participate in the Additional Purchase Privilege. See "*– Additional Purchase Privilege*" above.

To Sell or Transfer Purchase Rights – Form 3

Subject to certain restrictions discussed below, Holders who do not wish to exercise their Purchase Rights may sell or transfer their Purchase Rights through the facilities of the TSX while the Purchase Rights are listed or through other investment channels, including through investment dealers and brokers or privately, at the expense of the Holder. Holders may elect to exercise only a part of their Purchase Rights and dispose of the remainder of them.

In order to transfer Purchase Rights, a Holder must complete and sign Form 3 on the Purchase Rights Certificate, have the signature guaranteed by a Canadian Schedule I chartered bank or a member of the acceptable Medallion Signature Guarantee Program, including a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP) and deliver the Purchase Rights Certificate to the purchaser (the "**Transferee**"). Members of these programs are usually a member of a recognized stock exchange in Canada or a member of the Investment Industry Regulatory Organization of Canada. The signature of the Transferee on any one or more of the forms on the Purchase Rights Certificate must correspond exactly with the name of the Transferee shown on Form 3. It is not necessary for the Transferee to obtain a new Purchase Rights Certificate to exercise the Purchase Rights, however, the signature of the Transferee on any one or more of the forms must correspond in every particular way with the name of the Transferee shown on Form 3. If Form 3 is properly completed, then the Company and the Purchase Rights Agent will treat the Transferee as the absolute owner of the Purchase Rights represented by the Purchase Rights Certificate for all purposes and will not be affected by any notice to the contrary.

The transfer of the Purchase Rights or the Common Shares to or within Ineligible Jurisdictions is restricted. See "*– Ineligible Holders and Approved Eligible Holders*" above. In addition, the Purchase Rights may be transferred only in transactions outside of the United States in accordance with Regulation S. See "*Notice to United States Investors*".

To Divide or Combine Purchase Rights Certificates – Form 4

A Purchase Rights Certificate may be divided, exchanged or combined with another Purchase Rights Certificate by completing and signing Form 4 on the Purchase Rights Certificate(s) and delivering such Purchase Rights Certificate(s) to the Purchase Rights Agent at the Applicable Purchase Rights Agent Office in the manner specified herein in time for the new Purchase Rights Certificate(s) to be issued and used before the Expiry Date. The Purchase Rights Agent will then issue a new Purchase Rights Certificate in such denominations (totalling the same number of Purchase Rights as represented by the Purchase Rights Certificates being divided or combined) as are required by the Holder. Purchase Rights Certificates need not be endorsed if the new Purchase Rights Certificate(s) is issued in the same name.

If a Holder has any questions with respect to the proper exercise of Purchase Rights, such Holder should contact the Purchase Rights Agent at (416) 682-3860 or North American Toll Free at 1-800-387-0825 or by sending an e-mail toinquiries@canstockta.com or the Information Agent, Laurel Hill Advisory Group by telephone at 1-877-452-7184 toll-free (1-416-304-0211 for collect calls) or by e-mail at assistance@laurelhill.com**.**

United States Exercise Form – Form 5

The Purchase Rights may only be exercised in the United States by QIBs. If you are in the United States and you are not a QIB you may not exercise your Purchase Rights and, in order to receive any value for your Purchase Rights, you must arrange to sell your Purchase Rights outside of the United States in accordance with the requirements of Regulation S. A trading market in the Purchase Rights may not develop, and you may not be able to sell your Purchase Rights on the TSX or otherwise. See "*Risk Factors*".

QIBs that wish to exercise their Purchase Rights in the United States must complete the United States Exercise Form included in each Purchase Rights Certificate confirming, among other things, their status as QIBs, making certain representations with respect to resales of Common Shares and, if exercising in certain U.S. states, providing additional certifications confirming that such exercises comply with applicable state securities or "blue sky" laws. Any QIBs who hold their Purchase Rights within the CDS system will be required to withdraw their rights and tender their United States Exercise Form directly to the Purchase Rights Agent. Yamana and the Company reserve the right to reject United States Exercise Forms for any reason in their sole discretion.

Payment

Enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of the Purchase Rights Agent. The amount of payment will be C$3.25 per whole Common Share. Payment must also be included for any Additional Common Shares subscribed for under the Additional Purchase Privilege.

Deposit

Deliver or mail the completed Purchase Rights Certificate and payment in the enclosed return envelope addressed to the Purchase Rights Agent so that it is received by the Purchase Rights Agent before the Expiry Time on the Expiry Date. If mailing, registered mail is recommended. Please allow sufficient time to avoid late delivery. The signature on the Purchase Rights Certificate must correspond, in every particular, with the name that appears on the face of the Purchase Rights Certificate.

Signatures by a trustee, executor, administrator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Purchase Rights Agent. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription will be determined by Yamana, in its sole discretion, and any determination by Yamana will be final and binding on Yamana and its security holders. Upon delivery or mailing of a completed Purchase Rights Certificate to the Purchase Rights Agent, the exercise of the Purchase Rights and the subscription for Common Shares is irrevocable. Yamana reserves the right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of Common Shares pursuant thereto could be unlawful. Yamana also reserves the right to waive any defect in respect of any particular subscription. Neither Yamana nor the Purchase Rights Agent is under any duty to give any notice of any defect or irregularity in any subscription, nor will they be liable for the failure to give any such notice. Any Holder who fails to complete his or her subscription in accordance with the foregoing instructions prior to the Expiry Time on the Expiry Date will forfeit his or her Purchase Rights under the Basic Purchase Right and the Additional Purchase Privilege attaching to those Purchase Rights.

Registration and Delivery of Common Shares

Unless the Purchase Rights Agent is instructed otherwise in writing by a Holder, Common Shares purchased through the exercise of Purchase Rights held by registered Holders will be registered in the name of the person subscribing for those Common Shares and DRS Statements representing the Common Shares will be mailed by first class insured mail as soon as practicable after closing of the Offering to the subscriber at the address appearing on the Purchase Rights Certificate.

DRS is a system that will allow registered holders of Common Shares to hold their Common Shares in ''book-entry'' form without having a physical share certificate issued as evidence of ownership. Instead, Common Shares will be held in the name of registered holders of Common Shares and registered electronically in Brio Gold's records, which will be maintained by its transfer agent and registrar, CST Trust Company. The first time Common Shares are recorded under DRS (upon completion of the Offering), registered Brio Gold shareholders will receive an initial DRS Statement acknowledging the number of Common Shares held in their DRS account. Anytime that there is movement of Common Shares into or out of a registered Brio Gold shareholder's DRS account, an updated DRS Statement will be mailed. Instructions will be provided upon receipt of the DRS Statements representing Common Shares for registered holders that would like to request a physical Common Share certificate. There is no fee to participate in DRS and dividends, if any, will not be affected by DRS.

The Purchase Rights Agent will be fully discharged from all responsibility as agent with regard to the funds received when it has forwarded DRS Statements representing Common Shares to the Holders entitled to them and forwarded the proceeds of the Offering to Yamana, and in the event of exercises exceeding the number of Purchase Rights available, returned the excess exercise funds to the Holders or CDS Participants, as applicable, so entitled, without any interest or deduction.

Undeliverable Purchase Rights

Purchase Rights Certificates returned to the Purchase Rights Agent as undeliverable will not be sold by the Purchase Rights Agent and no proceeds of sale will be credited to such Holders.

Sale or Transfer of Purchase Rights

Holders with Purchase Rights Certificates in registered form in Eligible Jurisdictions may, instead of exercising their Purchase Rights to purchase Common Shares (to the extent that they are authorized to do so), sell their Purchase Rights through the facilities of the TSX or, subject to the limitations set out below, sell or transfer their Purchase Rights to any person who is not an Ineligible Holder by completing Form 3 on the Purchase Rights Certificate and delivering the Purchase Rights Certificate to the Transferee. See "*– How to Complete a Purchase Rights Certificate – To Sell or Transfer Purchase Rights – Form 3*" above. A permitted Transferee of the Purchase Rights of a registered holder of a Purchase Rights Certificate may exercise the Purchase Rights transferred to such permitted Transferee without obtaining a new Purchase Rights Certificate. If a Purchase Rights Certificate is transferred in blank, the Company and the Purchase Rights Agent may thereafter treat the bearer as the absolute owner of the Purchase Rights Certificate for all purposes and neither the Company nor the Purchase Rights Agent will be affected by any notice to the contrary.

Holders holding Purchase Rights Certificates through CDS Participants in Canada who wish to sell or transfer their Purchase Rights must do so in the same manner in which they sell or transfer Common Shares. See "*Purchase Rights Certificates – Yamana Shares Held Through CDS*" above.

The transfer of the Purchase Rights or the Common Shares transferable on exercise of the Purchase Rights to or within the Ineligible Jurisdictions is restricted. See "*– Ineligible Holders and Approved Eligible Holders*" above. In addition, the Purchase Rights may be transferred only in transactions outside of the United States in accordance with Regulation S. See "*Plan of Distribution*".

Dividing or Combining Purchase Rights Certificates

A Purchase Rights Certificate may be divided, exchanged or combined. See "*– How to Complete a Purchase Rights Certificate – To Divide or Combine Purchase Rights Certificates – Form 4*" above.

Dilution to Yamana Shareholders

Holders that do not exercise any Purchase Rights will not receive any Common Shares. For Holders that exercise their Basic Purchase Right in full, after giving effect to any purchases or sales of Purchase Rights by such Holder prior to such exercise, their ownership interest in Brio Gold will be equivalent to the ownership interest they currently have in Yamana times approximately 50%, which is the percentage of Brio Gold's outstanding Common Shares being offered by Yamana (assuming that all other Holders also exercise their Basic Purchase Right in full). If a Holder chooses to exercise their Basic Purchase Right in part, their ownership interest in Brio Gold will be diluted by other Yamana Shareholders who exercise their Purchase Rights in full. In addition, if a Holder does not exercise their Basic Purchase Right in full, after giving effect to any purchases or sales of Purchase Rights by such Holder prior to such exercise, the Holder will not be entitled to participate in the Additional Purchase Privilege and may be subject to adverse tax consequences.

The number of Yamana Shares that Yamana Shareholders own, and the percentage ownership in Yamana of Yamana Shareholders will not change as a result of the Offering. If a Yamana Shareholder does not exercise Purchase Rights to purchase Common Shares, following the Offering such Yamana Shareholder will no longer retain the same indirect ownership interest in the Brio Gold businesses and, as well, the Yamana Shares held will not reflect the earnings, assets or liabilities of Brio Gold. In addition, the trading price of Yamana Shares immediately following the Offering may be higher or lower than immediately prior to the Offering because Yamana will own fewer shares of Brio Gold, the ongoing earnings of Brio Gold will no longer be consolidated in Yamana's earnings and Yamana will receive cash proceeds of up to C$192,484,360 as a result of the sale of its Common Share (assuming exercise of all of the Purchase Rights).

See "*Risk Factors – Risks Relating to the Offering – If you receive and exercise the Purchase Rights, you may be subject to adverse U.S. federal income tax consequences*" and *"Risk Factors – Risks Relating to the Offering – If you are a U.S.*

taxpayer and receive but do not sell or exercise the Purchase Rights before they expire, you may be subject to adverse U.S. federal income tax consequences".

No Fractional Common Shares

No fractional Common Shares will be transferred upon the exercise of the Purchase Rights. Where the exercise of Purchase Rights would appear to entitle a holder of Purchase Rights to fractional Common Shares, the Holder's entitlement will be reduced to the next lowest whole number of Common Shares without any payment therefor. See "*Description of Common Shares*" for a summary of the material attributes and characteristics of the Common Shares.

Tax Treatment of Purchase Rights Distribution

For a discussion of certain Canadian and U.S. federal income tax considerations relating to the receipt, sale, exercise and expiration of the Purchase Rights and the ownership and disposition of Common Shares, see "*Certain Canadian Federal Income Tax Considerations*" and "*Certain United States Federal Income Tax Considerations"*. Yamana Shareholders should consult their own tax advisors regarding the tax considerations relating to the receipt, sale, exercise and expiration of the Purchase Rights and the ownership and disposition of Common Shares in light of their particular circumstances.

No Recommendation to Holders

The Company did not consider, evaluate, or make any decision whatsoever, regarding the structuring or pricing of the Offering or any other attributes of the Purchase Rights. Neither the Yamana Board nor the Brio Gold Board is making any recommendation regarding your exercise of the Purchase Rights. Yamana Shareholders who exercise Purchase Rights will incur investment risk on new money invested. Neither Yamana nor Brio Gold can predict the price at which Common Shares will trade after the Offering. The market price for the Common Shares may decrease to an amount below the Exercise Price, and if you purchase Common Shares at the Exercise Price, you may not be able to sell the shares in the future at the same price or a higher price. Moreover, the market price for the Common Shares may be trading at an amount above the Exercise Price, and if you do not exercise your Purchase Rights you will be unable to participate in this appreciation. You should make your investment decision based on your assessment of the business and financial condition of Brio Gold, its prospects for the future, the terms of the Offering and the information contained in this prospectus. See "*Risk Factor*s" for a discussion of some of the risks involved in exercising Purchase Rights and investing in the Common Shares.

PLAN OF DISTRIBUTION

Pursuant to the managing dealer agreement dated November 17, 2016 (the "**Managing Dealer Agreement**") between Yamana**,** the Company and the Managing Dealers, the Managing Dealers have agreed to provide professional advice in connection with the Offering and have agreed to solicit the exercise of Purchase Rights by Holders; however, other than Holders that are resident in certain states within the United States and certain foreign jurisdictions outside of the United States and Canada, as well as certain institutional Holders to be agreed upon by the Company and the Managing Dealers, the Managing Dealers will not solicit the exercise of Purchase Rights by Holders located in the United States or such foreign jurisdictions (the "**Excluded Holders**"). Yamana has agreed to pay to the Managing Dealers Offer Fees consisting of 1.8% of the proceeds received by Yamana from the exercise of Purchase Rights, allocated as to 29% of such fees to each of CIBC World Markets Inc., National Bank Financial Inc. and Canaccord Genuity Corp., and as to 13% to Cormark Securities Inc. In addition, US$250,000 will be paid to Canaccord Genuity Corp. as advisory fees in connection with the delivery of the written Fairness Opinion and US$900,000 will be paid at closing of the Offering to each of CIBC World Markets Inc. and National Bank Financial Inc. as financial advisory fees in connection with ongoing advisory work performed for Yamana over the past approximately 18 months in connection with a review of strategic alternatives related to Brio Gold and its assets. Yamana will reimburse the Managing Dealers for costs or expenses relating to the Offering of up to US$300,000 in the aggregate (plus taxes). The Managing Dealers' expenses have been included in the estimated expenses of the Offering of C$5.7 million The obligations of the Managing Dealers under the Managing Dealer Agreement may be terminated at their discretion on the basis of "disaster out", "material change out" and "breach out" provisions in the Managing Dealer Agreement and may also be terminated upon the occurrence of certain other stated events.

CIBC World Markets Inc. and National Bank Financial Inc. are each affiliates, respectively, of Canadian chartered banks that will act as Lenders under the Credit Facility and that have conditionally committed to lead and arrange for the three-year US$75 million senior secured Credit Facility, pursuant to the terms and conditions of a commitment letter which contains certain customary conditions for transactions of this nature. Each of the two Canadian chartered bank has conditionally committed US$25 million of the Credit Facility amount, subject to the terms and conditions of the commitment letter. The Credit Facility includes a US$25 million accordion option, will be further syndicated to a group of banks. The Company currently anticipates that the Credit Facility will be finalized for execution on or about the closing date of the Offering. See "*Prospectus Summary – Brio Gold Overview – Strong Balance Sheet and Liquidity with Existing Assets Generating Cash Flow*". No portion of the proceeds to be received by Yamana from the Offering will be used towards repayment of such new Credit Facility with Brio Gold. See "*Use of Proceeds*". Neither CIBC World Markets Inc. nor National Bank Financial Inc. were involved in the initial decision by Yamana or Brio Gold to complete the Offering contemplated hereunder. In addition, neither Managing Dealer is expected to benefit in any manner from the Offering or the Additional Distribution contemplated hereunder, other than from the payment of the Offering Fees or the Underwriter Fees as described above.

Each Yamana Shareholder on the Record Date (other than Yamana Shareholders in Ineligible Jurisdictions) will receive 0.0625 of a Purchase Right for each Yamana Share held (or one whole Purchase Right for every 16 Yamana Shares held). Subject to the limitations described below, each whole Purchase Right will entitle the Holder to acquire one Common Share at the Exercise Price per Common Share. The Exercise Price was determined by Yamana in consultation with the Managing Dealers, and was approved by the Yamana Board.

It is a condition of the Offering that the Purchase Rights and the Common Shares are listed on the TSX and, as such, the Company must ensure that it is able to satisfy, in addition to other TSX original listing conditions, the minimum distribution requirements of the TSX. Accordingly, the Managing Dealers have agreed to underwrite the distribution of 1,230,770 Common Shares under the Additional Distribution. Additionally, the Company has undertaken to complete the Employee Distribution of up to 30,000 Common Shares to up to 300 non-insider employees only in the event that the minimum distribution requirement of 300 non-insiders holding at least a board lot is not met through the Offering and the Additional Distribution. This prospectus qualifies the distribution of the Common Shares pursuant to the Employee Distribution and the Additional Distribution.

Pursuant to the Managing Dealer Agreement, Yamana has agreed to sell and the Managing Dealers have agreed severally, and not jointly or jointly and severally, to purchase or arrange for the purchase, on closing of the Additional Distribution, an aggregate of 1,230,770 Common Shares under the Additional Distribution for gross proceeds of C$4,000,002.50 payable in cash to Yamana against delivery of the Common Shares, subject to the terms and conditions of the Managing Dealer Agreement. The obligations of the Managing Dealers with respect to the Additional Distribution under the Managing Dealer Agreement may be terminated at their discretion on the basis of "disaster out", "material change out" and "breach out" provisions in the Managing Dealer Agreement and may also be terminated upon the occurrence of certain other stated events. The Managing Dealers are, however, obligated to take up and pay for all of the Common Shares if any of the Common Shares are purchased under the Additional Distribution.

In consideration for the services provided by the Managing Dealers in connection with the Additional Distribution and pursuant to the terms of the Managing Dealer Agreement, Yamana has agreed to pay the Managing Dealer the Underwriter Fee, equal to 4.0% of the aggregate gross proceeds of the Additional Distribution. Pursuant to the terms of the Managing Dealer Agreement, Yamana has agreed to pay certain expenses incurred by the Managing Dealers in connection with the Additional Distribution and has also agreed to indemnify the Managing Dealers, their affiliates and their respective partners, directors, officers and employees against certain liabilities and expenses and to contribute to payments that the Managing Dealers may be required to make in respect thereof.

The Common Shares issuable pursuant to the Additional Distribution will be offered in all the provinces and territories of Canada through the Managing Dealers or their affiliates who are registered to offer the Common Shares for sale in such provinces and territories and such other registered dealers as may be designated by the Managing Dealers.

The Common Shares offered pursuant to the Additional Distribution have not been and will not be registered under the U.S. Securities Act or any state securities laws, and accordingly may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Managing Dealer Agreement enables the Managing Dealers to offer and resell such Common Shares to QIBs in the United States, provided such offers and sales are made in accordance with Rule 144A under the U.S. Securities Act. Moreover, the Managing Dealer Agreement provides that the Managing Dealers will offer and sell such Common Shares outside the United States only in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Additional Distribution, an offer or sale of such Common Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

There is currently no market through which the Purchase Rights and the Common Shares may be sold, and purchasers may not be able to resell the Purchase Rights and the Common Shares purchased under this prospectus. This may affect the pricing of the Purchase Rights and the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Purchase Rights and the Common Shares, and the extent of issuer regulation.

The TSX has approved the listing of the Purchase Rights under the symbol "YRI.RT" and has conditionally approved the listing of the the Common Shares under the symbol "BRIO". Listing of the Common Shares is subject to fulfilling all of the listing requirements of the TSX on or before February 15, 2017, 2016.

Pursuant to the rules and policy statements of certain Canadian securities regulators, the Managing Dealers may not, throughout the period of distribution under this prospectus, bid for or purchase Common Shares for their own account or for accounts over which they exercise control or direction. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Common Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian marketplaces administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities and a bid or purchase made for or on behalf of a client where the client's order was not solicited during the period of distribution. Subject to applicable laws and in connection with the Additional Distribution, the Managing Dealers may over-allot or effect transactions in connection with the Additional Distribution intended to stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Subscriptions for the Common Shares issuable under the Additional Distribution will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is anticipated that the Common Shares will be delivered under the NCI System and deposited in registered or electronic form with CDS on the closing of the Additional Distribution.

This prospectus qualifies the distribution under applicable Canadian securities laws of the Common Shares pursuant to the Offering, the Employee Distribution and the Additional Distribution in each province and territory of Canada. The Company has not authorized nor does it authorize the making of any offer of the Common Shares through a financial intermediary. Except under the circumstances described herein, the Common Shares are not qualified under the securities laws of, or being distributed or offered in, any Ineligible Jurisdiction and Purchase Rights may not be exercised by or on behalf of an Ineligible Holder who is not an Approved Eligible Holder. This prospectus is not, and under no circumstances is to be construed as, an offering of any Purchase Rights or Common Shares in any Ineligible Jurisdiction or a solicitation therein of an offer to buy any securities save in circumstances permitted in accordance with the laws of any such jurisdiction and as described in this prospectus. Purchase Rights Certificates will not be sent to Yamana Shareholders with addresses of record in any Ineligible Jurisdiction unless such Yamana Shareholders are Approved Eligible Holders. Instead, such Ineligible Holders will be sent a letter advising them that their Purchase Rights Certificates will be held by the Purchase Rights Agent, who will hold such Purchase Rights as agent for the benefit of all such Ineligible Holders. See "*Details of the Offering – Ineligible Holders and Approved Eligible Holders*".

Other than pursuant to certain exceptions, registration of interests in and transfers of Common Shares held through CDS, or its nominee, will be made electronically through the NCI System. On closing of the Offering and the Additional Distribution, Yamana will, via the Company's transfer agent, electronically deliver the Common Shares registered to CDS or its nominee. Common Shares held in CDS must be purchased or transferred through a CDS participant, which includes securities brokers and dealers, banks and trust companies. All rights of shareholders who hold Common Shares in CDS must be exercised through, and all payments or other property to which such shareholders are entitled will be made or delivered by CDS, or the CDS participant through which the shareholder holds such Common Shares. A shareholder participating in the NCI System will not be entitled to a certificate or other instrument from the Company or its transfer agent evidencing that person's interest in or ownership of Common Shares, nor, to the extent applicable, will such shareholder be shown on the records maintained by CDS, except through an agent who is a CDS participant. The ability of a beneficial holder to pledge such Common Shares or otherwise take action with respect to such holder's interest in such Common Shares (other than through a CDS participant) may be limited due to the lack of a physical certificate.

United States

The Common Shares have not been, nor will they be, registered under the U.S. Securities Act or any state securities laws. Accordingly, the Common Shares may not be offered or sold in the United States unless an exemption from the registration requirements of the U.S. Securities Act is available. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Purchase Rights and, except as described herein, this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Common Shares within the United States.

In making a decision as to whether to exercise Purchase Rights, investors must rely on their own examination of the Company and the terms of the Offering, including the merits and risks involved. Investors should be aware that they may be required to bear the financial risks of an investment in the Common Shares for an indefinite period of time.

THE PURCHASE RIGHTS MAY ONLY BE EXERCISED IN THE UNITED STATES BY QUALIFIED INSTITUTIONAL BUYERS. IF YOU ARE IN THE UNITED STATES AND YOU ARE NOT A QUALIFIED INSTITUTIONAL BUYER YOU MAY NOT EXERCISE YOUR RIGHTS AND, IN ORDER TO RECEIVE ANY VALUE FOR YOUR RIGHTS, YOU MUST ARRANGE TO SELL YOUR RIGHTS OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH THE REQUIREMENTS OF REGULATION S UNDER THE U.S. SECURITIES ACT. A TRADING MARKET IN THE PURCHASE RIGHTS MAY NOT DEVELOP ON THE TSX OR OTHERWISE, AND YOU MAY NOT BE ABLE TO SELL YOUR PURCHASE RIGHTS. SEE "*RISK FACTORS*".

QIBs that wish to exercise their Purchase Rights in the United States must complete the United States Exercise Form attached to each Purchase Rights Certificate confirming, among other things, their status as QIBs. In addition, QIBs that wish to exercise their Purchase Rights in certain U.S. states will be required to provide additional certifications confirming that such exercises comply with applicable state securities or "blue sky" laws. Any QIBs who hold their Purchase Rights within the CDS system will be required to withdraw their rights and tender their United States Exercise Form directly to the Purchase Rights Agent. Yamana and the Company reserve the right to reject United States Exercise Forms for any reason in their sole discretion.

The Purchase Rights may be transferred only in transactions outside of the United States in accordance with Regulation S. Regulation S permits the resale of the Purchase Rights by persons through the facilities of a designated offshore securities market (which currently includes the TSX and the TSXV), provided that the offer is not made to a person in the United States, neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, and no "directed selling efforts", as that term is defined in Regulation S, are conducted in the United States in connection with the resale. Certain additional conditions are applicable to the Company's "affiliates", as that term is defined under the U.S. Securities Act. In order to enforce this resale restriction, U.S. holders of Purchase Rights may be required to provide a certification or other evidence satisfactory to the Company to the effect that any such resale is being made outside the United States in accordance with Regulation S. Certificates, if any, and book entries representing the Purchase Rights will bear legends referring to the foregoing restrictions.

The Common Shares initially transferred pursuant to the exercise of Purchase Rights to persons in the United States will be "restricted securities" and may not be transferred or resold except (i) to the Company; or (ii) outside the United States in accordance with Regulation S. Each QIB exercising Purchase Rights in the United States shall be required to agree to the foregoing transfer restrictions. In addition, until 40 days after the closing of the Offering, an offer or sale of the Common Shares within the U.S. by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act, unless such offer is made pursuant to an exemption from registration under the U.S. Securities Act.

SELECTED FINANCIAL AND PRODUCTION DATA

The selected consolidated financial data as of September 30, 2016 and for the nine months ended September 30, 2016 is derived from the Brio Condensed Interim Financial Statements as of and for the nine month ended September 30, 2016. The selected consolidated financial data as of December 31, 2015 and for the year ended December 31, 2015 is derived from the Brio Audited Financial Statements as of and for the year ended December 31, 2015 and as of and for the period ended December 31, 2014 from July 11, 2014, the date of the Company's incorporation, and related notes, included elsewhere in this prospectus. The selected carve-out, combined financial data as of and for the nine months ended September 30, 2016 and for the years ended December 31, 2015, 2014, and 2013 is derived from the Condensed Carve-Out Combined Interim Financial Statements and the Audited Carve-Out Combined Financial Statements respectively, prepared in accordance with IFRS, included elsewhere in this prospectus. The selected MRDM financial data as of and for the six months ended June 30, 2016 and for the years ended December 31, 2015, 2014, and 2013 is derived from the MRDM Condensed Interim Financial Statements and the MRDM Audited Financial Statements, respectively, prepared in accordance with IFRS, included elsewhere in this prospectus. The results of MRDM are included in the Brio Condensed Carve-Out Combined Interim Financial Statements only from the April 29, 2016 date of its acquisition by the Company. The selected pro forma balance sheet and statement of operations data for the nine months ended September 30, 2016 and for the year ended December 31, 2015 is derived from the Pro Forma Financial Statements for the nine months ended September 30, 2016 and for the year ended December 31, 2015, which are prepared based on financial statements that are in accordance with IFRS and included elsewhere in this prospectus. See "*Presentation of Financial Information and Accounting Principles*" and "*Financial Statements*".

The selected financial and production data set out below are not necessarily indicative of the Company's future results of operations or financial condition. The Audited Carve-Out Combined Financial Statements are not necessarily indicative of the Company's results of operation or financial condition that the Company may have achieved as a stand-alone company. The Pro Forma Financial Statements are not necessarily indicative of the Company's results of operations that would have occurred if the transfer of Brio Gold's assets and liabilities from Yamana and its subsidiaries to the Company and the acquisition of the RDM Mine had occurred as of January 1, 2015. The selected carve-out combined financial data for the years ended December 31, 2015, 2014 and 2013 and the selected pro forma balance sheet and pro forma statement of operations data for the year ended December 31, 2015 presented below are qualified in their entirety by reference to, and should be read in conjunction with, "*Management's Discussion and Analysis*", the Audited Carve-Out Combined Financial Statements, the Condensed Carve-Out Combined Interim Financial Statements, the Pro Forma Financial Statements, the MRDM Audited Financial Statements, the MRDM Condensed Interim Financial Statements, the Brio Audited Financial Statements, the Brio Condensed Interim Financial Statements and the and related notes, all of which are included elsewhere in this prospectus.

Non-GAAP Financial Measures

The Company has included certain non-GAAP financial measures including co-product cash costs per ounce of gold produced, co-product all-in sustaining costs per ounce of gold produced, Adjusted earnings (loss), and Adjusted EBITDA to supplement its consolidated financial statements, which are presented in accordance with IFRS. The term IFRS and generally accepted accounting principles ("GAAP") are used interchangeably throughout this prospectus.

The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. Non-GAAP financial measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Co-Product Cash Costs

The Company uses the non-GAAP financial measure "co-product cash costs" on a per ounce of gold produced basis because it believes this measure provides investors and analysts with useful information about the Company's underlying cash costs of operations and is a relevant metric used to understand the Company's operating profitability, and ability to generate cash flow. Co-product cash costs figures are calculated based on the standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard remains the generally accepted standard of reporting cash costs of production in North America. Adoption of the standard is voluntary and the cost measures presented herein may not be comparable to other similarly titled measures of other companies.

Co-product cash costs include mine site operating costs such as mining, processing, administration, production taxes and royalties, which are not based on sales or taxable income calculations, but are exclusive of amortization, reclamation, capital, development, and exploration costs. Co-product cash costs per ounce of gold produced are calculated on a weighted average basis.

The term "co-product cash costs" has no standard meaning and therefore, the Company's definitions are unlikely to be comparable to similar measures presented by other companies and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS and is not necessarily indicative of operating costs, operating profit or cash flows presented under IFRS. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for:

- reconciliation of total cost of sales to co-product cash costs consolidated, including on a per ounce basis, and reconciliation of total cost of sales to co-product all-in-sustaining costs consolidated, including on a per ounce basis;
- reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis;
- reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis, and reconciliation of total cost of sales to co-product all-in-sustaining costs consolidated and per mine, including on a per ounce basis;
- reconciliation of quarterly trailing total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis; and
- reconciliation of annual trailing total cost of sales to co-product cash costs per mine, including on a per ounce basis.

Co-Product All-in-Sustaining Costs

The Company uses the non-GAAP financial measure "co-product all-in-sustaining costs", also referred to as "co-product AISC", on a per ounce of gold produced basis because it believes this measure provides investors with useful information about the Company's underlying cash costs of operations, after deducting certain non-discretionary items such as sustaining capital expenditures, exploration expenses and certain general and administrative costs and is a relevant metric used to understand the Company's operating profitability, and ability to generate cash flow. Co-product all-in-sustaining costs are based on cash costs, including cost components of mine sustaining capital expenditures and exploration and evaluation expense. Co-product all-in-sustaining costs on a consolidated basis do not include capital expenditures attributable to projects or mine expansions, exploration and evaluation costs attributable to growth projects, Yamana general and administrative expenses allocated to Brio Gold, stock-based compensation, income tax payments, financing costs and dividend payments. Co-product all-in-sustaining costs for a mine do not include capital expenditures attributable to projects or mine expansions, exploration and evaluation costs attributable to growth projects, Brio Gold corporate general and administrative expenses, Yamana general and administrative expenses allocated to Brio Gold or stock-based compensation, income tax payments, financing costs and dividend payments. Consequently, this measure is not representative of all of the Company's cash expenditures. In addition, the calculation of co-product all-in-sustaining costs does not include depletion, depreciation and amortization expense as it does not reflect the impact of expenditures incurred in prior periods. The term "co-product all-in-sustaining costs" has no standard meaning and therefore, the Company's definitions are unlikely to be comparable to similar measures presented by other companies and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS and is not necessarily indicative of operating costs, operating profit or cash flows presented under IFRS. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for:

- reconciliation of total cost of sales to co-product cash costs consolidated, including on a per ounce basis, and reconciliation of total cost of sales to co-product all-in-sustaining costs consolidated, including on a per ounce basis; and
- reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis, and reconciliation of total cost of sales to co-product all-in-sustaining costs consolidated and per mine, including on a per ounce basis.

Adjusted Earnings or Loss

The Company uses the non-GAAP financial measure "Adjusted earnings or loss" because it believes this measure provides useful information to investors to evaluate the Company's performance by excluding certain cash and non cash charges. The presentation of Adjusted earnings or loss is not meant to be a substitute for net earnings or loss or net earnings or loss per share presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures. Adjusted earnings or loss is calculated as net earnings excluding (a) share based payments, (b) unrealized foreign exchange (gains) losses related to revaluation of deferred income tax asset and liability on non monetary items, (c) unrealized foreign exchange (gains) losses related to other items, (d) impairment losses and reversals, (e) deferred income tax expense (recovery) on the translation of foreign currency inter corporate debt, (f) periodic tax adjustments to historical deferred income tax balances relating to changes in enacted tax rates and (g) non-cash provisions and any other non recurring adjustments. Non-recurring adjustments from unusual events or circumstances are reviewed from time to time based on materiality and the nature of the event or circumstance. Earnings adjustments for the comparative period reflect continuing operations.

The term "Adjusted earnings or loss" has no standardized meaning prescribed by IFRS and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for a reconciliation of net earnings (loss) attributable to equity holders to Adjusted earnings or loss.

For more information, see the Audited Carve-Out Combined Financial Statements, Brio Audited Financial Statements and the related notes thereto appearing elsewhere in this prospectus.

Adjusted EBITDA

The Company uses the non-GAAP financial measure "Adjusted EBITDA" because it believes it provides investors with useful information to evaluate its performance and understand its ability to service and/or incur indebtedness. The Company defines Adjusted EBITDA as net earnings (loss) attributable to equity holders, before income tax recovery (expense), depletion, depreciation and amortization, impairment and reversals of mining properties, interest expense, share-based compensation, and non-recurring provisions and other adjustments.

The term "Adjusted EBITDA" has no standard meaning and therefore, the Company's definitions are unlikely to be comparable to similar measures presented by other companies and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS and is not necessarily indicative of operating costs, operating profit or cash flows presented under IFRS. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for a reconciliation of net earnings (loss) attributable to equity holders to Adjusted EBITDA.

Carve-Out Statement of Operations

Brio Gold

	For the nine months ended September 30,		For the year ended December 31,		
(In thousands of U.S. dollars)	**2016**	**2015**	**2015**	**2014**	**2013**
Sales	$176,791	$121,846	$163,606	$106,086	$96,119
Cost of sales excluding depletion, depreciation and amortization	(99,842)	(80,681)	(106,816)	(82,853)	(59,606)
Gross margin excluding depletion, depreciation and amortization	76,949	41,165	56,790	23,233	36,513
Depletion, depreciation and amortization	(40,543)	(36,266)	(50,342)	(22,353)	(14,653)
Impairment of mineral properties	—	—	(12,717)	(207,626)	—
Mine operating earnings (loss)	36,406	4,899	(6,269)	(206,746)	21,860
Expenses:					
General and administrative	(20,466)	(14,304)	(19,301)	(23,091)	(23,806)
Exploration and evaluation	(52)	(394)	(583)	(5)	(2,416)
Other operating expenses	(14,429)	(27,768)	(24,840)	(35,733)	(30,833)
Impairment of non-operating mining properties	—	—	(7,360)	(360,760)	—
Operating earnings (loss)	1,459	(37,567)	(58,353)	(626,335)	(35,195)
Foreign exchange gain (loss)	(10,389)	15,340	26,727	6,038	(20,779)
Finance expense	(3,512)	(2,204)	(3,272)	(1,231)	(1,305)
Loss before tax	(12,442)	(24,431)	(34,898)	(621,528)	(57,279)
Income tax recovery (expense)	13,758	(47,869)	(36,387)	30,751	(36,351)
Net earnings (loss) attributable to equity holders	$1,316	$(72,300)	$(71,285)	$(590,777)	$(93,630)

Mineração Riacho dos Machados Ltda. (RDM Mine)

	Six months ended June 30,		For the year ended December 31,		
(In thousands of U.S. dollars)	**2016**	**2015**	**2015**	**2014**	**2013**
Revenue	$35,262	$36,775	$47,916	$17,932	$—
Cost of sales excluding depletion, depreciation and amortization	(21,345)	(20,436)	(23,819)	(9,829)	—
Gross margin excluding depletion, depreciation and amortization	13,917	16,339	24,097	8,103	—
Depletion, depreciation and amortization	(2,887)	(1,880)	(3,193)	(5,741)	(307)
Impairment reversal (charge) on mineral properties	42,511	—	(25,268)	(107,867)	(116,178)
Mine operating earnings (loss)	53,541	14,459	(4,364)	(105,505)	(116,485)
Expenses:					
General and administration	(3,900)	(4,816)	(8,572)	(5,186)	(3,485)
Other Operating Expenses	(37,527)	—	—	—	—
Operating loss	12,114	9,643	(12,936)	(110,691)	(119,970)
Loss on derivative financial instruments, net	—	(4,921)	(16,779)	(5,459)	68,339
Loss on gold streaming transaction	—	—	—	(27,550)	—
Finance expense, net	(10,016)	(16,683)	(38,794)	(8,022)	(614)
Net earnings (loss) for the year	$2,098	$(11,961)	$(68,509)	$(151,722)	$(52,245)

Condensed Interim Financial Statements as at and for the three and nine months ended September 30, 2016 have not been included in this prospectus, as for the third quarter of 2016, operations of MRDM and its financial results are fully integrated in the Brio Condensed Interim Financial Statements and Condensed Carve-Out Combined Interim Financial Statements.

Pro Forma Income Statement

(In thousands of U.S. dollars)	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Sales	$197,066	$211,522
Cost of sales excluding depletion, depreciation and amortization	(112,161)	(130,635)
Gross margin excluding depletion, depreciation and amortization	84,905	80,887
Depletion, depreciation and amortization	(42,541)	(53,820)
Impairment of mineral properties	—	(37,985)
Mine operating earnings	42,364	(10,918)
Expenses:		
General and administrative	(24,116)	(27,873)
Exploration and evaluation	(52)	(583)
Other operating expenses	(11,771)	(27,140)
Impairment of non-operating mining properties	—	(7,360)
Operating earnings (loss)	6,425	(73,874)
Foreign exchange gain (loss)	(7,139)	27,013
Finance expense	(3,841)	(58,969)
Earnings (Loss) before tax	(4,555)	(105,830)
Income tax recovery (expense)	13,758	(36,387)
Net earnings (loss) attributable to equity holders	$9,203	$(142,217)

Selected Carve-Out Balance Sheet Information

Brio Gold

(In thousands of U.S. dollars)	For the year ended December 31, 2015	2014
Cash and cash equivalents	$3,966	$—
Property, plant and equipment	428,129	478,479
Total assets	473,577	516,880
Current liabilities	47,241	59,185
Non-current liabilities	57,458	36,557
Total liabilities	104,699	95,742
Total equity	$368,878	$421,138

Mineração Riacho dos Machados Ltda. (RDM Mine)

(In thousands of U.S. dollars)	For the year ended December 31, 2015	2014
Cash and cash equivalents	$72	$99
Property, plant and equipment	7,020	27,956
Total assets	59,592	70,637
Current liabilities	306,401	236,117
Non-current liabilities	11,369	24,190
Total liabilities	317,771	260,307
Total equity	$(258,179)	$(189,670)

Selected Pro Forma Balance Sheet Information

(In thousands of U.S. dollars)	As at September 30, 2016
Cash and cash equivalents	$4,531
Property, plant and equipment	497,894
Total assets	557,738
Current liabilities	54,861
Non-current liabilities	60,021
Total liabilities	114,882
Total equity[(1)]	$442,856

Note:

(1) The equity value on the pro forma financial statements (i.e., total equity) and the valuation metric of net asset value are wholly unrelated. Total equity is a measure that shows the residual fair value of the accounting assets of the Issuer, after deduction of liabilities, as of the balance sheet date. Net asset value, which is used by analysts and others, is a valuation technique that estimates future cash flows and discounts them to the present, and may not be consistently applied by those calculating net asset value estimates. Balance sheet asset values are not used to estimate these cash flows, which are based on, among other things including discount rates, production plans, technical disclosures and estimates of commodity and other prices. Equity and net asset value are conceptually distinct, cannot be reconciled to each other and should not be compared.

Selected Carve-Out Financial and Production Data

	For the years ended December 31,	
	2015	2014
Net earnings (thousands of U.S. dollars)	$(71,285)	$(590,777)
Adjusted earnings (thousands of U.S. dollars)[(1)]	$17,445	$(5,958)
Adjusted EBITDA (thousands of U.S. dollars)[(1)]	$41,551	$(5,413)
Production (oz.)	144,098	82,945
Total cost of sales (per oz. of gold sold in U.S. dollars)	$1,093	$853
Cost of sales excluding depletion, depreciation and amortization (per oz. of gold sold in U.S. dollars)	$743	$672
Co-product cash costs (per oz. in U.S. dollars)[(1)]	$718	$1,166
Co-product all-in sustaining costs (per oz. in U.S. dollars)[(1)]	$918	$1,423

Note:

(1) A non-GAAP financial measure. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for a reconciliation of net earnings (loss) attributable to equity holders to Adjusted EBITDA and reconciliation of total cost of sales to co-product cash costs consolidated, including on a per ounce basis, and reconciliation of total cost of sales to co-product-all in sustaining costs consolidated, including on a per ounce basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis for the nine months ended September 30, 2016 and for the years ended December 31, 2015, 2014 and 2013 is based on the financial condition and results of operations of the Fazenda Brasileiro Mine, the Pilar Operation, the RDM Mine and the Santa Luz Project and not the Company's actual historical results, and should be read in conjunction with "Selected Financial and Production Data", the Audited Carve-Out Combined Financial Statements and related notes appearing elsewhere in this prospectus. All pro forma financial and production results for the year ended December 31, 2015 presented in this discussion and analysis give effect to the transfer of assets and liabilities from Yamana and its subsidiaries to the Company, the acquisition of the RDM Mine, the Offering and the application of net proceeds therefrom, as if such transactions had occurred as of January 1, 2015 and not the Company's actual financial and production results, and should be read in conjunction with the Pro Forma Financial Statements appearing elsewhere in this prospectus.

The following discussion contains "forward-looking information" that reflect the Company's future plans, estimates, beliefs and expected performance. Such forward-looking statements may prove to be inaccurate, and actual results and future events could differ materially from those anticipated in such statements. See the risk factors and other cautionary statements described under the heading "Risk Factors" included elsewhere in this prospectus. The Company does not undertake any obligation to publicly update any forward-looking statements, except as otherwise required by applicable law. This discussion also makes references to "co-product cash costs", "co-product all-in sustaining costs", "Adjusted earnings or loss" and "Adjusted EBITDA" which are measures that do not have any standardized meaning as prescribed by IFRS. The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the Company's underlying performance. Non-GAAP financial measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. See "Non-GAAP financial measures" below for:

- *reconciliation of total cost of sales to co-product cash costs consolidated, including on a per ounce basis, and reconciliation of total cost of sales to co-product all-in-sustaining costs consolidated, including on a per ounce basis;*
- *reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis;*
- *reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis, and reconciliation of total cost of sales to co-product all-in-sustaining costs consolidated and per mine, including on a per ounce basis;*
- *reconciliation of quarterly trailing total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis;*
- reconciliation of *annual trailing total cost of sales to co-product cash costs per mine, including on a per ounce basis;*
- *reconciliation of Net Earnings (Loss) Attributable to Equity Holders to Adjusted Earnings or Loss;and*
- *reconciliation of Net Earnings (Loss) Attributable to Equity Holders to Adjusted EBITDA;*

Overview

Brio Gold is a Canadian mining company with significant gold producing, development and exploration stage properties in Brazil. The Company was formed in 2014 by Yamana to monetize its investment in certain non-core assets in Brazil, including the Fazenda Brasileiro Mine, the Pilar Operation and the Santa Luz Project and related exploration rights, all of which were contributed by Yamana to the Company. On April 29, 2016, the Company completed the acquisition of MRDM, the owner of the RDM Mine in connection with a restructuring of Carpathian.

The Company's portfolio includes three operating mines, the Fazenda Brasileiro Mine, the Pilar Operation and the RDM Mine, and the Santa Luz Project, a mine currently on care and maintenance. The following table sets forth the Company's gold production on a pro forma basis for the period ended September 30, 2016 and December 31, 2015.

Property Gold Production (oz.)	Nine Months Ended September 30, 2016	Year ended December 31, 2015
Fazenda Brasileiro Mine	52,608	60,914
Pilar Operation	64,891	83,184
RDM Mine	38,218	39,921.
Santa Luz Project(1)	—	—
Total	155,717	184,019.

Notes:
(1) The Company expects that the Santa Luz Project will be recommissioned in the first quarter of 2018 and anticipate that it will contribute approximately 114,000 ounces of gold per year over the first seven years.

As of the applicable estimate dates in the Technical Reports, the Company's properties had attributable mineral reserves of approximately 2.67 million ounces of gold, Measured and Indicated Mineral Resources of approximately 1.55 million ounces of gold and Inferred Mineral Resources of approximately 2.94 million ounces of gold.

For the nine months ended September 30, 2016 and for year ended December 31, 2015, on a pro forma basis, the Company would have generated revenue of $197.1 million and $211.5 million, respectively, net earning(loss) of $9.2 million and $(142.2) million, respectively, Adjusted earnings(loss) of $4.5 million and $(25.6) million, respectively and Adjusted EBITDA of $68.6 million and $57.7 million, respectively. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for a reconciliation of net earnings (loss) attributable to equity holders to Adjusted EBITDA. As of September 30, 2016 on a pro forma basis, the Company would have had $4.5 million in cash and no debt.

Highlights

The Company is committed to becoming the next leading, mid-tier gold producer focused on growth in the Americas. The Company's goal is to deliver superior shareholder value through organic growth, exploration, selective and opportunistic industry consolidation and commitment to socially responsible practices within the communities in which it operates. The Company intends to continue to optimize its operations to deliver reliable, consistent and sustainable performance over the life of its mining operations. The Company's focus will be on the production of high margin gold ounces combined with a disciplined approach to cost containment and capital spending along with a commitment to value creation.

Financial and Operating Performance for the Nine Months Ended September 30, 2016

Financial Performance

- Sales were $176.8 million on the sale of 140,887 ounces of gold compared to $121.8 million on the sale of 104,838 ounces of gold for the comparable period in 2015. The higher sales were due to the inclusion of five months of gold sales from the acquisition of RDM Mine that closed on April 29, 2016 coupled with a 8% increase in revenue per gold ounce sold and a 12% increase in gold ounces sold from the Fazenda Brasileiro Mine and Pilar Operation;

- Net income attributable to equityholders was $1.3 million, which included a $13.8 million income tax recovery compared to a $72.3 million net loss attributable to equity holders for the comparable period in 2015. The net loss included a $47.9 million income tax expense and $17.8 million in write-off of assets and legal provisions;

- Adjusted loss were $0.2 million compared to an adjusted loss of $18.6 million in for the same period in 2015;

- Mine operating earnings were $36.4 million compared to mine operating earnings of $4.9 million for the comparable period in 2015; and

- Cash flow from (used in) operating activities before and after non-cash working capital changes was $50.2 million and $57.0 million, respectively, compared to $13.7 million and a $(17.8) million for the comparable period in 2015.

Operating Performance

- Gold production totaled 139,185 ounces during the first nine months of 2016, which includes the five months of attributable gold production of 21,686 ounces of gold from the RDM Mine, compared to total gold production of 104,819 ounces during the same period in 2015. Excluding the gold production from the RDM Mine, the Fazenda Brasileiro Mine and Pilar Operation's gold production increased 12% to 117,499 of ounces due to increased throughput, feed grades and recoveries.

- Individual mine highlights include the following:

  - The Pilar Operation produced 64,891 ounces of gold or 5% more than the 61,858 ounces of gold produced in the first nine months of 2015;

  - The Fazenda Brasileiro Mine produced 52,608 ounces of gold or 22% more than the 42,961 ounces of gold produced in the first nine months of 2015. The increase was due primarily to increased throughput and feed grade;

  - The RDM Mine produced 21,686 ounces of gold during the five months ended September 30, 2016 following its acquisition on April 29, 2016. For comparative purposes only, the RDM Mine produced 10,348 ounces of gold for the same five months in 2015; and

  - Consolidated total cost of sales per ounce of gold sold were $996 or 11% lower than the $1,115 for the same period in 2015. Consolidated co-product all-in sustaining costs during the first nine months of 2016 were $940 per ounce of gold produced or 0% lower than the $944 per ounce of gold produced for the same period in 2015. Excluding RDM Mine, consolidated total cost of sales per ounce of gold sold were $978 or 12% lower than the $1,115 for the same period in 2015.

  - Consolidated co-product all-in sustaining costs would have been $930 per ounce of gold produced or 1% lower than in 2015.

Development

The modified flow sheet has been completed, significant metallurgical testwork, additional drilling, and a technical report supporting the re-start of the Santa Luz Project, which includes a new Mineral Reserve estimate was completed. The capital cost for re-commissioning the Santa Luz Project is expected to be $84.2 million. The Company expects that the Santa Luz Project will be re-commissioned in the first quarter of 2018 and anticipates that it will provide approximately 114,000 ounces of annual gold production over the first seven years of production, with production in the first full year expected to be approximately 130,000 ounces of gold.

Exploration

Step out drilling at the Pilar Operation and geophysical modelling shows that the low angle structure and the hydrothermal alteration and mineralization related to it are continuous at least 1,500 m down dip. Extensions to the deposit are evident in both northern and southeastern areas. Further drilling is ongoing in 2016. The Company has approved a budget of $5.0 million to complete 61,200 m of infill and extension drilling at the Pilar Operation and Maria Lázara deposit. Approximately 41,200 m of drilling will be targeted at the Mineral Resources at the Pilar Operation and approximately 17,000 m of that exploration drilling will be targeted at the Maria Lázara mineralization.

Financial and Operating Performance for the Year Ended December 31, 2015

Financial Performance

- Sales were $163.6 million on the sale of 143,840 ounces of gold compared to $106.1 million on sale of 85,517 ounces of gold for the comparable period in 2014. Revenue per gold ounce sold for the year averaged $1,142 per ounce compared to $1,259 per ounce during 2014;

- Net loss attributable to equity holders was $71.3 million, included non-cash impairment and write-down charges on mining properties and other assets of $20.1 million and $9.4 million, respectively, and partially offset by foreign exchange gains of $26.7 million. The net loss attributable to equityholders for the comparable year in 2014 was $590.8 million, which included $568.4 million of impairment charges to the Pilar Operation and the Santa Luz Project;

- Adjusted earnings were $17.4 million compared to an adjusted loss of $6.0 million for the same period in 2014;

- Mine operating loss was $6.3 million, included a $12.7 million non-cash impairment charge on mining properties, compared to $206.7 million loss in 2014, which included a $207.6 million non-cash impairment charge on mining properties; and

- Cash flow from (used in) operating activities before and after changes in working capital were $32.6 million and $5.8 million, respectively, compared to ($8.4) million and ($20.1) million in 2014.

Operating Performance

- Gold production decreased to 144,098 ounces compared to 144,663 ounces produced in 2014, which included gold ounces produced during commissioning and production from the Santa Luz Project when it was in operation.

- Individual mine highlights include the following:

    - The Pilar Operation produced 83,184 ounces of gold or 38% more than the 60,091 ounces of gold produced in 2014, including 41,333 ounces of gold produced during commissioning;

    - The Fazenda Brasileiro Mine produced 60,914 ounces of gold, or 5% lower than in 2014; and

    - No gold was produced from the Santa Luz Project during 2015 compared to 20,385 ounces of gold produced in 2014 during commissioning before the mine was placed on care and maintenance in the third quarter 2014.

- Consolidated total cost of sales were $1,093 per ounce of gold sold, cost of sales excluding depletion, depreciation and amortization were $743 per ounce of gold sold and co-product cash costs were $718 per ounce of gold produced, compared to total cost of sales of $853 per ounce of gold sold, cost of sales excluding depletion, depreciation and amortization were $671 per ounce of gold sold and co-product cash costs were $1,166 per ounce of gold produced in 2014, which include costs incurred during the commissioning of the Pilar Operation.

- Consolidated co-product all-in sustaining costs were $918 per ounce of gold produced or 35% lower than the $1,423 per ounce of gold produced in 2014, which include costs incurred during the commissioning of the Pilar Operation.

Development

In the third quarter of 2015, the Company announced the modified flow sheet and results from the recently completed metallurgical testwork at the Santa Luz Project, which demonstrated increased average gold recoveries of 83.7%. The results of the work have been incorporated into a Preliminary Economic Assessment Report ("**PEA**"), and include an updated mine design and production schedule, which is modelled on a new Mineral Resource constrained by current operating cost estimates and recovery parameters.

Exploration

Exploration results at Fazenda Brasileiro Mine continue to demonstrate the positive Mineral Reserve and Mineral Resource potential within the previously developed areas of the mine. To date, Proven and Probable Mineral Reserves have increased to 392,000 ounces of gold contained in approximately 6.54 million tonnes at 1.88 grams per tonne consisting of 4.6 million tonnes at 1.9 g/t containing 286,000 gold ounces of Proven Mineral Reserves and 1.9 million tonnes at 1.7 g/t containing 106,000 gold ounces of Probable Mineral Reserves. Expected mine life is approximately six and a half years at current production levels and well in excess of previous estimates.

At the Fazenda Brasileiro Mine, drilling advanced at the new discovery, E388 East, which is at relatively shallow depth (350 metres) and near existing primary infrastructure. The Company is also focused at other high priority target areas selected for short and medium term reserve generation and production potential. Exploration drilling continues to return results that are similar in thickness and grade to those seen in the early years of the mine, and support the potential for Mineral Resource expansion.

At the Maria Lázara gold mine, part of the Pilar Operation drilling in the main area conducted helped define the mineralized zone for placement of primary ramps and secondary development completed during the middle of 2015. Results to date from the Maria Lázara infill drilling program confirm the extent of the mineral body and support the current grade shells and widths. At the Caiamar gold mine, sampling and mapping of favourable trends occurred in support of production.

Financial and Operating Performance for the Year Ended December 31, 2014

Financial Performance

- Revenue was $106.1 million on the sale of 82,366 ounces of gold, excluding $48.4 million of pre-production revenue from the sale of 37,823 ounces of gold, which was credited against capital costs, compared to $96.1 million on the sale of 69,193 ounces of gold in 2013.

- Net loss attributable to equity holders was $590.8 million, which included a $568.4 million non-cash impairment charge to the Pilar Operation and the Santa Luz Project, compared to a net loss of $93.6 million in 2013. See "– *Financial and Operating Results for the Years Ended December 31, 2015, 2014 and 2013 – Impairment of Assets*".

- Adjusted loss was $6.0 million compared to Adjusted earnings of $0.1 million in 2013. See "– *Non-GAAP Financial Measures*" for a reconciliation of net earnings (loss) attributable to equity holders to Adjusted earnings or loss.

- Mine operating loss was $206.7 million, included a $207.6 million non-cash impairment charge on mining properties, compared to a $21.9 million mine operating income in 2013.

- Cash flow (used in) operating activities before and after changes in working capital were ($8.4) million and ($20.1) million, respectively, compared to ($8.4) million and ($3.3) million in 2013.

Operating Performance

- Gold production totaled 144,663 ounces, a 47% increase from the 98,450 ounces produced in 2013, including gold ounces produced during commissioning.

- Individual mine highlights include the following:

    - the Pilar Operation achieved commercial production on October 1, 2014 and produced a total of 60,091 ounces of gold, including gold ounces produced during commissioning;

    - the Fazenda Brasileiro Mine gold production totaled 64,188 ounces, or 8.4% lower than in 2013; and

    - the Santa Luz Project produced 20,385 ounces of gold during commissioning before the mine was placed on care and maintenance in the third quarter 2014, due primarily to significant carbon content in the ore, which resulted in lower than expected gold recovery.

- Consolidated total cost of sales were $853 per ounce of gold sold, cost of sales excluding depletion, depreciation and amortization were $672 per ounce of gold sold and co-product cash costs were $1,166 per ounce of gold produced, which include costs incurred during the commissioning of the Pilar Operation.

- Consolidated co-product all-in sustaining costs were $1,423 per ounce of gold, which include costs incurred during the commissioning of the Pilar Operation.

Exploration

The Company's 2014 exploration program was focused on delineating the high grade mineral shoots within the Pilar gold mine and expanding the high grade zones beyond the current Mineral Reserve boundaries. The defining of higher grade ore shoots through tightened drill spacing is expected to support more efficient mining and reduced dilution to get increased production from lower tonnage.

The Pilar Operation infill drilling program completed 365 metres of drilling in two holes in the fourth quarter of 2014, for a total of 17,013 metres from 112 holes. In addition, a total of 4,382 metres were drilled from 26 exploration holes in 2014. Infill drilling at the Pilar gold mine area has confirmed high grade shoots and internal known waste areas. Additionally, 400 metres of a 2,940 metre infill drill program at the Maria Lázara gold mine were completed in the fourth quarter of 2014 to better define the mineral horizons and guide underground tunnel development. Results from the Maria Lázara infill drilling program confirmed the extent of the mineral body and support the current grade shells and widths.

At the Pilar Operation, in 2013, underground mapping and sampling along with computer modeling of drill data identified moderate to high grade inferred resource ore shoots that were drill-tested from the surface in 2014 to expand the Mineral Resource and Mineral Reserve base. The Maria Lázara gold mine access ramp drilling was completed in October 2013, with 1,002 metres drilled in 13 holes. A Mineral Resource model of the Maria Lázara gold mine was developed, as well as a geologic model, which outlined eight identifiable units including quartz-biotite-chlorite schist which hosts the majority of the gold bearing quartz and quartz-albite vein mineralization.

Outlook

In 2016, the Company expects to deliver production of approximately 178,000 to 185,000 ounces of gold, consisting of 63,000 to 68,000 ounces from the Fazenda Brasileiro Mine, 85,000 to 90,000 ounces from the Pilar Operation and approximately 50,000 ounces from the RDM Mine, with the portion attributable to the Company expected to be approximately 30,000 ounces.

Estimated total cost of sales per ounce sold for for 2016 are forecast to be approximately $1,061 per ounce of gold, consisting of approximately $932 per ounce from the Fazenda Brasileiro Mine, approximately $1,124 per ounce from the Pilar Operation and approximately $1,123 per ounce from the RDM Mine.

Estimated co-product cash costs per ounce produced for 2016 are forecast to be approximately $745 per ounce of gold, consisting of approximately $695 per ounce from the Fazenda Brasileiro Mine, approximately $725 per ounce from the Pilar Operation and approximately $880 per ounce from the RDM Mine.

Estimated co-product all-in sustaining costs per ounce produced for 2016 are forecast to be approximately $980 per ounce of gold, consisting of approximately $925 per ounce from the Fazenda Brasileiro Mine, approximately $990 per ounce from the Pilar Operation and approximately $1,000 per ounce from the RDM Mine.

In 2017, the Company expects to increase production to 223,000 to 243,000 ounces of gold consisting of 65,000 to 70,000 ounces from the Fazenda Brasileiro Mine, 83,000 to 88,000 ounces from the Pilar Operation and approximately 75,000 to 85,000 ounces from the RDM Mine. Total cost of sales per ounce sold for 2017 are estimated to be approximately $1,010 to $1,020 per ounce of gold sold, consisting of approximately $980 to $990 per ounce sold from the Fazenda Brasileiro Mine, approximately $975 to $ 985 per ounce sold from the Pilar Operation and approximately $1,080 to $1,090 per ounce sold from the RDM Mine. Co-product cash costs for 2017 are estimated to be approximately $750 to $760 per ounce of gold produced, consisting of approximately $710 to $720 per ounce produced from the Fazenda Brasileiro Mine, approximately $670 to 680 per ounce produced from the Pilar Operation and approximately $870 to $880 per ounce produced from the RDM Mine. Co-product all-in sustaining costs for 2017 are forecast to be approximately $940 to $950 per ounce of gold produced, consisting of approximately $960 to $970 per ounce of gold produced for the Fazenda Brasileiro Mine, approximately $900 to $910 per ounce produced for the Pilar Operation and approximately $970 to $980 per ounce of gold produced for the RDM Mine.

The Company's 2017 guidance is summarized below:

	Production Koz	**Total cost of sales per gold ounce sold**	**Cost of sales excluding depletion, depreciation and amortization per gold ounce sold and Co-product cash costs per gold ounce produced US$ (1)(2)**	**Co-product AISC per gold ounce produced US$ (2)**
Fazenda Brasileiro Mine	65 – 70	980 – 990	710 – 720	960 – 970
Pilar Operation	83 – 88	975 – 985	670 – 680	900 – 910
RDM Mine	75 – 85	1,080 – 1,090	870 – 880	970 – 980
Brio Gold Total	223 – 243	1,010 – 1,020	750 – 760	940 – 950

The Company's 2015 actuals are summarized below:

	Production Koz	**Total cost of sales per gold ounce sold**	**Cost of sales excluding depletion, depreciation and amortization per gold ounce sold and Co-product cash costs per gold ounce produced US$ (1) (2)**	**Co-product AISC per gold ounce produced US$ (2)**
Fazenda Brasileiro Mine	61	1,251	762 / 719	905
Pilar Operation	83	976	729 / 717	861
RDM Mine	-	-	-	-
Brio Gold Total	144	1,093	743 / 718	918

Notes:

(1) 2017 cost of sales excluding depletion, depreciation and amortization per gold ounce sold and co-product cash cost per gold ounce produced guidance assumes a Brazilian *Real* to U.S. Dollar exchange rate of 3.75. Furthermore, the values for cost of sales excluding depletion, depreciation and amortization per gold ounce sold and co-product cash cost per gold ounce produced are the same, as it is anticipated that sales will be the same as production.

(2) A non-GAAP final measure. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*".

The Company expects to complete 90,000 metres of drilling at the Fazenda Brasileiro Mine in 2016, with a focus on expanding the existing Mineral Resource base. In addition, the Company is expecting to complete a total of 61,20 metres of drilling at the Pilar and Maria Lázara gold mines as well as the Três Buracos deposit by the end of 2016, with a focus primarily on expanding Mineral Reserves. In 2017, the exploration drilling objective is to continue the Company's focus on Mineral Reserve expansion, while continuing with regional exploration, including at the Três Buracos deposit, which is five kilometers from the Pilar gold mine.

The Santa Luz Technical Report estimates a ten-year mine life with average annual production of approximately 114,000 ounces of gold for the first seven years. The Santa Luz Project is expected to restart operations in the first quarter of 2018 and produce 130,000 ounces of gold once in its first full year of production. Total capital for the re-commissioning of the Santa Luz Project is estimated to be approximately $84.2 million. With the re-start of the Santa Luz Project, the Company expects to annually produce approximately 400,000 ounces of gold.

The Company is in the process of finalizing an arrangement with the Lenders for the Credit Facility that will provide sufficient resources to complete the plant modifications required for the recommissioning of the Santa Luz Project, as well as to meet the Company's liquidity needs for at least the next 12 months.

Selected 8-Quarter Trailing Financial Information

(In thousands of U.S. dollars)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Sales	$61,719	$66,200	$48,872	$41,759	$42,858	$37,980	$41,009	$46,620
Impairment of mining properties	—	—	—	(12,717)	—	—	—	—
Mine operating earnings (loss) [1]	$8,830	12,661	14,915	(11,168)	260	5,563	(924)	(286)
Impairment of non-operating properties	—	—	—	(7,360)	—	—	—	—
Net earnings (loss) attributable to equity holders	$(15,163)	$9,043	$7,436	$1,015	$(14,952)	$(768)	$(56,580)	$(22,611)

Note:
(1) Includes non-cash impairment charges on mining properties.

Carve-Out Financial and Operating Results for the Years Ended December 31, 2015, 2014 and 2013

	For the years ended December 31,		
(In thousands of U.S. dollars)	**2015**	**2014**	**2013**
Sales	$163,606	$106,086	$96,119
Cost of sales excluding depletion, depreciation and amortization	(106,816)	(82,853)	(59,606)
Gross margin excluding depletion, depreciation and amortization	56,790	23,233	36,513
Depletion, depreciation and amortization	(50,342)	(22,353)	(14,653)
Impairment charges on mining properties	(12,717)	(207,626)	—
Mine operating earnings (loss)	(6,269)	(206,746)	21,860
Expenses:			
General and administrative	(19,301)	(23,091)	(23,806)
Exploration and evaluation	(583)	(5)	(2,416)
Other operating expenses	(24,840)	(35,733)	(30,833)
Impairment of non-operating mining properties	(7,360)	(360,760)	—
Operating earnings (loss)	(58,353)	(626,335)	(35,195)
Foreign exchange gain (losses)	26,727	6,038	(20,779)
Finance expense	(3,272)	(1,231)	(1,305)
Earnings gain (loss) before tax	(34,898)	(621,528)	(57,279)
Income tax recovery (expense)	(36,387)	30,751	(36,351)
Net earnings (loss) attributable to equity holders	$(71,285)	$(590,777)	$(93,630)
Adjusted earnings adjustments[1]			
Net loss attributable to equity holders	$(71,285)	$(590,777)	$(93,630)
Adjustments:			
Write-off and (gains) losses on sale of assets	9,372	(167)	(18)
Impairment of mineral properties	20,077	568,386	—
Non-cash unrealized foreign exchange (losses) gains	(26,727)	(6,038)	20,779
Loss (gain) on indirect tax credits	(6,966)	6,847	21,475
Legal provisions	18,999	14,079	6,334
Non-cash tax effect on unrealized foreign exchange gains (losses) and tax impact of adjustments	65,895	(7,712)	42,827
Stock based compensation	4,645	—	—
Other	3,435	9,424	2,295
Adjusted earnings (loss)	$17,445	$(5,958)	$62

Note:
(1) A non-GAAP financial measure. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for a reconciliation of net earnings (loss) attributable to equity holders to Adjusted earnings or loss.

For the year ended December 31, 2015

Revenue from sales totaled $163.6 million for the year ended December 31, 2015 from the sale of 143,840 ounces of gold compared to revenue of $106.1 million from the sale of 82,594 ounces of gold for the year ended December 31, 2014, which included only three months of sales from the Pilar Operation. The Pilar Operation reached commercial production on October 1, 2014.

Total cost of sales was $157.2 million and cost of sales excluding depletion, depreciation and amortization was $106.8 million for the year ended December 31, 2015 compared to total cost of $105.2 million and cost of sales excluding depletion, depreciation and amortization of $82.9 million for the year ended December 31, 2014. The 49% and 29% (excluding depletion, depreciation and amortization) year-over-year increase was due recognizing a full year of operating costs at the Pilar Operation compared to recognition of only three months of operating costs in 2014 after the Pilar Operation started commercial production on October 1, 2014. Total cost of sales were $1,093 per ounce of gold sold, cost of sales excluding depletion, depreciation and amortization were $743 per ounce of gold sold and co-product cash costs were $718 per ounce of gold produced, compared to total cost of sales of $853 per ounce of gold sold, cost of sales excluding depletion, depreciation and amortization were $672 per ounce of gold sold and co-product cash costs were $1,166 per ounce of gold produced in 2014. The increase in cost of sales was related to a full year of operating costs, offset by the decline in costs that also impacted cash costs, which was due primarily to foreign exchange gains as the Brazilian *Real* currency declined 41% against the U.S. dollar from 2014.

Gross margin before depletion, depreciation and amortization totalled $56.8 million for the year ended December 31, 2015 compared to $23.2 million for the year ended December 31, 2014. This is due to the increase in gold quantities sold, offset by higher total costs due to higher sales quantities partially reduced by a decrease in per ounce costs.

Net loss attributable to equity holders for the year ended December 31, 2015 was $71.3 million, compared to a net loss of $590.8 million for the year ended December 31, 2014. Excluding non-cash impairment charges of $20.1 million for 2015 and $568.4 million for 2014, the net loss attributable to equity holders would have been $51.2 million and $22.4 million, respectively. The increase in the net loss was due primarily to a $67.1 million year-over-year increase swing in income taxes. The increase was due primarily to the tax effect on the large 2014 impairment charge relative to a 2015 impairment charge, the reduced tax basis of the mining assets restated in U.S. dollar terms as the result of the decline of the Brazilian *Real* currency and was partially offset by a $20.7 million increase in foreign exchange gains.

For the year ended December 31, 2014

Revenue from sales totalled $106.1 million for the year ended December 31, 2014 from the sale of 82,595 ounces of gold compared to $96.1 million of revenue from the sale of 69,193 ounces of gold for the year ended December 31, 2013. The 2014 sales included three months of gold sales from the Pilar Operation, which began commercial production on October 1, 2014.

Total cost of sales was $105.2 million; cost of sales excluding depletion, depreciation and amortization was $82.9 million for the year ended December 31, 2014, a 42% and 39% (excluding depletion, depreciation and amortization) increase year-over-year. The increase was due primarily to the inclusion of the Pilar Operation's operating costs in the Company's 2014 results after starting commercial production on October 1, 2014. Total cost of sales were $853 per ounce of gold sold, cost of sales excluding depletion, depreciation and amortization were $672 per ounce of gold sold and co-product cash costs were $1,116 per ounce of gold produced, compared to total cost of sales of $878 per ounce of gold sold, cost of sales excluding depletion, depreciation and amortization were $705 per ounce of gold sold and co-product cash costs were $1,022 per ounce of gold produced in 2013. The Fazenda Brasileiro Mine and the Pilar Operation total cost of sales were $1,291 and $385 per ounce of gold sold for the year ended December 31, 2014 respectively. The Pilar Operation's co-product cash costs averaged $1,878 per ounce of gold produced during the first nine months of 2014, when the mine was being commissioned. Continued improvements to the mining and processing activities during commissioning have reduced the per ounce costs and consequently the operation reached commercial production on October 1, 2014.

Gross margin before depletion, depreciation and amortization totalled $23.2 million for the year ended December 31, 2014 compared to $36.5 million for the year ended December 31, 2013. This is due to the increase in gold quantities sold, offset by higher total costs due to higher sales quantities partially helped by a decrease in per ounce costs.

Net loss attributable to equity holders for the year ended December 31, 2014 was $590.8 million, compared to a $93.6 million net loss for the year ended December 31, 2013. The increase in the loss was due primarily to an after-tax impairment charge of $498.1 million and higher depletion, depreciation and amortization charges.

Impairment of Assets

For the year ended December 31, 2015, the Company recorded impairment charges totalling $20.1 million ($15.6 million on an after-tax basis).

(In millions of U.S. dollars)	Pre-Tax Impairment Charge	After-Tax Impairment Charge	Net Book Value
Fazenda Brasileiro Mine	$12.7	$10.8	$59.3
Santa Luz Project	7.4	4.8	33.2
Total Impairments	**$20.1**	**$15.6**	—

For the year ended December 31, 2014, the Company recorded impairment charges totalling $568.4 million ($498.1 million on an after-tax basis).

(In millions of U.S. dollars)	Pre-Tax Impairment Charge	After-Tax Impairment Charge	Net Book Value
Pilar Operation	$207.6	$164.0	$339.5
Santa Luz Project	360.8	334.1	27.7
Total Impairments	**$568.4**	**$498.1**	—

The Company performs its annual impairment test during the fourth quarter of each year. In performing the impairment test, the Company considers both external and internal sources of information in assessing whether there is any indications that mining interest are impaired. External sources of information that the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mining interest. Internal sources of information the Company considers include the manner in which the mineral properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's mining interests, the Company makes estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions related to metal prices, changes in the amounts of recoverable Mineral Reserves, Mineral Resources, and exploration potential, production cost estimates, future capital expenditures, discount rates and exchange rates.

Continued access to the estimated recoverable Mineral Reserves, Mineral Resources and exploration potential of the Company's mining interest is a key assumption in determining their recoverable value. The ability to maintain existing or obtain necessary mining concessions, surface rights, title, and water concessions is integral to the access of the reserves, resources, and exploration potential. A mining concession gives its holder the right to carry out mining activities in the area covered by that concession and take ownership of any minerals found, but it does not always grant surface access rights. In some jurisdictions surface access rights must be separately negotiated with the owner of the surface lands and in the event of a dispute or failed negotiations, administrative legal process may be available. In other jurisdictions, surface access rights may be granted along with mining rights. Water concessions provides its holder the right to specified levels of water usage and are granted based on water availability in the source area.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital expenditures, reductions in the amount of recoverable Mineral Reserves, Mineral Resources and exploration potential, and/or the impact of adverse current economic conditions can result in a write-down of the carrying value of the Company's mining interest.

Following the efforts in the fourth quarter of 2015 to divest Brio Gold, the Company calculated the value for packages of properties of similar size and location, which was the basis for recent monetization efforts that were halted at that time. The Company impaired Brio Gold assets, principally the Pilar mine, to reflect these estimated values.

During the third quarter of 2014, the Company felt it necessary to suspend commissioning activities at the Santa Luz Project and placed the project on care and maintenance, such that the potential future viability of the project was preserved while several identified alternative metallurgical processes continue to be evaluated to improve gold recovery. As a result, the Company took a pre-tax impairment charge of $360.8 million (after-tax impairment charge of $334.1 million) on the Santa Luz Project.

The Company regularly monitors whether indicators exist suggesting that the carrying values of its assets are impaired for accounting purposes.

Operating Statistics

Interim

	For the nine months ended September 30,		
	2016	**2015**	**Change**
Gold Sales (oz.)	157,419	132,355	19%
Gold production (oz.)[1]	139,184	104,819	49%
Gold production from RDM prior to acquisition (oz.)[2]	16,532	27,517	-40%
Total production (oz.)	155,716	132,336	5%
Total cost of sales per ounce of gold sold	$1,111	$1,135	-2%
Total cost of sales excluding depletion, depreciation and amortization per ounce of gold sold	$806	$776	4%
Co- product cash costs per ounce of gold produced [3,4]	$714	$759	-6%
Co- product all-in sustaining costs per ounce of gold produced [3,4]	$940	$944	-

Notes:

(1) 2016 production includes the Fazenda Brasileiro Mine, the Pilar Operation and five months production from the RDM Mine, which was acquired on April 29, 2016.

(2) 2016 production includes four months of gold production prior to completing the acquisition of MRDM from Carpathian Gold Inc. Additionally, 2015 gold production represents production under the ownership of Carpathian Gold Inc.

(3) 2016 co-product cash cost per gold ounce produced and co-product AISC per gold ounce produced includes five months of production data from the RDM Mine. The 2015 AISC information for the RDM Mine was not available.

(4) A non-GAAP financial measure. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for a reconciliation of total cost of sales to co-product cash costs consolidated, including on a per ounce basis and reconciliation of total cost of sales to co-product all-in sustaining costs consolidated, including on a per ounce basis.

Gold production for the nine months ended September 30, 2016 totalled 155,716 ounces, including 16,532 ounces of gold produced during the first four months of 2016 at the RDM Mine before the Company's acquisition of MRDM on April 29, 2016. The Company continued to make operational improvements at all its mines which lead to a reduction in costs to even as the Brazilian *Real* currency strengthened 7% during the first nine months of 2016.

Fazenda Brasileiro Mine

	For the nine months ended September 30,		
Operating Statistics	**2016**	**2015**	**Change**
Gold Sales (oz.)	54,007	44,331	22%
Gold production (oz.)	52,608	42,961	22%
Total cost of sales per ounce of gold sold	$911	$1,268	-28%
Total cost of sales excluding depletion, depreciation and amortization per ounce of gold sold	$674	$784	-14%
Co- product cash costs per ounce of gold produced[4]	$667	$770	-13%
Ore mined (tonnes)	912,432	892,648	2%
Ore processed (tonnes)	931,232	861,629	8%
Gold feed grade (g/t)	1.99	1.82	9%
Gold recovery rate (%)	88.2%	85.4%	3%
Depletion, depreciation and amortization			
Per gold ounce	$237	$484	-51%

Pilar Operation

Operating Statistics	For the nine months ended September 30, 2016	2015	Change
Gold Sales (oz.)	63,895	60,507	6%
Gold production (oz.)	64,891	61,858	5%
Total cost of sales per ounce of gold sold	$1,032	$1,004	3%
Total cost of sales excluding depletion, depreciation and amortization per ounce of gold sold	$633	$759	-17%
Co-product cash costs per ounce of gold produced(4)	$698	$751	-7%
Ore mined (tonnes)	870,243	800,414	9%
Ore processed (tonnes)	864,677	855,066	1%
Gold feed grade (g/t)	2.45	2.40	2%
Gold recovery rate (%)	95.4%	93.7%	2%
Depletion, depreciation and amortization			
Per gold ounce	$399	$245	63%

RDM Mine

Operating Statistics	For the nine months ended September 30, 2016	2015	Change
Gold Sales (oz.)(3)	39,518	31,357	26%
Gold production (oz.)(2)	38,218	27,517	39%
Total cost of sales per ounce of gold sold	$1,092	$1,299	-16%
Total cost of sales excluding depletion, depreciation and amortization per ounce of gold sold	$1,002	$1,277	-22%
Co-product cash costs per ounce of gold produced(4)	$878	$1,455	-40%
Ore mined (tonnes)	703,309	838,480	-16%
Ore processed (tonnes)	489,835	813,950	-40%
Gold feed grade (g/t)	1.56	1.25	25%
Gold recovery rate (%)	78%	84%	-7%
Depletion, depreciation and amortization			
Per gold ounce	$90	$22	309%

Notes:
(1) Production statistics includes the first four months of 2016 prior to the closing of the RDM Mine acquisition.
(2) Includes 16,532 ounces of gold produced during the first four months of 2016 prior to the closing of the RDM Mine acquisition.
(3) Includes 16,533 ounces of gold sold during the first four months of 2016 prior to the closing of the RDM Mine acquisition.
(4) A non-GAAP financial measure. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for a reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis.

Annual

Operating Statistics	For the years ended December 31, 2015	2014	Change
Gold Sales (oz.)	143,840	123,340	17%
Gold production (oz.)(1)	144,098	82,945	74%
Gold production from commissioning of mines (oz.)(2)	—	61,718	-100%
Total production (oz.)	144,098	144,663	-%
Total cost of sales per ounce of gold sold	$1,093	$853	28%
Total cost of sales excluding depletion, depreciation and amortization per ounce of gold sold	$743	$672	11%
Co-product cash costs per ounce of gold produced(3,4)	$718	$1,166	-38%
Co-product all-in sustaining costs per ounce of gold produced(3,4)	$918	$1,423	-35%

Notes:
(1) Production in 2014 includes the Fazenda Brasileiro Mine and the Pilar Operation for the fourth quarter of 2014, as the Pilar Operation reached commercial production on October 1, 2014.
(2) Includes the Pilar Operation and the Santa Luz Project. Commissioning at the Pilar Operation was completed as of September 30, 2014. The Santa Luz Project was placed on care and maintenance during the third quarter of 2014.
(3) The 2014 comparative co-product cash costs per ounce produced and co-product all-in sustaining costs per ounce produced relate to the Fazenda Brasileiro Mine and Pilar Operation, including costs during commissioning.
(4) A non-GAAP financial measure. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for a reconciliation of total cost of sales to co-product cash costs consolidated, including on a per ounce basis, and reconciliation of total cost of sales to co-product all-in sustaining costs consolidated, including on a per ounce basis.

The Company produced a total of 144,098 ounces of gold for the year ended December 31, 2015, which was less than 1% lower than the 144,663 ounces of gold produced in 2014.

Total cost of sales per ounce of gold sold was $1,093 (excluding depletion, depreciation and amortization $743) which was 28% (excluding depletion, depreciation and amortization 11%) higher than 2014. The increase in cost of sales was due to higher depletion, depreciation and amortization from Pilar as the 2014 cost of sales contains only one quarter worth of depletion from Pilar.

Co-product cash costs for the year ended December 31, 2015 were $718 per ounce of gold produced, which was 38% lower than in 2014 when co-product cash costs were $1,166 per ounce of gold produced. The decrease in co- product cash costs was due to achieving cost reductions through process optimization at the Pilar Operation and a 15% decline in the average Brazilian *Real* against the U.S. dollar. The 2014 co-product cash costs included three quarters of commissioning at the Pilar Operation which contributed to the higher co-product cash costs, as the pre-commercial cost of sales are capitalized.

Fazenda Brasileiro Mine

	For the years ended December 31,		
Operating Statistics	**2015**	**2014**	**Change**
Gold Sales (oz.)…………………………………………………………………………..	60,956	63,701	-4.3%
Gold production (oz.)…………………………………………………………………….	60,914	64,188	-5.1%
Total cost of sales per ounce of gold sold…………………………………………………..	$1,252	$1,290	-3.0%
Total cost of sales excluding depletion, depreciation and amortization per ounce of gold sold	$762	$965	-21%
Co-product cash cost per ounce of gold produced(1)………………………………………..	$719	$816	-11%
Ore mined (tonnes)……………………………………………………………………….	1,172,911	1,150,773	1.9%
Ore processed (tonnes)…………………………………………………………………...	1,123,437	1,113,922	0.9%
Gold feed grade (g/t)……………………………………………………………………...	1.87	2.00	-6.5%
Gold recovery rate (%)…………………………………………………………………...	86.3%	89.8%	-3.9%
Depletion, depreciation and amortization			
Per gold ounce…………………………………………………………………………	$490	$325	51%

Notes:

(1) A non-GAAP financial measure. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for a reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis.

The Fazenda Brasileiro Mine produced 60,914 ounces of gold for the year ended December 31, 2015, compared to 64,188 ounces of gold in 2014. Production was lower due to lower recoveries and grade. Total cost of sales per ounce of gold sold was $1,252, cost of sales excluding depletion, depreciation and amortization per ounce sold was $762, compared to total cost of sales per ounce of gold sold of $1,290 and cost of sales excluding depletion, depreciation and amortization $965 in 2014. Co-product cash cost for the year ended December 31, 2015 was $719 per ounce of gold produced, compared to $816 per ounce in 2014.

Pilar Operation

Operating Statistics	For the years ended December 31, 2015	2014	Change
Gold Sales (oz.) [3]	82,884	59,639	39%
Gold production (oz.) [1]	83,184	60,091	38%
Total cost of sales per ounce of gold sold	$976	$385	153%
Total cost of sales excluding depletion, depreciation and amortization per ounce of gold sold	$729	$358	104%
Co-product cash cost per ounce of gold produced [2,4]	$717	$1,540	-53%
Ore mined (tonnes)	1,078,866	832,813	30%
Ore processed (tonnes)	1,134,722	1,084,129	5%
Gold feed grade (g/t)	2.42	1.87	29%
Gold recovery rate (%)	94%	92%	2%
Depletion, depreciation and amortization [1]			
Per gold ounce	$247	$27	815%

Notes:
(1) Includes gold production during commissioning at the Pilar Operation which was completed as of September 30, 2014.
(2) Comparatives have been restated to conform to the change in presentation adopted in the current period. Cash costs include costs during commissioning.
(3) Commissioning at the Pilar Operation was completed as of September 30, 2014. Gold sales prior to September 30, 2014 have been credited against property, plant and equipment.
(4) A non-GAAP financial measure. See "*Management's Discussion and Analysis – Non-GAAP Financial Measures*" for a reconciliation of for reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis.

The Pilar Operation produced 83,184 ounces of gold for the year ended December 31, 2015, compared to 60,091 ounces of gold in 2014. The increase in gold production was due to higher head grade and throughput. Total cost of sales per ounce of gold sold was $976, cost of sales excluding depletion, depreciation and amortization per ounce of gold sold was $729, compared to total cost of sales per ounce of gold sold of $385 and cost of sales excluding depletion, depreciation and amortization per gold ounce sold of $358 in 2014. Co-product cash costs averaged $717 per ounce of gold produced, compared to $1,540 per ounce of gold produced in 2014. The 2014 co- product cash costs included the results of nine months of commissioning at the Pilar Operation when co-product cash costs averaged $1,878 per ounce of gold produced (no gold was sold during commissioning). The Company continued its efforts to optimize the mining and processing of ore during commissioning and declared commercial production on September 30, 2014.

Santa Luz Project

Operating Statistics	For the years ended December 31, 2015	2014	Change
Gold Sales (oz.)[3]	—	17,981	n/a
Gold production (oz.)[1][2]	—	20,385	n/a
Ore mined (tonnes)	—	1,468,556	n/a
Ore processed (tonnes)	—	1,083,831	n/a
Gold feed grade (g/t)	—	1.69	n/a
Gold recovery rate (%)	—	33.6%	n/a
Depletion, depreciation and amortization[1]			
Per gold ounce	$—	$—	n/a

Notes:
(1) Gold ounces produced during commissioning at the Santa Luz Project.
(2) The Santa Luz Project was in the commissioning phase in both comparative periods and was placed on care and maintenance in the third quarter of 2014. Co-product cash costs per gold ounce were not presented as the Santa Luz Project did not reach commercial production during the comparative periods.
(3) Gold sales have been credited against property, plant and equipment during commissioning.

The Santa Luz Project was on care and maintenance during 2015 and no gold was produced, compared to 20,385 ounces of gold produced during the half of 2014 before the Santa Luz Project was placed on care and maintenance in the third quarter of 2014.

Liquidity, Capital Resources, and Contractual Commitments

The Company continues to focus on containing costs to maximize available cash to fund planned growth, development activities, expenditures and commitments. The Company's Consolidated Interim Balance Sheet as at September 30, 2016, without the Credit Facility, provides US$4.5 million of cash, with a working capital deficit of US$3.0 million and no debt. The Company's three mining operations provide a diverse source of cash flow, sufficient to maintain the Company's liquidity while funding necessary development activities. Carve-out combined cash flows provided by operating activities for the nine months ended September 30, 2016 were US$57.0 million, showing the ability of the Company to generate positive operating cash flows in the current market environment. The Company has US$66.6 million of contractual commitment due in the following twelve months (see *" – Contractual Commitments)*. Out of this value, US$57.5 million is related to operating contracts associated with inputs to the Company's production including but not limited to labour and consumables, and as such, is already covered by the Company's operational cash flows as they are regular ongoing costs of production. The remainder of US$9.1 million represent certain contracts associated with the re-commissioning of the Santa Luz Project and decommissioning, restoration and other liabilities.

Upon closing of the Credit Facility, the Company anticipates it will have access to US$75 million in senior debt funding on a revolving basis to provide for short term liquidity and continue to ensure that enough funding will be available to fully fund operations and assisting in funding the Company's capital expenditure program to 2018. The Santa Luz Project, which has an expected cost of US$84.2 million would be subject to modified timeline in the event the Credit Facility is unsuccessful. This provides Brio Gold the flexibility to execute on its business plan while pursuing strategic growth.

Management is of the view that the Company's planned growth, development activities, expenditures and commitments will be sufficiently funded by its currently available financial resources and future operating cash flows and that the Credit Facility would further enhance its ability to do so. Upon the Credit Facility's maturity, being the third anniversary of the date of the Credit Facility, the Company expects that it will have the ability to refinance the Credit Facility to support the execution of the Company's business strategy.

Cash as at September 30, 2016 was US$4.5 million compared to US$4.0 million as at December 31, 2015. The Company had a working capital deficit of $3.0 million, a $1.8 million reduction in the deficit since the beginning of the year. Cash as at December 31, 2015 was US$4.0 million compared to US$Nil as at December 31, 2014. The Company had a working capital deficit of US$4.8 million for the year ended December 31, 2015, and a US$0.1 million working capital deficit as at December 31, 2014. The Company's working capital deficit is primarily due to the relatively low level of accounts receivable experienced by the Company, as payments for gold sales are received within days of shipment from the mine sites, which is beneficial to the Company. Hence, a working capital deficit is typical for the Company and this condition may be expected to continue in the future as the Company seeks to minimize cash resources dedicated to working capital.

On a carve out combined basis, the Company would have had a working capital deficit of $1.8 million as at September 30, 2016, a $10.4 million reduction in the deficit since the beginning of the year. The Company would have had a working capital deficit of $12.2 million as at December 31, 2015, which was a 45% improvement over the US$22.1 million working capital deficit as at December 31, 2014.

The Credit Facility has a three year term so that it will be fully available during 2017, which is expected to be the Company's peak capital spending year due to the Santa Luz Project. The Credit Facility will contain certain conditions precedent and covenants that must be met in order to have access to the Facility. Management expects that the Company will be able to meet the conditions precedent in order to access the Credit Facility. It is expected that these conditions precedent will include, among others: (i) execution of definitive credit, guarantee, security and other related documentation and receipt of satisfactory legal opinions with respect to enforceability of the definitive credit, guarantee and security documentation, (ii) the absence of any Material Adverse Effect (as such term will be defined in the Credit Facility); (iii) the execution of currency hedging arrangements for at least two-thirds of the Company's USD/BRL exposure for at least two years from the date of the Credit Facility at a minimum level acceptable to the co-lead arrangers of the Credit Facility, acting reasonably; (iv) the lenders being satisfied that all necessary governmental and third party approvals, acknowledgements, directions, perfection certificates, consents and agreements required to consummate the Credit Facility; (v) no default or event of default has occurred and is outstanding (or would result from the making of the extension of credit); and (vi) the listing of the Common Shares on the TSX, as well as other conditions precedent customary for a facility of this nature. In addition to non-financial, negative and reporting covenants, it is expected that the Credit Facility will have financial covenants requiring that the Company maintain minimum levels of tangible net worth, liquidity and interest coverage, and a maximum level of total debt to EBITDA.

Should various unexpected factors or events arise that reduce the ability of the Company to generate sufficient cash flow from operations in the short term to finance on-going operations and necessary sustaining capital expenditures, management is confident that the overall quality of the Company's operations and the quantity of the Company's Mineral Reserves and Mineral Resources will enable the Company to raise funds through additional equity, quasi-equity or debt financings. In addition, the Company has the flexibility to reduce planned capital spending. The forecast capital expenditure of US$84.2 million for the Santa Luz Project is the Company's largest near-term use of capital. If conditions warrant, expenditures on the Santa Luz Project could be slowed, or halted entirely, and project completion delayed, conserving the Company's capital resources.

Cash Flows

Cash flows provided (used by) operating activities for the nine months ended September 30, 2016 were $57.0 million compared to $(17.8) million for the comparable period in 2015. The increased cash flows from operations were due primarily to the benefits realized from the Company's continued cost reduction and process optimization program, combined with a higher realized price for gold compared with the comparable period in 2015.

Cash provided from operating activities for the year ended December 31, 2015 was $5.8 million, a $25.8 million improvement over the comparable year in 2014. The impact from a depreciating Brazilian *Real* against the U.S. dollar and the Company's cost optimization program were the two primary drivers for the improved results. Cash used in operating activities for the year ended December 31, 2014 was $20.1 million, compared to $3.3 million used in operating activities for the year ended December 31, 2013. The increase in cash used in operating activities was due to the timing of when vendor invoices were settled.

Cash flow from financing activities relates to the net funding from Yamana to cover excess expenditures over the Company's cash flows from mining operations. Net funding from Yamana for the nine months ended September 30, 2016 was $33.2 million compared to $48.0 million for the same period in 2015. Funding from Yamana in the nine months ended September 30, 2016 included loans incurred to acquire the RDM Mine. On April 29, 2016, the Company closed the restructuring procedures and concurrently attained control of the RDM Mine, for approximately $53.9 million, which was funded by loans from Yamana, which were subsequently converted to equity. See "– *Capital Resources*".

Net funding from Yamana for the year ended December 31, 2015 was $31.6 million, compared to $150.3 million for the year ended December 31, 2014. The decrease in funding was due primarily to the completion of construction at the Pilar Operation, which reduced the need for cash calls to fund construction. Net funding from Yamana for the year ended December 31, 2014 totalled $150.3 million, compared to $298.6 million for the year ended December 31, 2013. The decrease in funding was due primarily to the completion of construction spending at both the Santa Luz Project and Pilar Operation.

Capital Resources

Yamana converted the two Yamana loans totalling $60.1 million to additional equity in the Company on September 30, 2016. Yamana received 89,027,429 Common Shares in full extinguishment of the loan amount outstanding. The Company has relied on Yamana for financial support to cover excess operating and capital expenditures over its cash flows from mining operations. Under a related-party financing arrangement, any excess cash balances and trade receivables are offset against Yamana's cash funding, which is reported under cash flows from financing activities. The Company is in the process of arranging the Credit Facility which it currently anticipates will be finalized for execution on or about the closing date of the Offering.

The Company continues to focus on containing costs to maximize available cash to fund planned growth, development activities, expenditures and commitments. Over the three year period from 2017 to 2019, the Company expects to spend an annual average of approximately R$145 million to R$170 million on sustaining capital expenditures, and an annual average of R$20 million to R$25 million on exploration. Management is of the view that planned growth, development activities, expenditures, and commitments will be funded from future operating cash flows and the Credit Facility. The Company expects that these sources of funding will be sufficient to cover the expected costs to maintain and meet expected production, sustaining capital expenditures as well as funding planned expansionary capital and exploration plans over the next 12 months.

Subject to various risks and uncertainties, the Company believes it will generate sufficient cash flows and, along with the Credit Facility, will have adequate cash to finance on-going operations and planned capital and exploration investment programs. See "*Risk Factors*".

Contractual Commitments

Day-to-day mining, sustaining and expansionary capital expenditures as well as administrative operations give rise to contracts requiring agreed upon future minimum payments. These commitments are largely related to contract mining contractors and maintenance and service contractors retained to assist in the Company's mining and processing operations. The Company's management is of the view that such commitments will be met from future operating cash flows, and if necessary, from usage of the Credit Facility.

As at September 30, 2016, the Company was contractually committed to the following:

(In millions of U.S. dollars)	Within 1 year	Years 2 and 3	Years 4 and 5	After 5 years	Total
Mine operating/construction and service contracts and other	$62.7	$34.3	$11.5	$2.7	$111.2
Decommissioning, restoration and similar liabilities (undiscounted)	3.9	10.0	10.9	22.1	46.9
Total	$66.6	$44.3	$22.4	$24.8	$158.1

As of September 30, 2016, the Company has no future debt repayment obligations.

Off-Balance Sheet Arrangements

As of the date this prospectus, the Company does not have any material off-balance sheet arrangements.

Contingencies

Due to the size, complexity, and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. The Company's management is of the opinion that these matters will not have a material effect on the Company's financial statements.

Critical Accounting Policies

The Brio Audited Financial Statements, the Audited Carve-Out Combined Financial Statements and the MRDM Audited Financial Statements are each prepared in accordance with IFRS and the Pro Forma Financial Statements are prepared based on financial statements that are in accordance with IFRS . The significant accounting policies applied and recent accounting pronouncements are described in Note 3 and Note 6 in the Brio Audited Financial Statements, in Note 3 and Note 5 of the Audited Carve-Out Combined Financial Statements and in Note 2 of the MRDM Audited Financial Statements, included elsewhere in this prospectus. While you should read the financial statements included in this prospectus carefully, including the full discussion of the Company's significant accounting policies in Note 3, some of the Company's critical accounting policies are set out below in the Audited Carve-Out Combined Financial Statements.

Foreign Currency Translation

The Company's mining operations operate primarily within an economic environment where the functional currency is the U.S. dollar. Transactions in foreign currencies are translated to the functional currency at exchange rates in effect at the dates of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the U.S. dollar are translated into U.S. dollars at the exchange rate prevailing as of the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenue and expenses are translated at the average monthly exchange rates at the time of the transaction, with the exception of depletion, depreciation and amortization which is translated at historical exchange rates. Exchange gains and losses from translation are included in earnings. Foreign exchange gains and losses and interest and penalties related to tax, if any, are reported within the income tax expense line.

Impairment of Non-Current Assets

The Company assesses at the end of each reporting period whether there is any indication, from external and internal sources of information, that an asset or cash generating unit ("**CGU**") may be impaired.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company defines a CGU as an area of interest. An area of interest is an area of similar geology; an area of interest includes exploration tenements/licenses which are geographically close together, are managed by the same geological management group and have similar prospectivity. An area of interest may be categorized as project area of interest or an exploration area of interest as defined by the Company's geology/exploration team. A project area of interest represents an operating mine or a mine under construction and its nearby exploration properties, which are managed by the Company's operation group. An exploration area of interest represents a portfolio or pool of exploration properties which are not adjacent to an operating mine or a mine under construction; an exploration area of interest is managed by the Company's exploration group.

Information the Company considers as impairment indicators include changes in the market, economic and legal environment in which it operates that are not within its control and affect the recoverable amount of mineral properties. Internal sources of information include the manner in which property and plant and equipment are being used or are expected to be used and indications of economic performance of the assets, historical exploration and operating results. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable Mineral Reserves and Mineral Resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties.

If indication of impairment exists, the Company estimates the recoverable amount of the asset or CGU to determine the amount of impairment loss. For exploration and evaluation assets, indicators include but are not limited to, continuous downward trend in metal prices resulting in lower in situ market values for exploration potential, expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned, and if the entity has decided to discontinue exploration activity in the specific area.

When an impairment review is undertaken, recoverable amount is assessed by reference to the higher of (i) value in use and (ii) fair value less costs to sell, or fair value. The best evidence of fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction. This is often estimated using discounted cash flow techniques. Where recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the Company's business and which meet the requirements of IAS 36. Assumptions underlying fair value estimates are subject to significant risks and uncertainties. Where third-party pricing services are used, the valuation techniques and assumptions used by the pricing services are reviewed by the Company to ensure compliance with its accounting policies and internal control over financial reporting. The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount and considers the reversal of the impairment loss recognized in prior periods.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of operations except to the extent it relates to items recognized directly in equity or in other comprehensive income ("**OCI**"), in which case the related taxes are recognized in equity or OCI.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, which may differ from earnings reported in the statement of operations due to items of income or expenses that are not currently taxable or deductible for tax purposes, using tax rates substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent they can be controlled and that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Property, Plant and Equipment

Land, Building, Plant and Equipment

Land, building, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. The cost is comprised of the asset's purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated decommissioning and restoration costs associated with the asset.

The depreciable amount of building, plant and equipment is amortized on a straight-line basis to the residual value of the asset over the lesser of mine life or estimated useful life of the asset. Each part of an item of building, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately if its useful life differs. Useful life of building, plant and equipment items ranges from two to fifteen years, but do not exceed the related estimated mine life based on Proven and Probable Mineral Reserves and the portion of Mineral Resources that management expects to become Mineral Reserves in the future and be economically extracted.

	Depreciation Method	Useful Life
Building	Straight Line	4 to 15 years
Machinery and equipment	Straight Line	2 to 7 years
Vehicles	Straight Line	3 to 5 years
Furniture and office equipment	Straight Line	2 to 10 years
Computer equipment and software	Straight Line	3 to 5 years
Land	Not depreciated	

The Company reviews the useful life, depreciation method, residual value and carrying value of its building, plant and equipment at least annually. Where the carrying value is estimated to exceed the estimated recoverable amount, a provision for impairment is measured and recorded based on the higher of fair value less costs to sell or the asset's value in use.

Expenditures that extend the useful lives of existing facilities or equipment are capitalized and amortized over the remaining useful lives of the assets. Repairs and maintenance expenditures are expensed as incurred.

Exploration, Evaluation Assets and Depletable Producing Properties

The Company's tangible exploration and evaluation assets are comprised of Mineral Resources and exploration potential. The value associated with Mineral Resources and exploration potential is the value beyond proven and probable mineral reserves.

Exploration and evaluation assets acquired as part of an asset acquisition or a business combination are recorded as tangible exploration and evaluation assets and are capitalized at cost, which represents the fair value of the assets at the time of acquisition determined by estimating the fair value of the property's Mineral Reserves, Mineral Resources and exploration potential at such time.

The value of such assets when acquired is primarily a function of the nature and amount of mineralized material contained in such properties. Exploration and evaluation stage mineral interests represent interests in properties that potentially contain mineralized material consisting of Measured, Indicated and Inferred Mineral Resources; other mine exploration potential such as Inferred Mineral Resources not immediately adjacent to existing Mineral Reserves but located around and near mine or project areas; other mine-related exploration potential that is not part of Measured, Indicated and Inferred Mineral Resources; and any acquired right to explore and develop a potential mineral deposit.

Exploration and evaluation expenditures incurred by the Company are capitalized at cost if management determines that probable future economic benefits will be generated as a result of the expenditures. Expenditures incurred before the Company has obtained legal rights to explore a specific area of interest are expensed. Costs incurred for general exploration that are either not project-specific or do not result in the acquisition of mineral properties are considered greenfield expenditures and charged to expense. Brownfield expenditures, which typically occur in areas surrounding known deposits and/or re-exploring older mines using new technologies to determine if greater Mineral Reserves and Mineral Resources exist, are capitalized. Brownfield activities are focused on the discovery of Mineral Reserves and Mineral Resources close to existing operations, including around mine or near-mine, Mineral Reserve/Mineral Resource extension and infill drilling.

Exploration expenditures include the costs incurred in either the initial exploration for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits.

Evaluation expenditures include the costs incurred to establish the technical feasibility and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of:

- acquiring the rights to explore;
- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a Mineral Resource or a Proven and Probable Mineral Reserve;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, pre-feasibility and final feasibility studies.

The values assigned to the tangible exploration and evaluation assets are carried at acquired costs until such time as the technical feasibility and commercial viability of extracting the Mineral Resource is demonstrated, which occurs when the related project or component of a Mineral Reserve or Mineral Resource that does not form part of the mine plan of a producing mine is considered economically feasible for development. At that time, the property and the related costs are reclassified as part of the development costs of a producing property not yet subject to depletion, and are capitalized. Assessment for impairment is conducted before reclassification.

Depletion or depreciation of those capitalized exploration and evaluation costs and development costs commences upon completion of commissioning of the associated project or component. Depletion of mining properties and amortization of preproduction and development costs are calculated and recorded on a unit-of-production basis over the estimate of recoverable ounces. The depletable costs relating to the ore body or component of the ore body in production are multiplied by the number of ounces produced divided by the estimated recoverable ounces, which includes Proven and Probable Mineral Reserves of the mine and the portion of Mineral Resources expected to be classified as Mineral Reserves and economically extracted. Management assesses the estimated recoverable ounces used in the calculation of depletion at least annually, or whenever facts and circumstances warrant that an assessment should be made. Changes to estimates of recoverable ounces and depletable costs including changes resulting from revisions to the Company’s mine plans and changes in metal price forecasts can result in a change in future depletion rates.

The Company assesses and tests its exploration and evaluation assets and mining properties for impairment, and subsequent reversal of impairment, at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Costs related to areas of interest abandoned are written off when such a decision is made. An impairment assessment of the exploration and evaluation assets is conducted before the reclassification or transfer of exploration and evaluation assets to depletable producing properties.

Stripping Costs

In open pit mining operations, it is often necessary to remove overburden and other waste in order to access the ore body. When accounting for deferred stripping within a mining complex with multiple pits using a common infrastructure:

- In circumstances where the new development is not closely located to a producing mine or is development of a new ore body, the Company accounts for the pre-stripping costs as if the development was a separately identified mine under assets under construction.

- In circumstances where the stripping costs are not separately identifiable for the pits, the costs are allocated to the pits on a relevant production measure.

- In circumstances where the stripping costs incurred relate to improvement of access to ore body that benefit future period production, the Company capitalizes the stripping costs and amortizes the costs over the life of the component of the ore body from which future benefits are expected.

During the pre-production phase, stripping costs are deferred and classified as part of the mineral properties, if the costs relate to future benefits and meet the definition of an asset. Once mine production enters into an area where stripping costs have been capitalized, the capitalized stripping costs are depleted on a unit-of-production basis over the Mineral Reserves and the portion of the Mineral Resources expected to be classified as Mineral Reserves that directly benefit from the specific stripping activity.

During the production phase, regular waste removal that does not give rise to future benefits is accounted for as variable production costs and included in the cost of the inventory produced during the period that the stripping costs are incurred. Stripping costs during the production phase are recognized as an asset if, and only if, all of the following are met:

- it is possible that the future benefit, i.e. improved access to the ore body, associated with the stripping activity will flow to the Company;

- the Company can identify the component of the ore body for which access has been improved; and

- the stripping activity costs associated with the component can be measure reliably.

When the costs of the stripping activity asset and the inventory produced are not separately identifiable, the Company uses a stripping ratio to allocate the production stripping costs between the inventory produced and the stripping asset activity asset. A stripping ratio, which represents a unit amount of overburden or waste anticipated to be removed to gain access to a unit amount of ore or mineral material, is developed as part of the initial mine plan and reviewed periodically for reasonableness. Changes in the estimated stripping ratio can result in a change to the future capitalization of stripping costs incurred. A stripping activity asset recognized during the production phase of an open pit mining operation is depleted on a unit-of-production basis over the Mineral Reserves and the portion of the Mineral Resources expected to be classified as Mineral Reserves of the ore body or the related component of the ore body from the date on which production commences.

Assets Under Construction

Assets under construction consist of expenditures for the construction of future mines, pre-production revenue credits and expenses prior to achieving completion of commissioning. Completion of commissioning is commonly used as a reference for determining the point in time at which a mine and plant have achieved operational results that are expected to remain at a sustainable operational level over a period of time. Upon completion of commissioning, production costs are no longer capitalized and are reported as operating costs. The determination of when completion of commissioning has been achieved is based on several qualitative and quantitative factors including but not limited to the following:

- A significant portion of planned capacity, production levels, grades and recovery rates are achieved at a sustainable level;

- Achievement of mechanical completion and operating effectiveness;

- Significant milestones such as obtaining necessary permits and production inputs are achieved to allow continuous and sustainable operations.

Costs associated with commissioning new assets, in the period before they are capable of operating in the manner intended by management, are capitalized. Borrowing costs, including interest, associated with projects that are actively being prepared for production are capitalized to assets under construction. These costs are elements of the historical cost of acquiring an asset when a period of time is required to bring it to the condition and location necessary for its intended use. Capitalized interest costs are amortized on the same basis as the related qualifying asset.

Once the mining project has been established as commercially feasible, all the related capitalized expenditures, other than that on land, buildings, plant and equipment, are transferred to the category "mining properties subject to depreciation or depletion" together with any amounts transferred from exploration and evaluation assets.

Critical Accounting Estimates

In preparing the Brio Audited Financial Statements, the Audited Carve-Out Combined Financial Statements and the MRDM Audited Financial Statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the applicable period end. Critical accounting estimates represent estimates that are uncertain and for which changes in those estimates could materially impact the Brio Audited Financial Statements, the Audited Carve-Out Combined Financial Statements and the Pro Forma Financial Statements. Actual future outcomes could differ from present estimates. The Company's management reviews its estimates and assumptions on an ongoing basis using the most current information available.

The critical judgments and key sources of estimation uncertainties in the application of accounting policies are disclosed in Note 4 in the Brio Audited Financial Statements as of and for year ended December 31, 2015, the Audited Carve-Out Combined Financial Statements, the MRDM Audited Financial Statements and the Pro Forma Financial Statements, included elsewhere in this prospectus.

Quantitative and Qualitative Disclosures about Market Risk

Currency Risk

The Company's functional currency is the U.S. dollar and its gold sales are predominantly denominated in U.S. dollars, whereas a significant portion of the Company's operating costs and capital expenditures and certain of the Company's monetary assets are denominated in foreign currencies, predominately the Brazilian *Real*. Consequently, the Company is exposed to currency fluctuations relative to the U.S. dollar. Potential currency fluctuations could have a significant impact on the Company's business, financial condition and results of operations.

	As of September 30, 2016(1)	
On 10% change in U.S. dollars exchange rate	**Effect on net earnings before tax**	**Effect on other comprehensive income, before tax**
Brazilian *Real*	$3,297	$—

	As of December 31, 2015(1)		As of December 31, 2014(1)		As of December 31, 2013(1)	
On 10% change in U.S. dollars exchange rate	**Effect on net earnings before tax**	**Effect on other comprehensive income, before tax**	**Effect on net earnings before tax**	**Effect on other comprehensive income, before tax**	**Effect on net earnings before tax**	**Effect on other comprehensive income, before tax**
Brazilian *Real*	$2,675	$—	$4,854	$—	$5,683	$—

Note:
(1) Calculations are based on Carve-Out Combined Financial Statements, unless otherwise noted.

The U.S. dollar has strengthened over the past 12 months against all of the Company's operating currencies. Despite the U.S. dollar strengthening that has already occurred, there remains potential for additional strength going forward due to diverging monetary policy between the U.S. and the rest of the world and better U.S. economic performance relative to many other countries. The table below shows the relative value of the U.S. dollar to the Canadian dollar and the Brazilian *Real*.

For the nine months ended September 30,(1)	2016	2015
Average exchange rate		
US$-C$	1.323	1.256
US$-R$	3.557	3.136

For the year ended December 31,(1)	2015	2014	2013	2012	2011
Average exchange rate					
US$-C$	1.279	1.104	1.029	0.999	0.989
US$-R$	3.334	2.351	2.157	1.953	1.672

Note:
(1) Calculations are based on Carve-Out Combined Financial Statements, unless otherwise noted.

The Company has put hedging arrangements in place for 2017 and 2018 covering R$672 million of forward rate contracts at a rate of R$3.55 to US$1.00 and $672 million of zero-cost collars with average call and put strike prices of R$3.30 and R$3.90, respectively. These hedges are expected to reduce risk in respect to the Company's Brazilian cost structure during 2017 and 2018. However, the Company will remain exposed to currency fluctuations with respect to its foreign currency requirements that are unhedged. Should the U.S. dollar continue to strengthen against the Company's operating currencies, in particular the Brazilian *Real*, the Company will benefit in the form of lower operating costs, to the extent that its foreign exchange requirements are unhedged. Conversely, should the U.S. dollar weaken against the Company's operating currencies, the Company's operating costs in U.S. dollars will increase to the extent that its foreign exchange requirements are unhedged.

Commodity Price Risk

Gold prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation, political and economic conditions of major gold-producing countries and other factors beyond the Company's control. The Company's profitability is directly related to the market price of gold. A decline in the market prices for these precious metals could negatively impact the Company's business, financial condition and results of operations. The Company has not hedged any of its gold sales. For a description of the risks relating to the price of gold, see "*Risk Factors – Risks Relating to the Company's Business and Operations – The future price of gold is uncertain and may be lower than expected*".

The following table illustrates the sensitivity of the Company's net earnings to changes in the average realized gold price for the periods indicated below:

Period(1)	Gold ounces payable	Revenue/oz sold (US$)	Change	Effect on net earnings (US$ thousands)
Period ended September 30, 2016	140,887	1,255	+/−10%	+/−$17,679
Year ended December 31, 2015	143,840	1,149	+/−10%	+/−$11,488
Year ended December 31, 2014	141,321	1,265	+/−10%	+/−$12,828
Year ended December 31, 2013	95,753	1,314	+/−10%	+/−$9,812

Note:
(1) Calculations are based on Carve-Out Combined Financial Statements, unless otherwise noted.

Non-GAAP Financial Measures

The Company has included certain non-GAAP financial measures including co-product cash costs per ounce of gold produced, co-product all-in sustaining costs per ounce of gold produced, Adjusted earnings (loss), and Adjusted EBITDA to supplement its consolidated financial statements, which are presented in accordance with IFRS. The term IFRS and generally accepted accounting principles ("**GAAP**") are used interchangeably throughout this MD&A.

The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. Non-GAAP financial measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Co-Product Cash Costs

The Company uses the non-GAAP financial measure “co-product cash costs” on a per ounce of gold produced basis because it believes this measure provides investors and analysts with useful information about the Company’s underlying cash costs of operations and is a relevant metric used to understand the Company’s operating profitability, and ability to generate cash flow. Co-product cash costs figures are calculated based on the standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard remains the generally accepted standard of reporting cash costs of production in North America. Adoption of the standard is voluntary and the cost measures presented herein may not be comparable to other similarly titled measures of other companies.

Co-product cash costs include mine site operating costs such as mining, processing, administration, production taxes and royalties, which are not based on sales or taxable income calculations, but are exclusive of amortization, reclamation, capital, development, and exploration costs. Co-product cash costs per ounce of gold produced are calculated on a weighted average basis.

The term “co-product cash costs” has no standard meaning and therefore, the Company’s definitions are unlikely to be comparable to similar measures presented by other companies and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS and is not necessarily indicative of operating costs, operating profit or cash flows presented under IFRS.

Co-Product All-in-Sustaining Costs

The Company uses the non-GAAP financial measure “co-product all-in-sustaining costs”, also referred to as “co-product AISC”, on a per ounce of gold produced basis because it believes this measure provides investors with useful information about the Company’s underlying cash costs of operations, after deducting certain non-discretionary items such as sustaining capital expenditures, exploration expenses and certain general and administrative costs and is a relevant metric used to understand the Company’s operating profitability, and ability to generate cash flow. Co-product all-in-sustaining costs are based on cash costs, including cost components of mine sustaining capital expenditures and exploration and evaluation expense. Co-product all-in-sustaining costs on a consolidated basis do not include capital expenditures attributable to projects or mine expansions, exploration and evaluation costs attributable to growth projects, Yamana general and administrative expenses allocated to Brio Gold, stock-based compensation, income tax payments, financing costs and dividend payments. Co-product all-in-sustaining costs for a mine do not include capital expenditures attributable to projects or mine expansions, exploration and evaluation costs attributable to growth projects, Brio Gold corporate general and administrative expenses, Yamana general and administrative expenses allocated to Brio Gold or stock-based compensation, income tax payments, financing costs and dividend payments. Consequently, this measure is not representative of all of the Company’s cash expenditures. In addition, the calculation of co-product all-in-sustaining costs does not include depletion, depreciation and amortization expense as it does not reflect the impact of expenditures incurred in prior periods. The term “co-product all-in-sustaining costs” has no standard meaning and therefore, the Company’s definitions are unlikely to be comparable to similar measures presented by other companies and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS and is not necessarily indicative of operating costs, operating profit or cash flows presented under IFRS.

Reconciliation of total cost of sales to co-product cash costs consolidated, including on a per ounce basis, and reconciliation of total cost of sales to co-product all-in-sustaining costs consolidated, including on a per ounce basis (Based on Carve Out Combined Financial Statements, unless otherwise noted)

	For the nine months ended September 30,		**For the nine months ended September 30, (on a per ounce basis)**	
In thousands of U.S. dollars	**2016**	**2015**	**2016**	**2015**
Cost of sales excluding depletion, depreciation and amortization	$99,842	$80,681	$709	$770
Depletion, depreciation and amortization…………………………….	40,543	36,266	287	345
Total cost of sales…………………………………………………….	140,385	116,947	996	$1,115
Depletion, depreciation and amortization…………………………….	(40,543)	(36,266)	(287)	(345)
Adjustments:				
Inventory movement and adjustments[1]	(401)	(1,148)	5	(11)
Co-product cash costs[2]	99,441	79,533	714	759
General and administrative expenses attributable to all-in sustaining costs………………………………………………………….	10,836	6,974	78	66
Stock based compensation……………………………………………	(5,226)	(4,226)	(38)	(40)
Sustaining capital expenditures..	25,786	16,322	186	156
Exploration and evaluation expense	52	394	-	3
Co-product all-in-sustaining costs[2]	$130,889	$98,997	$940	$944
Gold ounces sold during the period (oz.)	140,887	104,838		
Gold ounces produced during the period (oz.).......................... …..	139,185	104,819		

	For the years ended December 31,				**For the years ended December 31, (on a per ounce basis)**			
In thousands of U.S. dollars	**2015 (Pro forma)**	**2015**	**2014**	**2013**	**2015 (Pro forma)**	**2015**	**2014**	**2013**
Cost of sales excluding depletion, depreciation and amortization	$130,635	$106,816	$82,853	$59,606	$710	$741	$671	$704
Depletion, depreciation and amortization…………….	53,820	50,342	22,353	14,653		352	182	174
Total cost of sales…………………………………….	184,455	157,158	105,206	74,259		1,093	853	878
Depletion, depreciation and amortization…………….	(53,820)	(50,342)	(22,353)	(14,653)		(352)	(182)	(174)
Capitalized pre-operating costs	-	-	77,627	28,847	-	-	621	331
Adjustments:								
Inventory movement and adjustments[1]…………	(2,749)	(3,346)	(15,555)	(1,104)	(15)	(25)	(126)	(13)
Co-product cash costs[2]………………………………	127,886	103,470	144,925	87,349	695	718	1,166	1,022
General and administrative expenses attributable to all-in sustaining costs……………………………...	18,868	10,296	2,326	2,085	103	71	19	24
Stock based compensation………………..………..	(4,645)	(4,645)	-	-		(32)	-	-
Sustaining capital expenditures.....................................	33,356	22,547	29,550	17,156	181	157	238	201
Exploration and evaluation expense..............................	583	583	5	2,416	3	4	-	29
Co-product all-in-sustaining costs[2]…………………	176,048	$132,251	176,806	$109,006	$956	$918	$1,423	$1,276
Gold ounces sold during the period (oz.)	183,993	143,840	123,340	84,567				
Gold ounces produced during the period (oz.)[1]	184,019	144,098	124,279	85,453				

Note:

(1) Inventory movements and adjustment represent the difference between the costs of production (which are based on ounces produced) and the cost of sales (which is based on ounces sold). The timing difference between the units sold and the costs of those units requires an adjustment to reflect the nature of the underlying metric. Includes commercial gold ounces produced only, does not include commissioning ounces.

(2) A non-GAAP financial measure.

Reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis (Based on Carve Out Combined Financial Statements unless otherwise noted)

	Carve-Out nine months ended September 30, 2016			
(In thousands of U.S. dollars)	**Total consolidated**	**Pilar Operation**	**Fazenda Brasileiro Mine**	**RDM Mine**
Cost of sales excluding depletion, depreciation and amortization……………..	$99,842	$40,413	$36,392	$23,037
Depletion, depreciation and amortization…………………………..…………..	40,543	25,654	12,832	2,057
Total cost of sales………………………………..……………………………...	140,385	66,067	49,224	25,094
Depletion, depreciation and amortization……………………………………....	(40,543)	(25,654)	(12,832)	(2,057)
Adjustments:				
Inventory movement and adjustments[(1)]……………………………………....	(401)	4,885	(1,292)	(3,994)
Co-product cash costs[(2)] ………………………………..........................	99,441	45,298	35,100	19,043
Total cost of sales per commercial gold ounce sold…………………………...	$996	$1,034	$911	$1,092
Cost of sales excluding depletion, depreciation and amortization per commercial gold ounce sold…………………………………...……………	$709	$633	$674	$1,002
Co-product cash cost per commercial gold ounce produced[(2)]………………...	$714	$698	$667	$878
Commercial gold ounces sold during the period (oz.) ………………………..	140,887	63,895	54,007	22,985
Commercial gold ounces produced during the period (oz.) …………………..	139,185	64,891	52,608	21,686

	Carve-Out nine months ended September 30, 2015			
(In thousands of U.S. dollars)	**Total consolidated**	**Pilar Operation**	**Fazenda Brasileiro Mine**	**RDM Mine**
Cost of sales excluding depletion, depreciation and amortization……………..	$80,681	$45,914	$34,767	$-
Depletion, depreciation and amortization………………………………………	36,266	14,807	21,459	-
Total cost of sales…………………………………………………………	116,947	60,721	56,226	-
Depletion, depreciation and amortization………………………………………	(36,266)	(14,807)	(21,459)	-
Adjustments:				
Inventory movement and adjustments[(1)]……………………………………....	(1,148)	557	(1,705)	-
Co-product cash costs[(2)]………………………………………………………..	79,533	46,471	33,062	-
Total cost of sales per commercial gold ounce sold……………………………	$1,115	$1,004	$1,268	-
Cost of sales excluding depletion, depreciation and amortization per commercial gold ounce sold………………………..…………………….....	$770	$759	$785	-
Co-product cash cost per commercial gold ounce produced[(2)] ………………...	$759	$751	$770	-
Commercial gold ounces sold during the period (oz.) ………………………...	104,838	60,507	44,331	-
Commercial gold ounces produced during the period (oz.) …………………...	104,819	61,858	42,961	-

Reconciliation of total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis, and reconciliation of total cost of sales to co-product all-in-sustaining costs consolidated and per mine, including on a per ounce basis (Based on Carve Out Combined Financial Statements unless otherwise noted)

	Carve-Out year ended December 31, 2015			
(In thousands of U.S. dollars)	**Total consolidated**	**Pilar Operation**	**Fazenda Brasileiro Mine**	**RDM Mine**
Cost of sales excluding depletion, depreciation and amortization…………….	$106,816	$60,389	$46,427	$-
Depletion, depreciation and amortization……………………………………..	50,342	20,489	29,853	-
Total cost of sales…………………………………………………………...	157,158	80,878	76,280	-
Depletion, depreciation and amortization……………………………………..	(50,342)	(20,489)	(29,853)	-
Adjustments:				
Inventory movement and adjustments[1]………………………………………	(3,346)	(734)	(2,612)	-
Co-product cash costs[2]………………………………………………………	103,470	59,655	43,815	-
General and administrative expenses attributable to all-in sustaining costs…..	10,296	247	499	-
Stock based compensation………………………………………………….	(4,645)	-	-	-
Sustaining capital expenditures………………………………………………..	22,547	11,732	10,815	-
Exploration and evaluation expense…………………………………………...	583	2	(0)	-
Co-product all-in-sustaining costs[2]	132,251	71,636	55,129	-
Total cost of sales per commercial gold ounce sold…………………………..	$1,093	$976	$1,251	-
Cost of sales excluding depletion, depreciation and amortization per commercial gold ounce sold…………………………………………………...	$743	$729	$762	-
Co-product cash cost per commercial gold ounce produced[2]………………..	$718	$717	$719	-
Co-product all-in-sustaining costs per ounce produced[2]……………………..	$918	$861	$905	-
Commercial gold ounces sold during the period (oz.)………………………..	143,840	82,884	60,956	-
Commercial gold ounces produced during the period (oz.)…………………...	144,098	83,184	60,914	-

	Carve-Out year ended December 31, 2014			
(In thousands of U.S. dollars)	**Total consolidated**	**Pilar Operation**	**Fazenda Brasileiro Mine**	**RDM Mine**
Cost of sales excluding depletion, depreciation and amortization……………	$82,853	$21,361	$61,492	$-
Depletion, depreciation and amortization……………………………………..	22,353	1,619	20,734	-
Total cost of sales……………………………………………………………..	105,206	22,980	82,226	-
Depletion, depreciation and amortization……………………………………..	(22,353)	(1,619)	(20,734)	-
Adjustments:				
Inventory movement and adjustments[1]………………………………………	(15,555)	(6,466)	(9,087)	-
Capitalized pre-operating costs………………………………………………..	77,627	77,627	-	-
Co-product cash costs[2]………………………………………………………	144,925	92,522	52,403	-
Total cost of sales per commercial gold ounce sold…………………………..	$853	$385	$1,291	-
Cost of sales excluding depletion, depreciation and amortization per commercial gold ounce sold…………………………………………………..	$671	$358	$965	-
Co-product cash cost per commercial gold ounce produced[2]………………..	$1,166	$1,540	$816	-
Co-product all-in-sustaining costs per ounce produced	$1,423	$1,589	$1,079	-
Commercial gold ounces sold during the period (oz.)………………………..	123,340	59,639	63,701	-
Commercial gold ounces produced during the period (oz.)…………………..	124,278	60,091	64,188	-

Notes:

(1) Inventory movement and adjustment represent the difference between the costs of production (which are based on ounces produced) and the cost of sales (which is based on ounces sold). The timing difference between the units sold and the costs of those units requires an adjustment to reflect the nature of the underlying metric.

(2) A non-GAAP financial measure.

(3) Includes commercial gold ounces produced only, does not include commissioning ounces.

Quarterly trailing total cost of sales to co-product cash costs consolidated and per mine, including on a per ounce basis (Based on Carve Out Combined Financial Statements unless otherwise noted)

The below tables reconcile total cost of sales to co-product cash costs in the illustrative graphs found in this prospectus.

Brio Gold Consolidated

(In thousands of U.S. dollars)	**Q1-15**	**Q2-15**	**Q3-15**	**Q4-15**	**Q1-16**	**Q2-16**	**Q3-16**
Cost of sales excluding depletion, depreciation and amortization…………………………………………….....	28,195	26,640	25,846	26,135	22,981	37,836	39,025
Depletion, depreciation and amortization…………………	13,737	5,777	16,752	14,076	10,976	15,703	13,864
Total cost of sales…………………………………………	41,932	32,417	42,598	40,211	33,957	53,539	52,889
Depletion, depreciation and amortization…………………	(13,737)	(5,777)	(16,752)	(14,076)	(10,976)	(15,703)	(13,864)
Adjustments:							
Inventory movement and adjustments[1]………………….	(2,165)	1,226	(209)	(2,198)	760	425	(1,583)
Co-product cash costs[2]……………………………............	26,030	27,866	25,637	23,937	23,741	38,261	37,442
Total cost of sales per commercial gold ounce sold………	1,231	1,011	1,100	1,031	826	1,025	1,112
Cost of sales excluding depletion, depreciation and amortization per commercial gold ounce sold…………....	828	831	706	632	559	724	821
Co-product cash cost per commercial gold ounce produced[2]……………………………………………......	835	792	667	610	588	726	813
Commercial gold ounces sold during the period (oz.)……	34,075	32,065	38,699	39,001	41,100	52,230	47,557
Commercial gold ounces produced during the period (oz.)	31,178	35,211	38,430	39,279	40,372	52,737	46,075

Pilar Operation

(In thousands of U.S. dollars)	**Q1-15**	**Q2-15**	**Q3-15**	**Q4-15**	**Q1-16**	**Q2-16**	**Q3-16**
Cost of sales excluding depletion, depreciation and amortization……………………………………………….	17,128	14,943	14,364	13,954	12,248	13,647	14,518
Depletion, depreciation and amortization…………………	7,243	-1,072	8,636	5,682	7,635	8,781	9,238
Total cost of sales…………………………………………	24,371	13,871	23,000	19,636	19,883	22,428	23,757
Depletion, depreciation and amortization…………………	(7,243)	1,072	(8,636)	(5,682)	(7,635)	(8,781)	(9,238)
Adjustments:							
Inventory movement and adjustments[1]…………………..	(1,054)	1,457	(367)	(770)	1,557	1,839	1,489
Co-product cash costs[2]…………………………..............	16,074	16,400	13,997	13,184	13,805	15,486	16,007
Total cost of sales per commercial gold ounce sold………	1,242	703	932	878	923	1,020	1,167
Cost of sales excluding depletion, depreciation and amortization per commercial gold ounce sold…………….	865	758	532	624	568	621	713
Co-product cash cost per commercial gold ounce produced[2]………………………………………………...	839	772	652	618	641	679	791
Commercial gold ounces sold during the period (oz.)……	19,200	19,718	21,588	22,378	21,545	21,988	20,362
Commercial gold ounces produced during the period (oz.)	19,153	21,237	21,468	21,326	21,848	22,806	20,237

Fazenda Brasileiro Mine

(In thousands of U.S. dollars)	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16
Cost of sales excluding depletion, depreciation and amortization………………………………………………	11,590	11,695	11,482	11,660	10,735	12,209	13,448
Depletion, depreciation and amortization…………………	6,762	6,581	8,116	8,394	3,610	5,436	3,786
Total cost of sales………………………………………..	18,352	18,276	19,598	20,054	14,345	17,645	17,234
Depletion, depreciation and amortization…………………	(6,762)	(6,581)	(8,116)	(8,394)	(3,610)	(5,436)	(3,786)
Adjustments:							
Inventory movement and adjustments[1]…………………..	(1,631)	(232)	158	(907)	(799)	34	(526)
Co-product cash costs[2]……………………….............	9,959	11,463	11,640	10,753	9,936	12,243	12,922
Total cost of sales per commercial gold ounce sold………	1,234	1,480	1,314	1,206	733	1,002	1,023
Cost of sales excluding depletion, depreciation and amortization per commercial gold ounce sold…………….	779	947	839	701	549	693	799
Co-product cash cost per commercial gold ounce produced[2]…………………………………………………	828	820	686	599	536	726	751
Commercial gold ounces sold during the period (oz.) ……	14,873	12,347	17,111	16,625	19,555	17,612	16,840
Commercial gold ounces produced during the period (oz.)	12,024	13,974	16,963	17,953	18,524	16,873	17,211

Notes:

(1) Inventory movement and adjustment represent the difference between the costs of production (which are based on ounces produced) and the cost of sales (which is based on ounces sold). The timing difference between the units sold and the costs of those units requires an adjustment to reflect the nature of the underlying metric.

(2) A non-GAAP financial measure.

Annual trailing total cost of sales to co-product cash costs per mine, including on a per ounce basis (Based on Carve Out Combined Financial Statements unless otherwise noted)

The below tables reconcile total cost of sales to co-product cash costs in the illustrative graphs found in this prospetus.

Pilar Operation

(In thousands of U.S. dollars)	2014	2015
Cost of sales excluding depletion, depreciation and amortization…………………………………………	21,361	60,389
Depletion, depreciation and amortization………………………………………………………………..	1,619	20,489
Total cost of sales………………………………………………………………………………………..	22,980	80,878
Depletion, depreciation and amortization………………………………………………………………..	(1,619)	(20,489)
Adjustments:		
Capitalized pre-operating costs…………………………………………………………………….	(6,467)	(734)
Inventory movement and adjustments[1]……………………………………………………………...	77,626	-
Co-product cash costs[2]…………………………………………………………………………….	92,522	59,655
Total cost of sales per commercial gold ounce sold………………………………………………………..	385	976
Cost of sales excluding depletion, depreciation and amortization per commercial gold ounce sold………	358	729
Co-product cash cost per commercial gold ounce produced[2]………………………………………………..	1,540	717
Commercial gold ounces sold during the period (oz.) ………………………………………………….	59,639	82,884
Commercial gold ounces produced during the period (oz.) …………………………………………….	60,091	83,184

Fazenda Brasileiro Mine

In thousands of U.S. dollars	2012	2013	2014	2015
Cost of sales excluding depletion, depreciation and amortization……………....	57,987	59,525	61,492	46,427
Depletion, depreciation and amortization………………………………………	12,092	14,653	20,734	29,853
Total cost of sales…………………………………………………………….	70,079	74,178	82,226	76,280
Depletion, depreciation and amortization………………………………………	(12,092)	(14,653)	(20,734)	(29,853)
Adjustments:				
Inventory movement and adjustments(1)……………………………………..	550	126	(9,088)	(2,612)
Co-product cash costs(2)…….…………………………………………………..	58,537	59,651	52,403	43,815
Total cost of sales per commercial gold ounce sold…………………………….	1,049	1,074	1,291	1,251
Cost of sales excluding depletion, depreciation and amortization per commercial gold ounce sold…………………………………………………	868	860	965	762
Co-product cash cost per commercial gold ounce produced(2)……………….....	872	851	816	719
Commercial gold ounces sold during the period (oz.) …………………………	66,805	69,193	63,701	60,956
Commercial gold ounces produced during the period (oz.) ……………………	67,130	70,079	64,188	60,914

Notes:

(1) Inventory Movements and adjustments represent the difference between the costs of production (which are based on ounces produced) and the cost of sales (which is based on ounces sold). The timing difference between the units sold and the costs of those units requires an adjustment to reflect the nature of the underlying metric.

(2) A non-GAAP financial measure.

Adjusted Earnings or Loss

The Company uses the non-GAAP financial measure "Adjusted earnings or loss" because it believes this measure provides useful information to investors to evaluate the Company's performance by excluding certain cash and non cash charges. The presentation of Adjusted earnings or loss is not meant to be a substitute for net earnings or loss or net earnings or loss per share presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures. Adjusted earnings or loss is calculated as net earnings excluding (a) share based payments, (b) unrealized foreign exchange (gains) losses related to revaluation of deferred income tax asset and liability on non monetary items, (c) unrealized foreign exchange (gains) losses related to other items, (d) impairment losses and reversals, (e) deferred income tax expense (recovery) on the translation of foreign currency inter corporate debt, (f) periodic tax adjustments to historical deferred income tax balances relating to changes in enacted tax rates and (g) non-cash provisions and any other non recurring adjustments. Non-recurring adjustments from unusual events or circumstances are reviewed from time to time based on materiality and the nature of the event or circumstance. Earnings adjustments for the comparative period reflect continuing operations.

The term "Adjusted earnings or loss" has no standardized meaning prescribed by IFRS and therefore the Company's definitions are unlikely to be comparable to similar measures presented by other companies.

For more information, see the Audited Carve-Out Combined Financial Statements, Brio Audited Financial Statements and the related notes thereto appearing elsewhere in this prospectus.

Reconciliation of Net Earnings (Loss) Attributable to Equity Holders to Adjusted Earnings or Loss (Based on Carve Out Combined Financial Statements unless otherwise noted)

	Nine months ended September 30,		
(In thousands of U.S. dollars)	**2016 (Pro forma)**	**2016**	**2015**
Net loss attributable to equity holders……………………………………………….	$ 9,203	$1,316	$(72,300)
Adjustments			
Write-off and losses (gains) on sale of assets……………………………………...	657	657	6,852
Non-cash unrealized foreign exchange gains (losses)……………………………….	7,139	10,389	(15,340)
Legal provisions………………………………………………………………….	921	921	10,962
Loss (gains) on indirect tax credits………………………………………………...	5,452	5,452	6,645
Transaction costs………………………………………………………………….	4,481	4,481	—
Non-cash tax effect on unrealized foreign exchange gains (losses) and tax impact of adjustments………………………………………………………………………...	(31,543)	(31,543)	40,242
Share based payments……………………………………………………………..	5,226	5,226	4,226
Care and maintenance expenses and other (1)………………………………………...	2,919	2,919	118
Adjusted earnings (loss)……………………………………………………………..	$4,455	$(182)	$(18,595)

Note:

(1) Includes $2,199 and $2,477 of care and maintenance expenses for the nine months ended in 2016 and 2015, respectively. Other items include adjustments that are immaterial in isolation.

	For the years ended December 31,			
(In thousands of U.S. dollars)	**2015 (Pro forma)**	**2015**	**2014**	**2013**
Net loss attributable to equity holders……………………………………………	$(142,217)	$(71,285)	$(590,777)	$(93,630)
Adjustments				
Write-off and losses (gains) on sale of assets……………………………………..	9,372	9,372	(167)	(18)
Impairment of mineral properties………………………………………………….	45,345	20,077	568,386	—
Non-cash unrealized foreign exchange gains (losses) ……………………………	(27,013)	(26,727)	(6,038)	20,779
Legal provisions……………………………………………………………………...	19,650	18,999	14,079	6,334
(Gains) loss on indirect tax credits………………………………………………..	(6,966)	(6,966)	6,847	21,475
Transaction costs…………………………………………………………………	2,300	—	—	—
Non-cash tax effect on unrealized foreign exchange gains (losses) and tax impact of adjustments………………………………………………………….	65,895	65,895	(7,712)	42,827
Share based payments…………………………………………………………….	4,645	4,645	—	—
Decommissioning costs…………………………………………………………...	—	—	9,196	—
Care and maintenance expenses and other (1)…………………………………….	3,435	3,435	228	2,295
Adjusted (loss) earnings …………………………………………………………	($25,554)	$17,445	($5,958)	$62

Note:

(1) Includes $3,149, $nil and $nil of care and maintenance expenses for the years ended 2015, 2014 and 2013, respectively. Other items include adjustments that are immaterial in isolation.

Adjusted EBITDA

The Company uses the non-GAAP financial measure "Adjusted EBITDA" because it believes it provides investors with useful information to evaluate its performance and understand its ability to service and/or incur indebtedness.

The Company defines Adjusted EBITDA as net earnings (loss) attributable to equity holders, before income tax recovery (expense), depletion, depreciation and amortization, impairment and reversals of mining properties, interest expense, share-based compensation, and non-recurring provisions and other adjustments.

The term "Adjusted EBITDA" has no standard meaning and therefore, the Company's definitions are unlikely to be comparable to similar measures presented by other companies and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS and is not necessarily indicative of operating costs, operating profit or cash flows presented under IFRS.

Reconciliation of Net Earnings (Loss) Attributable to Equity Holders to Adjusted EBITDA (Based on Carve Out Combined Financial Statements unless otherwise noted)

	Nine months ended September 30,		
(In thousands of U.S. dollars)	**2016 Pro forma**	**2016**	**2015**
Net earnings (loss) attributable to equity holders	$9,203	$1,316	$(72,300)
Adjustments			
Write-off and losses (gains) on sale of assets	657	657	6,852
Non-cash unrealized foreign exchange gains (losses)	7,139	10,389	(15,340)
Legal provisions	921	921	10,962
Loss (gains) on indirect tax credits	5,452	5,452	6,645
Transaction costs	4,481	4,481	—
Decommissioning costs	—	—	—
Share based payments	5,226	5,226	4,226
Care and maintenance expenses and other [(1)]	2,919	2,919	118
Finance expense	3,841	3,512	2,204
Income tax (recovery) expense	(13,758)	(13,758)	47,869
Depletion, depreciation and amortization	42,541	40,543	36,266
Adjusted EBITDA	$ 68,622	$61,658	$27,502

Note:

(1) Includes $2,199 and $2,477 of care and maintenance expenses for the nine months ended in 2016 and 2015, respectively. Other items include adjustments that are immaterial in isolation.

	For the year ended December 31,			
(In thousands of U.S. dollars)	**2015 (Pro forma)**	**2015**	**2014**	**2013**
Net loss attributable to equity holders	$(142,217)	$(71,285)	$(590,777)	$(93,630)
Adjustments				
Write-off and losses (gains) on sale of assets	9,372	9,372	(167)	(18)
Impairment of mineral properties	45,345	20,077	568,386	—
Legal provisions	19,650	18,999	14,079	6,334
Non-cash unrealized foreign exchange loss (gains)	(27,013)	(26,727)	(6,038)	20,779
Loss on indirect tax credits	(6,966)	(6,966)	6,847	21,475
Decommissioning costs	—	—	9,196	—
Transaction costs	2,300	—	—	—
Share based payments	4,645	4,645	—	—
Care and maintenance expenses and other [(1)]	3,435	3,435	228	2,295
Finance expense	58,969	3,272	1,231	1,305
Income taxes	36,387	36,387	(30,751)	36,351
Depletion, depreciation and amortization	53,820	50,342	22,353	14,653
Adjusted EBITDA	$57,727	$41,551	$(5,413)	$9,544

Note:

(1) Includes $3,149, $nil and $nil of care and maintenance expenses for the years ended 2015, 2014 and 2013, respectively. Other items include adjustments that are immaterial in isolation.

DESCRIPTION OF COMMON SHARES

The Company's authorized share capital consists of an unlimited number of Common Shares, without par value, of which 112,527,429 Common Shares are issued and outstanding as of the date of this prospectus. Any further issuances of Common Shares from treasury will result in immediate dilution to existing Brio Gold shareholders and may have an adverse effect on the value of their shareholdings.

All of the Common Shares rank equally as to voting rights, participation in a distribution of the Common Shares assets on a liquidation, dissolution or winding up of the Company's business and entitlement to any dividends declared by the Company. Holders of Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of shareholders (other than meetings at which only holders of another class or series of shares are entitled to vote). Each Common Share carries the right to one vote. In the event of the liquidation, dissolution or winding up of the Company's business, or any other distribution of the Company's assets among shareholders for the purpose of winding up the Company's affairs, holders of Common Shares will be entitled to receive, on a *pro rata* basis, all of the assets remaining after the payment by the Company of all of its liabilities. Holders of Common Shares are entitled to receive dividends as and when declared by the Brio Board in respect of the Common Shares on a *pro rata* basis.

Any alteration of the rights, privileges, restrictions and conditions attaching to the Common Shares under the Company's articles must be approved by at least two-thirds of the Common Shares voted at a meeting of the Company's shareholders.

OPTIONS TO PURCHASE SECURITIES

Restricted Share Units

On May 1, 2015, the Company established a restricted share unit plan (the "**Brio RSU Plan**"). Each Brio RSU, if vested, entitles the holder to one Common Share, or in certain circumstances, cash in lieu of Common Shares. The Legacy Employment Agreements (as defined herein) with each of Messrs. Clausen, Longpré, Newman and Stevens provided that the Company would issue Brio RSUs to such executives in 2015 (subject to continued employment at the scheduled time of issuance).

Under the original terms of the respective grant letters for each executive (each, an "**RSU Grant Letter**"), provided that their employment with the Corporation has not been terminated by the Company for just cause or by the respective holder by resignation (other than for Good Reason (as defined in the respective Legacy Employment Agreement)), the Brio RSUs held by each of Messrs. Longpré, Stevens and Newman fully vest on the earlier of (i) December 9, 2017, (ii) the closing of an exit transaction (as defined in the respective Legacy Employment Agreements), (iii) the closing of an IPO (as defined in the respective Legacy Employment Agreements), (iv) the termination of employment by the Company without just cause, and (v) the termination of employment by the holder for Good Reason or on death or Disability (as defined in the respective Legacy Employment Agreements).

The Offering would constitute an IPO or exit transaction, which would have triggered the vesting provisions of the RSU Grant Letters. However, Messrs. Clausen, Longpré, Newman and Stevens have agreed to amend their RSU Grant Letters, effective as of the closing of the Offering, to remove the closing of an exit transaction and the closing of an IPO as events triggering the vesting of their Brio RSUs. As a result, their previously granted Brio RSUs will vest on the earlier to occur of (i) December 9, 2017, (ii) the termination of employment by the Company other than for cause, (iii) the termination of employment by the holder for any reason including voluntary resignation or on death or Disability and (iv) a Change of Control, all as defined in the amended RSU Grant Letters.

Ms. Wong's RSUs were granted to her pursuant to an RSU Grant Letter dated September 30, 2016. The terms of Ms. Wong's RSUs are identical to the terms to be contained in the amended RSU Grant Letters of Messrs. Clausen, Longpre, Newman and Stevens.

The Brio RSU Plan will be terminated and replaced by the Omnibus Incentive Plan (as defined herein) on or prior to closing of the Offering. The Brio RSUs previously granted to Messrs. Clausen, Newman, Stevens, Longpré and Ms. Wong will be continued until their vesting date under the terms of their respective RSU Grant Letters, as amended, and the Omnibus Incentive Plan in connection with the Offering. See "*Director and Executive Compensation – Compensation Discussion and Analysis – Omnibus Incentive Plan*".

Following the closing of the Offering, all outstanding Brio RSUs will be subject to the terms and conditions of the Omnibus Incentive Plan. See "*Director and Executive Compensation – Compensation Discussion and Analysis – Omnibus Incentive Plan*".

The following table sets forth the aggregate number of Common Shares issuable under Brio RSUs which are anticipated, as at the date of this prospectus, to be outstanding on completion of the Offering.

Holder of Brio RSUs	Common Shares Under Brio RSUs Granted	Fair Market Value on the Grant Date (US$/Brio RSU)	Grant Date	Expiration Date
Executive officers and other officers as a group (five individuals in total)	5,922,496	$18,000,000	May 1, 2015(1)	December 9, 2017
Total – All Brio RSUs	**5,922,496**	**$18,000,000**		

Note:
(1) All, other than Ms. Wong who was granted Brio RSUs on September 30, 2016. See "*Prior Sales*".

Other Awards

It is expected that, following closing of the Offering, the Company will adopt the Omnibus Incentive Plan (as defined herein) the material terms of which are described below. See "*Director and Executive Compensation – Compensation Discussion and Analysis – Omnibus Incentive Plan*".

DIVIDEND POLICY

The Company has not declared or paid any dividends or other distributions on its Common Shares since the date of its incorporation, and it does not currently have a policy with respect to the payment of dividends or other distributions. The Company does not intend to pay dividends in the foreseeable future. The payment of dividends in the future will depend on earnings and the Company's financial condition and such other factors as the Company's directors consider appropriate. There can be no assurance that the Company will pay dividends under any circumstances. See "*Risk Factors – Risks Relating to Holding the Common Shares – The Company does not anticipate paying any dividends on the Common Shares in the foreseeable future*".

CAPITALIZATION

There have been no material changes in the Company's share and loan capital since September 30, 2016.

PRIOR SALES

The following table summarizes the sales of Common Shares and securities that are convertible or exchangeable into Common Shares for the 12-month period prior to the date of this prospectus.

Date Issued	Type of Security Issued/Granted	Number of Securities Issued/Granted	Price per Security (C$)	Reason for Issuance
September 30, 2016	Common Shares	89,027,429	0.67(1)	Capitalization of loans
September 30, 2016	Brio RSUs	592,250	3.04 (2)	Executive compensation

Notes:
(1) Common Shares issued to Yamana in full satisfaction of the outstanding principal and interest under of various loans outstanding between the Company and Yamana in the amount of $60,108,236.34.
(2) The per security value noted for this executive compensation grant of Brio RSUs has been determined based on the grant value of all Brio RSUs granted to the other management members.

PRINCIPAL SHAREHOLDER AND SELLING SECURITYHOLDER

The following table discloses the names of the persons or companies who, upon completion of the Offering, will own of record or who, to the Company's knowledge, will beneficially own or control, directly or indirectly, more than 10% of the Common Shares.

Name	Designation of Class	Type of Ownership	Number as of the Date of this Prospectus(1)	Number After Giving Effect to the Offering and the Additional Distribution(2)	Percentage After Giving Effect to the Offering and the Additional Distribution (2)
Yamana	Common Shares	Registered	112,527,429	52,070,702	46.3%(3)

Notes:

(1) Yamana currently holds all of the Company's issued and outstanding Common Shares, and certain members of the Company's management hold Brio RSUs representing the right, subject to certain vesting conditions, to receive Common Shares representing approximately 5% of the Company's issued and outstanding Common Shares on a fully diluted basis.

(2) Assuming the exercise of all of the Purchase Rights pursuant to the Offering.

(3) Approximately 44% on a fully diluted basis.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Agreements with Yamana

Yamana Investor Rights Agreement

In connection with the closing of the Offering, the Company will enter into an investor rights agreement with Yamana (the "**Yamana Investor Rights Agreement**"), that will govern various aspects of the Company's relationship with Yamana. The description below is a summary of the material terms of the Yamana Investor Rights Agreement. Reference should be made to the full text of the agreement, which will be available for review under the Company's profile on SEDAR at www.sedar.com following closing.

From and after the date the Company becomes a reporting issuer, the Company will have five directors, until such time as the Brio Board fixes a different number of directors in accordance with the Company's articles of incorporation and governing corporate laws. Under the Yamana Investor Rights Agreement, Yamana will be entitled to nominate one member of the Brio Board (the "**Yamana Nominee**") for so long as the percentage of outstanding Common Shares (on a non-diluted basis) beneficially owned directly or indirectly by Yamana is more than 19.9% of the Company's issued and outstanding Common Shares. In the event that the Brio Board is increased to more than five members, provided that Yamana has not less than 50% (on a non-diluted basis) of the Company's issued and outstanding Common Shares, Yamana will be entitled to nominate one additional member of the Brio Board. The Yamana Nominee may be a director, officer or employee of Yamana or its affiliates, or other person, at Yamana's discretion.

From and after the date the Company becomes a reporting issuer, the Company will carry directors' and officers' insurance with a carrier and in an amount satisfactory to Yamana, and the Company will enter into an indemnification agreement with the Yamana Nominee in form acceptable to such director. In the event that the Company enters into a business combination transaction with another entity and the Company is not the surviving entity, or the Company transfers all of its assets to another entity, the Company will make provisions so that its successor assumes the Company's obligations with respect to indemnification of the Yamana Nomine.

So long as the percentage of outstanding Common Shares (on a non-diluted basis) beneficially owned directly or indirectly by Yamana is more than 19.9% of the Company's issued and outstanding Common Shares, Yamana will be granted access to the Company's properties and personnel during normal business hours and with reasonable advance notification. The Company will deliver to Yamana (i) annual and quarterly financial statements, and other financial and technical information as may be reasonably requested by Yamana; and (ii) prior to the end of each fiscal year, a comprehensive operating budget forecasting the Company's revenues, expenses, and cash position on at least a quarterly basis for the upcoming fiscal year. The Yamana Investor Rights Agreement also provides for certain qualification and registration rights in connection with Common Shares held by Yamana.

Transition Services Agreement

Upon the closing of the Offering, the Company will enter into transition services agreements with Yamana and its affiliates, whereby the Company will receive services after the closing of the Offering for certain legal, human resources, financial, tax and information technology services that Yamana and its affiliates currently provide to the Company. The Company will receive these services for 6 months after the closing of the Offering.

Securityholder Agreement

On May 1, 2015, Gilmour Clausen, Joseph Longpré, Mark Stevens and Lance Newman (collectively, the "**Managers**"), the Company and Yamana entered into a securityholder agreement (the "**Securityholder Agreement**") governing the relationship of such parties with respect to the Brio Board and dealings with the Common Shares. Provided that the Managers, as a group, hold 3% or more of the issued and outstanding Common Shares, the Managers were provided the right to nominate one director and Yamana was given the right to nominate three directors to the Brio Board. The Securityholder Agreement also provided for certain drag-along and tag-along rights, along with restrictions on the sale of the Common Shares, among other topics. Pursuant to its terms, the Securityholder Agreement will terminate upon the closing of this Offering.

Related Party Matters

The Offering may be considered to be a "related party transaction" as defined under Multilateral Instrument 61-101 ("**MI 61-101**") in connection with the participation in the Offering of directors and senior officers of Yamana and Brio Gold who are also shareholders of Yamana and would be considered related parties of Yamana who will receive Purchase Rights under the Offering (the "**Related Party Transaction**"). The Related Party Transaction will be exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as, at the time the Offering, and thus the Related Party Transaction, was agreed to neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the securities under the Offering or the Related Party Transaction exceeded 25% of Yamana's market capitalization. In addition, the participation of the directors or senior officers of Yamana and Brio Gold in the Offering is not subject to the requirements of Part 5 of MI 61-101 as a result of the exemption for rights offerings, dividend distributions or any other transactions in which the general body of holders in Canada of affected securities of the same class are treated identically on a per security basis as further details in section 5.1(k) of MI 61-101.

DIRECTORS AND EXECUTIVE OFFICERS

To the Company's knowledge, its current directors and executive officers as a group beneficially own, or control or direct, directly or indirectly, no Common Shares.

As of the date of this prospectus, the directors of the Company are Gilmour Clausen and Jason LeBlanc. Upon the Company becoming a reporting issuer, Mr. LeBlanc will resign as a director of the Company and each of John Gravelle, Sarah A. Strunk, Daniel Racine and William Washington have agreed to become a director of the Company and it is expected that such individuals will be appointed to the Brio Board at the time of the Company becomes a reporting issuer. As such individuals are not members of the Brio Board at the time of this prospectus, the Company does not believe any of such individuals has any liability for the contents of this prospectus in such capacity under the applicable securities laws of the provinces and territories of Canada. The Company's directors are elected annually and they are expected to hold office until the Company's next annual meeting of shareholders, at which time they may be re-elected or replaced.

The Company's by-laws include "advance notice provisions" designed to: (i) facilitate an orderly and efficient annual meeting or, where the need arises, special meeting, process; (ii) ensure that all shareholders receive adequate notice of director nominations and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation. As a whole, these provisions are intended to provide shareholders, directors and management of the Company with a clear framework for nominating directors. In particular, these provisions of the by-laws fix a deadline (being not less than 30 days before the date of an annual meeting of shareholders and, in the case of a special meeting, the 15th day following the day on which the first public announcement of the date of the special meeting of shareholders was made) by which holders of record of Common Shares must submit director nominations to the Company prior to any annual or special meeting of shareholders, and also set forth the information that a shareholder must include in the notice to the Company for the notice to be in proper written form in order for any director nominee to be eligible for election at any annual or special meeting of shareholders. The Company's by-laws will be available on SEDAR at www.sedar.com.

Director and Officer Biographies

Set forth below is the description of the background of the Company's executive officers, current directors and director nominees, including their city, province or state and country of residence, their present position(s) and offices with the Company, their principal occupations during the five preceding years, and the number and percentage of securities of each class of voting securities of the Company or any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by such directors and executive officers.

Gilmour Clausen – Chief Executive Officer and Director

Mr. Clausen joined the Company as Chief Executive Officer and Director in December 2014. He is a mining executive with more than 30 years' experience in the areas of management, finance, development and operations in the precious and base metals industry. Mr. Clausen was the President, Chief Executive Officer and a director of Augusta from March 28, 2005 until Augusta was taken over by HudBay Minerals in July 2014. Mr. Clausen was the Executive Vice President, Mining at Washington Group International, Inc. from 2001 to 2005 and served as the Vice President of Operations at Stillwater Mining Company from 1995 to 1999. Mr. Clausen is a Professional Engineer with Bachelors and Masters degrees in Mining Engineering from Queen's University. He is a graduate of Queen's University's executive business program. Mr. Clausen is also currently a director of Plata Latina Minerals Corporation and Golden Star Resources Ltd. The Company believes that Mr. Clausen's extensive management and finance experience, specifically in the metals industry, makes him well qualified to serve as a member of the Brio Board. Mr. Clausen resides in Colorado, USA.

Mr. Clausen currently holds 2,132,099 Brio RSUs, with each such Brio RSU, if vested, entitling the holder thereof to one Common Share, or in certain circumstances, cash in lieu of Common Shares. As of the date of this prospectus, Mr. Clausen does not own or control, directly or indirectly, any Common Shares.

Joseph Longpré – Chief Financial Officer

Mr. Longpré joined the Company as Chief Financial Officer in December 2014. He has over 30 years of experience in the equity and debt markets with a strong focus on metals and mining. From May 2012 to July 2014, Mr. Longpré was the Senior Vice President and Chief Financial Officer of Augusta. From 2003 to 2012, he was the Corporate Vice President of URS Corporation, with a focus on mergers and acquisitions and project finance. From 1983 to 2003 Mr. Longpré was a Managing Director in Bank of Montreal's Investment Banking Mining Group. Mr. Longpré holds a Masters in Business Administration from Columbia University Graduate School of Business, a Bachelors of Science and a Masters of Science in Physics from the University of Saskatchewan and a CPA, CMA designation. Mr. Longpré resides in Ontario, Canada.

Mr. Longpré currently holds 1,066,049 Brio RSUs, with each such Brio RSU, if vested, entitling the holder thereof to one Common Share, or in certain circumstances, cash in lieu of Common Shares. As of the date of this prospectus, Mr. Longpré does not own or control, directly or indirectly, any Common Shares.

Lance Newman – Vice President, Technical Services

Mr. Newman joined the Company as Vice President, Technical Services in December 2014. He has over 27 years of experience in concentrating, smelting and refining operations and project management in base and precious metals operations. From 2006 to 2014, Mr. Newman was Vice President Project Development at Augusta. Previously, he held various senior technical positions in operations at Stillwater Mining Company (1995-2006) and Gold Fields Limited (1991-1995). Mr. Newman holds a Bachelor of Science in Chemistry from Rhodes University and is a graduate of the Management Advancement Program at the University of Witwatersrand Graduate School of Business. Mr. Newman resides in Colorado, USA.

Mr. Newman currently holds 1,066,049 Brio RSUs, with each such Brio RSU, if vested, entitling the holder thereof to one Common Share, or in certain circumstances, cash in lieu of Common Shares. As of the date of this prospectus, Mr. Newman does not own or control, directly or indirectly, any Common Shares.

Mark Stevens – Vice President, Exploration

Mr. Stevens joined the Company as Vice President, Exploration in December 2014. He has over 30 years of technical and managerial experience in exploration and mining. From 2006 to September 2014, Mr. Stevens was the Vice President Exploration at Augusta and prior to that he was the Chief Geologist with Pincock, Allen & Holt. Mr. Stevens holds a Bachelor of Sciences in Geology from Colorado State of University and a Masters in Science in Geology from the University of Utah. Mr. Stevens resides in Colorado, USA.

Mr. Stevens currently holds 1,066,049 Brio RSUs, with each such Brio RSU, if vested, entitling the holder thereof to one Common Share, or in certain circumstances, cash in lieu of Common Shares. As of the date of this prospectus, Mr. Stevens does not own or control, directly or indirectly, any Common Shares.

Letitia Wong – Vice President, Corporate Development

Ms. Wong joined the Company as Vice President, Corporate Development in March 2015. She has over 15 years of experience in finance and investor relations. Ms. Wong was the Vice President, Investor Relations at both Augusta and Ventana Gold Corp. from September 2010 until each of their acquisitions in July 2014 and March 2011, respectively, as well as at Wildcat Silver Corporation (currently known as Arizona Mining Inc.) and Plata Latina Minerals Corporation until March 2015. Prior to that Ms. Wong was the Director of Investor Relations at Yamana. Ms. Wong is currently a director of Plata Latina Minerals Corporation. Ms. Wong holds a Bachelor of Commerce in Finance from the University of British Columbia (Sauder School of Business) and is a CFA charter holder. Ms. Wong resides in Ontario, Canada.

Ms. Wong currently holds 592,250 Brio RSUs, with each such Brio RSU, if vested, entitling the holder thereof to one Common Share, or in certain circumstances, cash in lieu of Common Shares. As of the date of this prospectus, Ms. Wong does not own or control, directly or indirectly, any Common Shares.

Jason LeBlanc – Director

Mr. LeBlanc is the Senior Vice President, Finance at Yamana. Mr. LeBlanc has over 15 years of research-based and financial experience in the mining industry. During his time at Yamana, Mr. LeBlanc has held increasingly senior positions including most recently the position of Vice President, Finance and Treasurer since 2009. Mr. LeBlanc has a Master of Finance from the University of Toronto, a Bachelor of Commerce from the University of Windsor and holds a Chartered Financial Analyst designation. Mr. LeBlanc has been director of the Company since August 2016. Mr. LeBlanc resides in Ontario, Canada.

As of the date of this prospectus, Mr. LeBlanc does not own or control, directly or indirectly, any Common Shares.

John Gravelle – Director Nominee

Mr. Gravelle has over 30 years of experience in accounting, tax, finance and various risk and controls areas and their specific applications to the mining industry. Mr. Gravelle is currently the Executive Vice President and Chief Financial Officer at Artisan Vehicle Systems Inc., a battery technology company which provides electric power train systems with a focus on the use of such systems in underground mining equipment. Mr. Gravelle is a retired Partner of PwC LLP, where he was a partner from 1996 to 2015. Mr. Gravelle has held leadership positions with PwC LLP, including serving as the firm's Global Mining Leader from 2013 to 2015, and as Canadian Mining Leader and Americas Mining Leader from 2010 to 2015. Mr. Gravelle has a Bachelor of Commerce degree from Laurentian University and has a CA, CPA designation. Mr. Gravelle resides in Ontario, Canada.

As of the date of this prospectus, Mr. Gravelle does not own or control, directly or indirectly, any Common Shares.

Sarah A. Strunk – Director Nominee

Ms. Strunk is the Chair of the Board of Directors of Fennemore Craig, P.C. She practices in the area of business and finance law, with an emphasis on mergers and acquisitions and corporate governance. In addition, she has substantial experience with international sales contracts and Foreign Corrupt Practices Act compliance. Prior to joining Fennemore Craig, Ms. Strunk was the Chief Legal Officer for the copper/molybdenum division of Cyprus Amax Minerals Company. She represents numerous clients in the mining and natural resource industry. Ms. Strunk is a member of Greater Phoenix Leadership, the boards of directors of Greater Phoenix Chamber of Commerce, StartUp AZ, Phoenix Forward and a trustee for the Rocky Mountain Mineral Law Foundation. She is a past board member of the Arizona Mining Association. Ms. Strunk a graduate of the University of Kansas School of Law, J.D. and the New York University School of Law, LLM (Corporations). She is a member of the Bars of the States of Arizona, California, New York, Connecticut and Kansas.

As of the date of this prospectus, Ms. Strunk does not own or control, directly or indirectly, any Common Shares.

Daniel Racine – Director Nominee

Mr. Racine is Executive Vice President and Chief Operating Officer at Yamana. From August 2012 until March 2014, Mr. Racine was President and Chief Operating Officer of Brigus Gold Corp. Prior to joining Brigus, Mr. Racine was Senior Vice President, Mining of Agnico-Eagle Mines Limited where he was responsible for Agnico-Eagle's global mining operations. Mr. Racine joined Agnico-Eagle as a junior Mining Engineer in 1988 taking on progressively senior roles throughout his tenure, including LaRonde Mine Manager, Vice-President Operations Manager, and Senior Vice President Operations. Mr.

Racine holds a Bachelor of Mining Engineering degree from Laval University. He is a registered engineer with L'Ordre des Ingenieurs du Quebec, a professional engineer with Professional Engineers Ontario and a member of the Ontario Society of Professional Engineers. Mr. Racine resides in Ontario, Canada.

As of the date of this prospectus, Mr. Racine does not own or control, directly or indirectly, any Common Shares.

William Washington – Director Nominee

Mr. Washington was the Head of Global Mining & Metals at National Bank Financial Markets from July 2011 until his retirement from the firm at the end of 2015. Mr. Washington joined National Bank as part of the acquisition of Wellington West Capital Markets where he had served as Head of Investment Banking since August 2004. Prior to joining Wellington West, and always focused exclusively on the mining sector, Mr. Washington worked as an investment banker at National Bank Financial/First Marathon, Gordon Capital and Lancaster Financial/TD Securities from 1994. Prior to entering investment banking, Mr. Washington worked as a civil engineer on major infrastructure projects in the U.K., Spain and Hong Kong for six years. Mr. Washington is also currently a director of Wesdome Gold Mines Ltd. Mr. Washington holds a Bachelor of Applied Science (Civil Engineering) from the University of British Columbia and has an MBA from the University of Western Ontario (Ivey). Mr. Washington resides in Ontario, Canada.

As of the date of this prospectus, Mr. Washington does not own or control, directly or indirectly, any Common Shares.

Biographies of Other Management

Nelson Munhoz – Vice President Operations

Mr. Munhoz has over 30 years of experience in the mining industry. From 2008 to 2015, Mr. Munhoz was the Vice President Operations – Brazil at Yamana. From 1987 to 2008, Mr. Munhoz held several operating and technical positions at Rio Tinto Brazil. He holds a Bachelor of Mining Engineering from São Paulo University and a Masters of Business Administration from FundaçãoGetúilio Vargas.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the Company's directors or executive officers is, as of the date of this prospectus, or was within 10 years before the date of this prospectus, a director, chief executive officer or chief financial officer of any company (including the Company) that (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation, that was in effect for a period or more than 30 consecutive days (an "**Order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such issuer, or (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Other than as described herein, none of the Company's directors or executive officers, nor, to its knowledge, any shareholder holding a sufficient number of its securities to affect materially the control of the Company (i) is, as of the date of this prospectus, or has been within the 10 years before the date of this prospectus, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within the 10 years before the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or shareholder.

From September 2005 to June 2013, Mr. Clausen was a director of Jaguar Mining Inc. ("**Jaguar**"). On December 23, 2013, approximately 9 months after Mr. Clausen notified the board of directors of Jaguar that he would not stand for re election at its annual shareholders' meeting in June 2013, Jaguar commenced proceedings under the Companies' Creditors Arrangement Act (Canada) in respect of a restructuring of its debt (the "**CCAA Proceedings**"). In December 2014, the Ontario Superior Court of Justice ordered that the CCAA Proceedings be terminated.

None of the Company's directors or executive officers, nor, to its knowledge, any shareholder holding a sufficient number of its securities to affect materially the control of the Company, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of the Company's knowledge, there are no known existing or potential conflicts of interest among the Company and its current directors, proposed directors, officers or other members of management as a result of their outside business interests, except that certain of the Company's directors and officers serve as directors and officers of other companies. These officers and directors include: Jason LeBlanc, who is the Senior Vice President, Finance of Yamana; Daniel Racine, who is the Executive Vice President and Chief Operating Officer of Yamana; Gilmour Clausen, who is a director of Plata Latina Minerals Corporation and Golden Star Resources Ltd.; Letitia Wong, who is a director of Plata Latina Minerals Corporation; William Washington, who is a director of Wesdome Gold Mines Ltd.; Sarah A. Strunk who is Chair of the Board of Directors at Fennemore Craig, P.C. as well as a member of Greater Phoenix Leadership and the boards of directors of Greater Phoenix Chamber of Commerce, StartUp AZ and Phoenix Forward; and John Gravelle, who is Executive Vice President and Chief Financial Officer of Artisan Vehicle Systems Inc. and a director of Colt Resources Inc. As a result of the foregoing, it is possible that a conflict may arise between the duties of such directors and officers to the Company and their duties as a director or officer of such other companies. See "*Risk Factors – Risks Relating to the Company's Business and Operations – the Company's directors and officers may have interests that conflict with the Company's interests*".

Pursuant to the OBCA, the Company's directors and officers are required to act honestly and in good faith with a view to the Company's best interests, and are required to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Additionally, the OBCA provides that if a director or an officer is a party to a material contract or transaction or proposed material contract or transaction with the Company or is a director or an officer of, or has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Company, the director or officer shall disclose his or her interest in such contract or transaction and, in the case of a director, shall not attend any part of a meeting of directors during which the contract or transaction is discussed and shall refrain from voting on any resolution to approve the contract or transaction unless otherwise provided by the OBCA.

Generally, as a matter of practice, directors who have disclosed a material interest in any contract or transaction that the Brio Board is considering will not take part in any board discussion respecting that contract or transaction. If on occasion such directors do participate in the discussions, they will refrain from voting on any matters relating to matters in which they have disclosed a material interest. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which directors or officers may have a conflict. See "*Risk Factors – Risks Relating to the Company's Business and Operations – the Company's directors and officers may have interests that conflict with the Company's interests*".

Indebtedness of Directors and Executive Officers

None of the directors, executive officers or employees of the Company or former directors, executive officers or employees of the Company had any indebtedness outstanding to the Company as of the date of this prospectus and no indebtedness of these individuals to another entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company as of the date of this prospectus. Additionally, no individual who is, or at any time during the Company's last financial year was, a director or executive officer of the Company, proposed management nominee for director of the Company or associate of any such director, executive officer or proposed nominee is as of the date of this prospectus indebted to the Company or to another entity where the indebtedness to such other entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company, including indebtedness for security purchase or any other programs.

Directors' and Officers' Liability Insurance and Indemnification

Subject to the limitations contained in the OBCA, the Company's by-laws provide for the indemnification of each current and former director and officer, or another individual who acts or acted at the Company's request as a director or officer, or an individual acting in a similar capacity of another entity at the Company's request, against all costs, charges and expenses reasonably incurred by him or her in respect of any action or proceeding to which he or she is involved by reason of association with the Company or such other entity if:

- the individual acted honestly and in good faith with a view to the Company's best interests or, as the case may be, to the best interests of such other entity for which the individual acted as a director or officer or in a similar capacity at the Company's request;

- in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful; and

- a court or other competent authority has not judged that the individual has committed any fault or omitted to do anything that the individual ought to have done.

The Company will also indemnify such individuals in other circumstances as the OBCA permits or requires. The Company may advance monies to a director, officer or other individual for costs, charges and expenses of a proceeding referred to above. The individual must repay the monies if he or she does not fulfill the conditions set out in the paragraph above.

The Yamana Investor Rights Agreement requires the Company to carry directors' and officers' insurance with a carrier and in an amount satisfactory to Yamana, and the Company will enter into an indemnification agreement with Yamana's director nominees in a form acceptable to such directors. See "*Certain Relationships and Related Party Transactions – Agreements with Yamana – Yamana Investor Rights Agreement*".

Upon the closing of the Offering, the Company expects to have directors' and officers' liability insurance policies for the period from October 12, 2016 to October 12, 2017, with coverage in the amount of up to C$60 million at an estimated annual cost of approximately C$165,000, the full amount of which will be paid by the Company. The policies contain standard industry exclusions.

DIRECTOR AND EXECUTIVE COMPENSATION

The following discussion pertains to the Company's executive compensation program for the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") and the three most highly-compensated executive officers (or three most highly-compensated individuals acting in a similar capacity), other than the CEO and CFO, whose total compensation is expected to be more than C$150,000, on an annualized basis, as of the closing of the Offering (each a "**Named Executive Officer**" or "**NEO**"). Upon the Company becoming a reporting issuer, the Company's Named Executive Officers will be Gilmour Clausen (CEO), Joseph Longpré (CFO), Lance Newman (Vice-President, Technical Services), Mark Stevens (Vice-President, Exploration) and Letitia Wong (Vice-President, Corporate Development).

Upon the Company becoming a reporting issuer, the Brio Board will establish a Governance and Compensation Committee (the "**Governance and Compensation Committee**"). The Governance and Compensation Committee will meet with management to review the Company's executive compensation program and, if deemed appropriate, will make further recommendations to the Brio Board regarding changes to the program in light of the then relevant factors.

Compensation Discussion and Analysis

General

Following closing of the Offering and based on recommendations made by the Governance and Compensation Committee, in consultation with the CEO, the Brio Board will make decisions regarding base salaries, short-term incentives (in the form of annual cash awards or "bonuses") and long-term incentive compensation for management, and will approve corporate goals and objectives relevant to the compensation of the CEO and other members of management. The Brio Board will administer the incentive compensation and benefit plans with the assistance of the Governance and Compensation Committee and will solicit input from both the Governance and Compensation Committee and the CEO regarding the performance of management. The Company does not have a formal compensation philosophy at the present time, and no formal objectives or benchmarking have been established to-date.

Omnibus Incentive Plan

Upon becoming a reporting issuer, the Company intends to adopt an omnibus incentive plan (the "**Omnibus Incentive Plan**"), for its eligible directors, officers, employees and consultants. The Omnibus Plan will be subject to shareholder approval in accordance with the requirements of the TSX and any grants under the Omnibus Plan will be subject to ratification by shareholders and no Common Shares can be issued under the Omnibus Plan until shareholder approval for the Omnibus Plan has been obtained.

The purpose of the Omnibus Incentive Plan will be to foster a proprietary interest in the Company and provide a long-term incentive element in the overall compensation of recipients ("**Participants**") of an award granted under the Omnibus Incentive Plan (an "**Award**"). The Omnibus Incentive Plan will be administered by the Brio Board (which may delegate its authority to the Governance and Compensation Committee), which will have authority to interpret the Omnibus Incentive Plan, including in respect of any options (non-qualified and incentive), share appreciation rights, awards of restricted shares, Brio RSUs, deferred shares, annual or long-term Performance Awards (as defined herein) and other share-based awards granted under the Omnibus Incentive Plan. Subject to adjustments as provided for under the Omnibus Incentive Plan, the maximum number of Common Shares available for issuance under the Omnibus Incentive Plan will not exceed 5% of the Company's issued and outstanding Common Shares following completion of the Offering, excluding the currently outstanding Brio RSUs.

Types of Awards

The following types of Awards may be granted under the Omnibus Incentive Plan. All of the Awards described below are subject to the conditions, limitations, restrictions, exercise price, vesting and forfeiture provisions determined by the Brio Board (which may delegate its authority to the Governance and Compensation Committee), in its sole discretion, subject to such limitations as are provided in the Omnibus Incentive Plan.

Options

An option entitles a holder to purchase a Common Share at an exercise price set at the time of the grant. Options vest over a period of time as established by the Brio Board from time to time. The term of each option will be fixed by the Governance and Compensation Committee, but may not exceed 10 years from the date of grant.

Non-qualified options will have an exercise price equal to at least 100% of the Fair Market Value of the underlying Common Shares on the date of grant. For purposes of the Omnibus Incentive Plan, "**Fair Market Value**" means (i) in the event Common Shares are listed on the TSX, the weighted average trading price of the Common Shares on the TSX for the five most recent trading days immediately preceding the applicable date and (ii) if the Common Shares are not traded, listed or otherwise reported or quoted, Fair Market Value shall be such value as determined by the Brio Board in good faith in whatever manner it considers appropriate, taking into account the requirements of Section 409A of the United States Internal Revenue Code of 1986, as amended (the "**Code**") and any other applicable law.

Incentive options are options that meet the requirements of Section 422 of the Code. If granted to a Participant who owns shares representing more than 10% of the voting power of all classes of the Company's shares or one of the Company's subsidiaries, an incentive option must have an exercise price which is at least 110% of the Fair Market Value of the underlying shares on the date of grant and a term of no more than five years. In addition, if the aggregate Fair Market Value of the Common Shares (as of the grant date) for which incentive options are exercisable for the first time by a Participant during any calendar year exceeds US$100,000, such excess will be treated as non-qualified options.

Share Appreciation Rights

Share appreciation rights ("**SARs**"), may be granted to Participants either alone, or freestanding, or in addition to other Awards granted under the Omnibus Incentive Plan, or tandem.

A freestanding SAR may not have a term of greater than 10 years and, unless it is a substitute Award (which is an SAR granted in substitution for a previously granted option, and if so, the exercise price of any such SAR may not be less than 100% of the Fair Market Value of a Common Share as determined at the time the option for which it is being substituted was granted), an exercise price less than 100% of Fair Market Value of a Common Share on the date of grant.

Restricted Shares and Restricted Share Units

A restricted share is an award of shares that does not vest until after a specified period of time, or satisfaction of other vesting conditions as determined by the Governance and Compensation Committee, and which may be forfeited if conditions to vesting are not met. Brio RSUs represent a right to receive one Common Share or the value of one Common Share upon the terms and conditions set forth in the Omnibus Incentive Plan. For a description of the Brio RSUs previously granted to certain of the Named Executive Officers, see "*Options to Purchase Securities – Restricted Share Units*".

The Brio Board, in its discretion, may award dividend equivalents with respect to Awards of Brio RSUs. Such dividend equivalent entitlements will not be available until the Brio RSUs are vested.

If the Brio Board intends that an Award constitute or give rise to "qualified performance-based compensation" under Section 162(m) of the Code, such Award may be structured in accordance with certain requirements including the incorporation of performance goals and certain Award limitations, and any such Award will be considered a Performance Award for purposes of the Omnibus Incentive Plan.

Deferred Shares

A deferred share is an award of shares that must be settled upon expiration of the deferral period specified for such Award.

The Brio Board, in its discretion, may award dividend equivalents with respect to Awards of deferred shares. Such dividend equivalent entitlements will not be available until the expiration of the deferral period.

Performance Awards

Awards granted under the Omnibus Incentive Plan may be subject to specified performance criteria (a "**Performance Award**". If the Performance Award is payable in shares or restricted shares, such shares are transferable to the Participant only upon attainment of the relevant performance goals. If the Performance Award is payable in cash, it may be paid upon the attainment of the relevant performance goals either in cash or in shares of restricted shares (based on the then current Fair Market Value of such shares), as determined by the Brio Board, in its sole and absolute discretion. Performance Awards are based on the attainment of certain target levels of, or a specified increase or decrease (as applicable) in one or more performance goals, which may include performance relative to the Company's peers or those of the Company's affiliates or to the industry or industries in which the Company or its affiliates operate. Performance goals may also be based upon individual Participant performance goals, as determined by the Brio Board, in its sole discretion.

Unless otherwise determined by the Brio Board in an Award agreement, amounts equal to dividends declared during the performance period with respect to the number of shares covered by a Performance Award will not be paid to a Participant. In all cases, such dividend equivalents would not become payable until the expiration of the applicable performance period.

Effect of Terminations on Awards

Unless otherwise provided in an Award agreement or determined by the Brio Board on an individual basis:

- In the event of a Participant's voluntary resignation, all unvested Awards held by such Participant are immediately forfeited on the termination date and any vested options held by the Participant remain exercisable until the earlier of 30 days following the termination date and the expiry date of the option.

- In the event of a Participant's termination for cause, all unvested Awards held by such Participant are immediately forfeited on the termination date.

- In the event of a Participant's termination without cause or resignation for good reason, all unvested Awards held by such Participant continue to vest during the applicable notice period and any vested options held by such Participant remain exercisable until the earlier of 90 days following the expiration of the applicable notice period (as set forth in such Participant's written employment agreement with the Company) and the expiry date of the option.

- In the event of a Participant's termination due to death, all unvested Awards held by such Participant are immediately vested and any vested options held by such Participant remain exercisable by the Participant's beneficiary until the earlier of one year following the termination date and the expiry date of the option.

- In the event of a Participant's termination due to disability or a Participant's retirement, all unvested Awards held by such Participant continue to vest following the termination date and any vested options held by such Participant remain exercisable until the earlier of one year following the vesting date of the option and the expiry date of the option.

- In the event of a Participant's termination without cause or resignation for good reason or without good reason (except, in the case of the Company's CEO and CFO, only for good reason), on or during the 12-month period immediately following a change of control of Brio Gold, all unvested Awards are immediately vested and any vested options held by such Participant remain exercisable until the earlier of 90 days following the termination date and the expiry date of the option.

Amendments

The Brio Board has the right to make non-material amendments to the Omnibus Incentive Plan without shareholder approval. Shareholder approval is required to make the following amendments:

- an increase in the maximum number of Common Shares reserved for issuance under the Omnibus Incentive Plan;
- any adjustment (other than in connection with a dividend, recapitalization or other transaction where an adjustment is permitted or required) or amendment that reduces or would have the effect of reducing the exercise price of an option or share appreciation right previously granted under the Omnibus Incentive Plan (provided that, in such a case, insiders who benefit from such amendment are not eligible to vote their Common Shares in respect of the approval);
- an increase in the limits on Awards that may be granted to any Participant;
- an extension of the term of an outstanding option or share appreciation right beyond the expiry date;
- permitting options granted under the Omnibus Incentive Plan to be transferrable other than for normal estate settlement purposes; and
- any amendment to the Omnibus Incentive Plan's amendment provision.

Other Benefits

The executives are eligible to participate in benefits plans provided generally to executive officers (including payment or reimbursement of membership dues for professional organizations and annual executive medical exam coverage) and to employees (including medical, dental, vision and life insurance).

Each of the Named Executive Officers will be eligible for an annual payment in lieu of 401(k) or Canadian Retirement Savings Plan contributions. The Company does not have a company-sponsored pension plan and none of the Named Executive Officers participate in a nonqualified deferred compensation plan.

Summary Compensation Table

The following table provides a summary of the compensation expected to be paid, accrued or otherwise expensed by the Company with respect to 2016 (on an annualized basis) for the Named Executive Officers.

Name and Principal Position	Year	Salary (US$)(1)(3)	Share-Based Awards (US$)(1)(2)	Option-Based Awards	Annual Cash Incentive Plans (US$)(1)(3)	Long-Term Incentive Plans	Pension Value	All Other Compensation	Total Compensation (US$)
Gilmour Clausen President and Chief Executive Officer	2016	$360,000	Nil	Nil	Nil	Nil	Nil	Nil	$360,000
Joseph Longpré Chief Financial Officer	2016	$190,447	Nil	Nil	Nil	Nil	Nil	Nil	$190,447
Lance Newman Vice President, Technical Services	2016	$210,000	Nil	Nil	Nil	Nil	Nil	Nil	$210,000
Mark Stevens Vice President, Exploration	2016	$200,000	Nil	Nil	Nil	Nil	Nil	Nil	$200,000
Letitia Wong Vice President, Corporate Development	2016	$163,785	$1,800,000	Nil	49,135	Nil	Nil	Nil	$2,012,920

Notes:

(1) Following closing of the Offering and based on recommendations made by the Governance and Compensation Committee, in consultation with the CEO, the Brio Board will make decisions regarding post-Offering compensation, including changes in base salary pursuant to amendments to the Legacy Employment Agreements (as defined herein, see "*Employment Agreements & Potential Payments upon Termination*"), and cash bonuses and share-based awards for 2016, which base salary changes, bonuses and awards, if any, shall become effective or be paid or granted in 2017.

(2) There have been no compensation awards made to such executives in 2016, but for Ms. Wong who received 592,250 Brio RSUs as at September 30, 2016, which grant forms part of the 5% management Brio RSU holdings.

(3) Canadian dollar amounts have been converted to U.S. dollars at a rate of US$1.00 = C$1.3127, the Bank of Canada noon exchange rate on September 30, 2016.

Employment Agreements & Potential Payments upon Termination

On December 9, 2014, the Company entered into employment agreements with each of Messrs. Clausen, Longpré, Newman and Stevens providing for the payment of base salary and specified cash bonuses and the issuance of Brio RSUs. On March 1, 2015, the Company entered into an employment agreement with Ms. Wong. Upon closing of the Offering, each of these five employment agreements (collectively, the "**Legacy Employment Agreements**") will be reviewed by the Brio Board in consultation with the Governance and Compensation Committee and, as considered appropriate, amended to reflect the changed status of the Company and the compensation framework developed following closing. A summary of the Legacy Employment Agreements follows.

Gilmour Clausen

Mr. Clausen's employment agreement provides for an annual base salary of $360,000 and a bonus in the event there is no public offering or exit transaction within 24 months from December 9, 2014 equal to one to two times annual base salary. Mr. Clausen's employment agreement includes, among other things, provisions regarding conflicts of interest, confidentiality, non-competition and twelve month non-solicitation, as well as eligibility for the Company's benefit plans.

The Company may terminate Mr. Clausen's employment for cause, or upon notice, without cause. In the event the Company terminates Mr. Clausen's employment without cause, or he resigns for Good Reason, Mr. Clausen is entitled to a lump sum severance payment that is equivalent to twelve months annual base salary on the condition that he executes, delivers and does not revoke a confidential severance and release agreement with the Company. Mr. Clausen may terminate his employment by providing 90 days' notice. In the event Mr. Clausen's employment is no longer required as a result of a public offering or an exit transaction, consideration will be granted to Mr. Clausen in value equal to the Brio RSUs held by him on the condition that he executes, delivers and does not revoke a confidential severance and release agreement with the Company. A guaranteed minimum value of US$2,000,000 on the Brio RSUs exists. In addition, following termination of employment, except for reasons of just cause or resignation by Mr. Clausen (other than for Good Reason), the US$2,000,000 guaranteed minimum value of the Brio RSUs will be paid if any of the following occurs within 8 months following termination of employment: (i) an exit transaction, (ii) a public offering, and (iii) Yamana's re-assumption of management of the Brio Gold mines.

Mr. Clausen's employment agreement does not currently contain a change of control provision.

Joseph Longpré

Mr. Longpré's employment agreement provides for an annual base salary of C$250,000 and a bonus in the event there is no public offering or exit transaction within 24 months from December 9, 2014 equal to one to two times annual base salary. Mr. Longpré's employment agreement includes, among other things, provisions regarding conflicts of interest, confidentiality, non-competition and twelve month non-solicitation, as well as eligibility for the Company's benefit plans.

The Company may terminate Mr. Longpré's employment for cause, or upon notice, without cause. In the event the Company terminates Mr. Longpré's employment without cause, or he resigns for Good Reason, Mr. Longpré is entitled to a lump sum severance payment that is equivalent to twelve months annual base salary on the condition that he executes, delivers and does not revoke a confidential severance and release agreement with the Company. Mr. Longpré may terminate his employment by providing 90 days' notice. In the event Mr. Longpré's employment is no longer required as a result of a public offering or an exit transaction, consideration will be granted to Mr. Longpré in value equal to the Brio RSUs held by him on the condition that he executes, delivers and does not revoke a confidential severance and release agreement with the Company. A guaranteed minimum value of US$1,000,000 on the Brio RSUs exists. In addition, following termination of employment, except for reasons of just cause or resignation by Mr. Longpré (other than for Good Reason), the US$1,000,000 guaranteed minimum value of the Brio RSUs will be paid if any of the following occurs within 8 months following termination of employment: (i) an exit transaction, (ii) a public offering, and (iii) Yamana's re-assumption of management of the Brio Gold mines.

Mr. Longpré's employment agreement does not currently contain a change of control provision.

Lance Newman

Mr. Newman's employment agreement provides for an annual base salary of $210,000 and a bonus in the event there is no public offering or exit transaction within 24 months from December 9, 2014 equal to one to two times annual base salary. Mr. Newman's employment agreement includes, among other things, provisions regarding conflicts of interest, confidentiality, non-competition and twelve month non-solicitation, as well as eligibility for the Company's benefit plans.

The Company may terminate Mr. Newman's employment for cause, or upon notice, without cause. In the event the Company terminates Mr. Newman's employment without cause, or he resigns for Good Reason, Mr. Newman is entitled to a lump sum severance payment that is equivalent to twelve months annual base salary on the condition that he executes, delivers and does not revoke a confidential severance and release agreement with the Company. Mr. Newman may terminate his employment by providing 90 days' notice. In the event Mr. Newman's employment is no longer required as a result of a public offering or an exit transaction, consideration will be granted to Mr. Newman in value equal to the Brio RSUs held by him on the condition that he executes, delivers and does not revoke a confidential severance and release agreement with the Company. A guaranteed minimum value of US$1,000,000 on the Brio RSUs exists. In addition, following termination of employment, except for reasons of just cause or resignation by Mr. Newman (other than for Good Reason), the US$1,000,000 guaranteed minimum value of the Brio RSUs will be paid if any of the following occurs within 8 months following termination of employment: (i) an exit transaction, (ii) a public offering, and (iii) Yamana's re-assumption of management of the Brio Gold mines.

Mr. Newman's employment agreement does not currently contain a change of control provision.

Mark Stevens

Mr. Stevens' employment agreement provides for an annual base salary of $200,000 and a bonus in the event there is no public offering or exit transaction within 24 months from December 9, 2014 equal to one to two times annual base salary. Mr. Stevens' employment agreement includes, among other things, provisions regarding conflicts of interest, confidentiality, non-competition and twelve month non-solicitation, as well as eligibility for the Company's benefit plans.

The Company may terminate Mr. Stevens' employment for cause, or upon notice, without cause. In the event the Company terminates Mr. Stevens' employment without cause, or he resigns for Good Reason, Mr. Stevens is entitled to a lump sum severance payment that is equivalent to twelve months annual base salary on the condition that he executes, delivers and does not revoke a confidential severance and release agreement with the Company. Mr. Stevens may terminate his employment by providing 90 days' notice. In the event Mr. Stevens' employment is no longer required as a result of a public offering or an exit transaction, consideration will be granted to Mr. Stevens in value equal to the Brio RSUs held by him on the condition that he executes, delivers and does not revoke a confidential severance and release agreement with the Company. A minimum guaranteed value of US$1,000,000 on the Brio RSUs exists. In addition, following termination of employment, except for reasons of just cause or resignation by Mr. Stevens (other than for Good Reason), the US$1,000,000 guaranteed minimum value of the Brio RSUs will be paid if any of the following occurs within 8 months following termination of employment: (i) an exit transaction, (ii) a public offering, and (iii) Yamana's re-assumption of management of the Brio Gold mines.

Mr. Stevens' employment agreement does not currently contain a change of control provision.

Letitia Wong

Ms. Wong's employment agreement provides for an annual base salary of C$215,000 and a target bonus of 40% of annual base salary. Ms. Wong's employment agreement includes, among other things, provisions regarding conflicts of interest, confidentiality, non-competition and twelve month non-solicitation, as well as eligibility for the Company's benefit plans.

The Company may terminate Ms. Wong's employment for cause, or upon notice, without cause. In the event the Company terminates Ms. Wong's employment without cause, Ms. Wong is entitled to a lump sum severance payment that is equivalent to three months annual base salary plus target bonus on the condition that she executes, delivers and does not revoke a confidential severance and release agreement with the Company within 60 days of her termination. In the event that the termination is a result of an exit transaction or an IPO, or if any of the following occurs within 8 months of termination: (i) a public offering, (ii) an exit transaction and (iii) Yamana reassuming management of the Brio Gold mines, Ms. Wong is entitled to a lump sum severance payment that is equivalent to six months annual base salary plus target bonus on the condition that she executes, delivers and does not revoke a confidential severance and release agreement with the Company within 60 days of her termination. Ms. Wong may terminate her employment by providing 90 days' notice.

Ms. Wong's employment agreement does not currently contain a change of control provision.

Director Compensation

The Brio Board's compensation program is designed to attract and retain the most qualified individuals to serve on the Brio Board.

Each of the Company's independent directors will receive an annual retainer of C$125,000 of which C$50,000 is paid in cash and C$75,000 in equity (in the form of deferred shares), other than the Chair of the Brio Board who will receive C$250,000, of which C$125,000 is paid in cash and C$125,000 in equity. In addition, the Chair of the Brio Board's Audit Committee (the "**Audit Committee**") will receive C$20,000 annually, the Chair of the Governance and Compensation Committee will receive C$15,000 annually and the Chair of the Brio Board's Health, Safety and Environment Committee (the "**Health, Safety and Environment Committee**") will receive C$10,000 annually, in each case, in addition to their director retainers. Directors who are members of the Audit Committee will also receive an additional C$10,000 annually, members of the Governance and Compensation Committee will receive an additional C$7,500 annually and members of the Health, Safety and Environment Committee will receive an additional C$5,000 annually. No additional fees will be paid for attendance at meetings, whether by phone or in person. All directors will be entitled to be reimbursed for reasonable expenses incurred in their capacity as a director.

Upon closing of the Offering, the Company intends to establish a share ownership requirement policy for its directors, designed to align the interests of those subject to the policy with the long-term interests of the Company's shareholders. Each director will be required to hold Common Shares or deferred shares having an aggregate value of at least four times the annual cash retainer paid to such director. Share ownership guidelines are expected to be required to be met within three years of being appointed to the Brio Board.

AUDIT COMMITTEE

Upon the Company become a reporting issuer, the Brio Board will establish an Audit Committee, which will be composed of three directors, which the Company expects will be Mr. Gravelle (Chair), Ms. Strunk and Mr. Washington. Assuming such directors are appointed to the Audit Committee, each of Mr. Gravelle, Ms. Strunk and Mr. Washington will each be an "independent" director within the meaning of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**").

Each proposed member of the Audit Committee is financially literate and has a good command of IFRS and has the ability to understand a set of financial statements that presents a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements and the internal controls and procedures for financial reporting. See "*Directors and Executive Officers*" for a brief summary of the education and experience of each proposed Audit Committee member that will be relevant to his performance as a member of the Audit Committee.

The full text of the Audit Committee charter is attached to this prospectus as Appendix "A".

External Auditor Service Fees

The aggregate fees billed by Deloitte LLP, Yamana's external auditor, for audit and non-audit services for the year ended December 31, 2015 and for the year ended December 31, 2014 (which encompasses the period ended December 31, 2014 from July 11, 2014, the date of the Company's incorporation) are as follows:

Period	**Audit Fees(1) (C$)**	**Audit-Related Fees(2) (C$)**	**Tax Fees(3) (C$)**	**All Other Fees(4) (C$)**	**Total Fees (C$)**
2015	2,630,000	1,433,000	70,000	74,000	4,207,000
2014	2,845,000	1,363,000	–	23,000	4,234,000

Notes:
(1) "Audit Fees" are related to the annual audit of the Yamana's financial statements and certain statutory audits outside of Canada.
(2) "Audit-Related Fees" are fees for services related to assistance with oversight of a property implementation program, reports related to certifications and environmental assessments for Yamana in Chile, Brazil and Argentina.
(3) "Tax Fees" are fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees" including tax compliance, tax planning and tax advice.
(4) "All Other Fees" include statutory and regulatory filings and translations.

STATEMENT ON CORPORATE GOVERNANCE

In connection with the completion of the Offering, the Brio Board will adopt mandates, position descriptions and corporate governance principles and practices that are intended to meet or exceed the independent and other governance standards and guidelines set out in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, NI 52-110, National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") and National Policy 58-201 – *Corporate Governance Guidelines*. The Company's corporate governance principles will cover various topics, including:

- responsibilities and duties of the Brio Board;
- composition of the Brio Board, including criteria for remaining a director;
- compensation of the Brio Board;
- composition and responsibilities of the Audit Committee, the Health, Safety and Environment Committee and the Governance and Compensation Committee;
- relationship of the Brio Board to management; and
- director orientation and continuing education.

Board of Directors

Composition and Independence

The Brio Board currently consists of two members: Messrs. Clausen and LeBlanc. Upon the Company becoming a reporting issuer, Mr. LeBlanc will resign from the Brio Board and Mr. Gravelle, Mr. Racine, Mr. Washington and Ms. Strunk (Chair) will be appointed to the Brio Board, at which point the Brio Board will consist of five members.

Of the five member Brio Board, three of the members will be "independent directors" within the meaning of NI 58-101, Mr. Gravelle, Mr. Washington and Ms. Strunk. Under NI 58-101, a director is independent if he or she has no direct or indirect material relationship with the Company or its subsidiaries. A "material relationship" is a relationship which could, in view of the Brio Board, be reasonably expected to interfere with a director's exercise of independent judgment. Certain types of relationships are, by their nature, considered to be material relationships. Mr. Clausen is not independent because he is the Company's CEO. Mr. Racine is not independent because he is the Executive Vice President and Chief Operating Officer of Yamana, the Company's significant shareholder.

The Company will take steps to ensure that adequate structures and processes are in place to permit the Brio Board to function independently of management. The Chair of the Brio Board will be independent and the role of the Chair of the Brio Board will be to effectively manage and to provide leadership to the Brio Board and to ensure that the policies and procedures adopted by the Brio Board allow the Brio Board to function independently of management. Where matters arise at meetings of the Brio Board which require decision making and evaluation that is independent of Brio Gold's management and interested directors, directors will hold an "in-camera" session among the independent and disinterested directors, without management present at such meeting.

Certain current and proposed directors of the Company are also directors of other reporting issuers:

Director	Name of Reporting Issuer	Stock Exchange Listing
Gilmour Clausen	Plata Latina Minerals Corporation	TSXV
	Golden Star Resources Ltd.	TSX/NYSE
William Washington	Wesdome Gold Mines Ltd.	TSX
John Gravelle	Colt Resources Inc.	TSXV

Board Mandate

The Brio Board is responsible for the supervision of the management of the Company's business and affairs. In discharging its mandate, the Brio Board is primarily responsible, either directly or through committees of the Brio Board, for the oversight of, among other things, the following matters:

- the Company's strategic planning process;
- the identification of the principal risks to the Company's business and ensuring the implementation of appropriate systems to manage these risks;
- the Company's culture of integrity and executive officers;
- succession planning, including appointing and monitoring the Company's executive officers;
- a disclosure policy for the Company to facilitate communications with investors and other interested parties;
- the Company's financial and operating performance;
- through the Governance and Compensation Committee, compensation of directors that realistically reflects the responsibilities and risks involved in being an effective director, and compensation for executive officers that is competitive within the industry and aligns the interests of each executive officer with Brio Gold's interests;
- the evaluation of the relevant relationships for director independence and, where applicable, appointing a lead director;
- appropriate standards of corporate conduct; and
- the evaluation of the integrity of the Company's internal control and management information systems.

Under its mandate, the Brio Board is entitled to engage outside advisors, at its expense, where, in the view of the Brio Board, additional expertise or advice is required.

The Brio Board also has the mandate to assess the effectiveness of the Brio Board as a whole, its committees and the contribution of individual directors.

The Brio Board discharges its responsibilities directly and through its committees, currently consisting of the Audit Committee, the Health, Safety and Environment Committee and the Governance and Compensation Committee.

The responsibilities of the Brio Board are more particularly described in the Mandate of the Board of Directors, which is attached to this prospectus as Appendix "B".

Orientation and Continuing Education

The Company intends to implement an orientation program for new directors. The focus of the orientation program will be on providing new directors with: (i) information about the duties and obligations of directors; (ii) information about the Company's strategy and business; (iii) the expectations of directors; (iv) opportunities to meet with management and any other senior employees or consultants designed for this purpose; and (v) access to documents from recent meetings of the Brio Board.

The directors of the Company have all been chosen for their specific level of knowledge and expertise. All directors will be provided with materials relating to their duties, roles and responsibilities and information respecting the functioning of the Brio Board and its committees and a copy of the Company's corporate governance documents. In addition, directors will be kept informed as to matters impacting, or which may impact, the business of the Company through reports and presentations by internal and external presenters at meetings of the Brio Board and during periodic strategy sessions held by the Brio Board.

Board Committees

Audit Committee

See "*Audit Committee*".

Governance and Compensation Committee

Upon the Company becoming a reporting issuer, the Brio Board will establish the Governance and Compensation Committee and delegate the responsibility of assessing potential candidates for the Brio Board to fill perceived needs on the Brio Board for required skills, expertise, independence, diversity, including gender diversity, and other factors. The Company expects that the Governance and Compensation Committee will be comprised of Mr. Washington (Chair), Mr. Gravelle and Ms. Strunk.

The Governance and Compensation Committee will have the knowledge, experience and background to fulfill its mandate and each of the proposed members of the Governance and Compensation Committee has, in particular, direct experience relevant to his responsibilities regarding executive compensation. See "*Directors and Executive Officers*" for more information regarding the professional background and experience of each member of the Governance and Compensation Committee. Members' collective skills and extensive experience will enable the Governance and Compensation Committee to carry out its duties and responsibilities relating to the Brio Board composition and director nominations, corporate governance and compensation. Relating to the latter, the committee's primary duties and responsibilities are to review and make recommendations to the Brio Board in respect of:

- the recruitment, hiring, evaluation, determination of terms of employment and job description of the CEO;
- the compensation strategy, policies and guidelines, taking into account the proposals from the CEO, and to monitor their consistency with the Company's goals and strategies;
- the CEO's recommendations on the appointment and compensation of officers and the Company's other key senior executives;
- management incentives and perquisite plans and any non-standard remuneration plans;
- succession planning of Brio Gold's senior management; and
- Brio Board compensation and training matters.

The Governance and Compensation Committee will also be responsible for developing an approach to corporate governance issues and for reviewing and authorizing all related party transactions.

The Governance and Compensation Committee will be responsible for reviewing on an annual basis, the requisite competencies and skills of the Brio Board and its committees, the individual directors, any prospective members of the Brio Board as well as the composition of the Brio Board as a whole. It is anticipated that the Governance and Compensation Committee will be responsible for implementing an assessment process which assessment will include each member's contribution, qualification as an independent director, as well as diversity, skills and experience in the context of the needs of the Brio Board.

Health, Safety and Environment Committee

Upon the Company becoming a reporting issuer, the Brio Board will establish a Health, Safety and Environment Committee. The Company expects that the Health, Safety and Environment Committee will be comprised of Mr. Racine (Chair), Mr. Clausen and Mr. Washington.

The purpose of the Health, Safety and Environment Committee will be to monitor and review the Company's environmental, health and safety policies, principles, practices and processes and to monitor and review current and future regulatory issues relating to environmental, health and safety issues. The committee's primary duties and responsibilities are to:

- review and approve of disclosure relating to the Company's health, safety and environment policies and activities;
- review and monitor the Company's health, safety and environment policies and activities on behalf of the Brio Board to ensure that the Company is in compliance with applicable laws and legislation;
- review environmental, health and safety reports;
- periodically review health, safety and environment responses to compliance issues and incidents to determine, on behalf of the Brio Board, that the Company is taking all necessary action in respect of those matters and that the Company has been duly diligent in carrying out its responsibilities and activities in that regard;
- review the results of the Company's operational, health, safety and environmental audits and management's activities to maintain appropriate internal and external health, safety and environmental audits; and
- identify the principle areas of health, safety and environmental risks and impacts to the Company and ensuring that sufficient resources are allocated to address such risks and impacts.

Steering Committee

Upon becoming a reporting issuer, the Company intends to constitute a committee of special advisors (the "**Steering Committee**"). The Steering Committee will be responsible for providing strategic and technical advice to the Brio Board. The initial members of the Steering Committee will be Gilmour Clausen, Barry Murphy (an officer of Yamana), Greg McKnight (an officer of Yamana) and Daniel Racine (an officer of Yamana). The Steering Committee will meet on an ad hoc basis, as required or requested by the Brio Board. Yamana's intention is to continue to sponsor and support the Company as it establishes its independence.

Nomination and Election of Directors

The Brio Board, after reviewing recommendations from the Governance and Compensation Committee with respect to specific candidates possessing skills and abilities which might be needed by the Brio Board, is responsible for the nomination of individuals for election as directors by the shareholders or for appointment by the Brio Board to fill a vacancy.

The Company's directors are elected annually and they are expected to hold office until the Company's next annual meeting of shareholders, at which time they may be re-elected or replaced.

Code of Business Conduct and Ethics

In connection with the closing of the Offering and in order to encourage and promote a culture of ethical business conduct, the Brio Board will adopt a written code of business conduct and ethics applicable to all of the Company's directors, officers and employees, in accordance with applicable securities laws. The Code will be filed and available for review on SEDAR at www.sedar.com following closing of the Offering.

Diversity

The Company has not implemented a diversity policy; however, the Brio Board is committed to adhering to the principles of diversity and recognizes the importance of diverse backgrounds, skills and experience as well as gender diversity when considering potential candidates who possess the core skills and qualities for serving on the Brio Board and as executive officers of Brio Gold. The Brio Board and Governance and Compensation Committee will consider the overall composition of the Brio Board and management of Brio Gold, the ideal mix of business, industry and political experience, geographic representation, financial and accounting backgrounds, gender diversity and age to provide effective oversight and support the Company's future growth. The Company believes that it currently focuses on hiring the best quality individuals for the position and also encourages representation of women on the Brio Board and in executive officer positions.

Currently, the Brio Board will consist of five members, one (20%) of whom will be a woman, and the Company has five executive officers, one (20%) of whom is a woman. The Company has not set a targeted number, or percentage of, female representation on the Brio Board or for executive officer positions. The Company's focus will be working to attract the highest quality executive officers and Brio Board candidates with special focus on the skills, experience, character and behavioural qualities of each candidate. The Governance and Compensation Committee will continue to monitor developments in the area of diversity and will recommend changes to the Brio Board as appropriate.

Term Limits

Brio Gold currently does not have term limits because the Company recognizes the value and depth of knowledge that longer serving directors may bring to the Brio Board. Brio Gold is also a young company, and continuity of board service is expected to be important in overseeing the Company's growth. The Governance and Compensation Committee will continue to review the matter and will recommend changes to the Brio Board as appropriate.

RISK FACTORS

Investing in the Common Shares is speculative and involves a high degree of risk due to the nature of the Company's business, which is the exploration, development and operation of mining properties. An investment in the Common Shares should only be made by persons who can afford the total loss of their investment. Before deciding whether to exercise Purchase Rights and invest in the Common Shares, prospective investors should consider the risks described below.

The following risks, as well as risks currently unknown to the Company, could adversely affect the Company's current or future business, properties, operations, results, cash flows and financial condition and could cause future results, cash flows, financial condition, prospects, events or circumstances to differ materially from those currently expected, including the estimates and projections contained in this prospectus. Investors should carefully consider the risks described below and elsewhere in this prospectus.

Risks Relating to the Company's Business and Operations

The future price of gold is uncertain and may be lower than expected.

The price of gold realized by the Company will affect its future revenue, earnings, cash flows and financial condition. The price of gold is affected by numerous factors beyond the Company's control, including: (i) the strength of the U.S. economy and the economies of other industrialized and developing nations; (ii) global or regional political or economic conditions; (iii) the relative strength of the U.S. dollar to the Brazilian *Real*, the Canadian dollar and other currencies; (iv) expectations with respect to the rate of inflation; (v) current and expected interest rates and exchange rates; (vi) actual and anticipated purchases and sales of gold by central banks, financial institutions and other large holders, including speculators; (vii) demand for jewellery containing gold; (viii) investment activity, including speculation, in gold as a commodity or as a hedge against currency devaluation; and (ix) supply and demand dynamics, including global supply and demand for industrial products containing metals generally, increased production due to new mine developments and improved mining and production methods, decreased production due to mine closures, the cost of metal substitutes, inventory levels and carrying charges.

The gold price has fluctuated widely in recent years, and future material price declines could cause development of, and commercial production from, certain or all of the Company's projects to be less profitable than expected and could render them uneconomic. Continuing to conduct mining in a low gold price environment would have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and prospects. Depending on the current and expected price of gold, projected cash flows from planned or current mining operations may not be sufficient to warrant commencing or continuing mining operations, and the Company could be forced to discontinue development or, if commenced, to discontinue commercial production. The Company may be forced to sell one or more of its projects to generate cash. A decline in the gold price may require the Company to write-down its Mineral Reserve and Mineral Resource estimates by removing ores from Mineral Reserves that would not be economically processed at lower metal prices and revise its life-of-mine plans, which could result in material write-downs of investments in the Company's properties. The occurrence of any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

A declining or sustained low price of gold could also negatively impact the Company by requiring a reassessment of the feasibility of its current or intended projects. If such a reassessment determines that any of the projects is not economically viable in whole or in part, then operations may cease or be curtailed. Even if the Company's projects are ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed. In addition, lower metal prices may require the Company to reduce funds available for exploration with the result that the depleted reserves may not be replaced. The occurrence of any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Mining operations require geologic, metallurgic, engineering, title, environmental, economic and financial assessments that may be materially incorrect and thus may not produce as expected.

The operations of mining properties or mining companies are based in large part on geologic, metallurgic, engineering, title, environmental, economic and financial assessments made by mining companies and their personnel as well as independent consultants and advisors they may hire. These assessments include a series of assumptions regarding such factors as the ore bodies, grades, recoverability, regulatory and environmental restrictions, future prices of metals and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the Mineral

Reserves and Mineral Resources. There are numerous uncertainties inherent in estimating quantities of reserves and estimates in projecting potential future rates of mineral production, including factors beyond the Company's control. Mineral Reserves and Mineral Resources estimates are based on limited samples and interpretations, which may not be representative of actual Mineral Reserves and Mineral Resources. Many of these factors are subject to change and are beyond the Company's control. All such assessments involve a measure of geologic, metallurgic, engineering, environmental, regulatory, political, economic and financial uncertainty that could result in lower production and lower Mineral Reserves and Mineral Resources or higher operating or capital expenditures than anticipated or unanticipated difficulty in obtaining required permits or complying with regulatory or environmental requirements. In addition, title and rights of access to the Company's properties can never be guaranteed. Although select title and environmental reviews were conducted in connection with the acquisition of the Company's properties, this review cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat the Company's title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated.

The Company's Mineral Reserves and Mineral Resources presented in this prospectus are estimates only and gold may be recovered at levels below the quantity, grade, quality or yield presented. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. A Mineral Resource is not the equivalent of a commercially mineable ore body or a reserve. The Company's failure to achieve production estimates could have a material adverse effect its future revenues, cash flows, profitability, results of operations and financial condition and result in write-downs of the Company's investment in mining properties and increased amortization charges.

In addition, market fluctuations in the price of gold, as well as increased production costs, reduced recovery rates or increased operating and capital costs due to inflation or other factors, may render the exploitation of certain Mineral Reserves and Mineral Resources uneconomic and may ultimately result in a restatement of Mineral Reserves, Mineral Resources or both. Such a restatement could affect depreciation and amortization rates, and have an adverse effect on the Company's financial performance and the value of the Common Shares.

The Company is exposed to exploration, development and operating risks, due to the high degree of risk involved in mining operations and these factors may adversely affect the Company's results of operations, cash flows and financial position.

Mining operations are inherently dangerous and generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, dam breaks, pit wall failure and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, personal injury or loss of life, damage to property and environmental damage, all of which may result in possible legal liability. For example, in November 2015, a dam containing tailings pools in a mine located in the state of Minas Gerais in Brazil owned by Samarco, a joint venture between two global mining companies, CVRD and BHP Billiton, gave way, resulting in numerous deaths and significant damage.

Although the Company expects that adequate precautions to minimize risk will be taken, mining operations are subject to hazards such as fire, rock falls, geomechanical issues, human error or negligence, equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. The occurrence of any of these events could result in a prolonged interruption of the Company's operations and proceedings from governmental authorities, individuals or other third parties that would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

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

There is no certainty that the expenditures the Company makes towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

The Company's directors and officers may have interests that conflict with the Company's interests.

Certain of the Company's current directors, proposed directors and officers also serve as directors and/or officers of other companies involved in natural resource exploration and development. These officers and directors include: Jason LeBlanc, who is the Senior Vice President, Finance of Yamana; Daniel Racine, who is the Executive Vice President and Chief Operating Officer of Yamana; Gilmour Clausen, who is a director of Golden Star Resources Ltd. and Plata Latina Minerals Corporation; Letitia Wong who is a director of Plata Latina Minerals Corporation; William Washington, who is a director of Wesdome Gold Mines Ltd.; Sarah A. Strunk who is Chair of the Board of Directors at Fennemore Craig, P.C. as well as a member of the Board of Greater Phoenix Leadership, the Greater Phoenix Chamber of Commerce, StartUp AZ and Phoenix Forward; and John Gravelle, who is Executive Vice President and Chief Financial Officer of Artisan Vehicle Systems Inc. and a director of Colt Resources Inc. Consequently, there exists the possibility that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies. There can be no assurance that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and the Company's shareholders. In the event that the Company's directors and officers are subject to conflicts of interest, there may be a material adverse effect on the Company's business.

The Company's operations are subject to significant environmental and governmental regulations, which could significantly limit development and cause potential delays in production.

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which the Company operates. These regulations mandate, among other things, water quality standards and land reclamation and regulate the generation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner that will require, among other things, stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that the Company has been or will at all times be in full compliance with all environmental laws and regulations or hold, and be in full compliance with, all required environmental and health and safety licenses and permits. The potential costs and delays associated with compliance with such laws, regulations and permits could prevent the Company from proceeding with the development of a project or the operation or further development of a mine. Existing or future environmental laws, regulations and permits, and the potential costs and delays associated with compliance therewith, may adversely affect the Company's business, financial condition and results of operations.

Environmental hazards may exist on the properties on which the Company holds interests that are unknown to the Company at present and that have been caused by previous or existing owners or operators of the properties.

Government environmental approvals and permits are currently, or may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in governmental or regulatory investigations or enforcement actions, causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Company, may be required to repair and compensate those suffering loss or damage by reason of the mining activities and may have administrative, civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation of such laws, regulations and permits, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

The Company may be required to submit, for government approval, a reclamation plan for each of the Company's mining/project sites. The reclamation plan establishes the Company's obligation to reclaim property after minerals have been mined from the sites. Bonds or other forms of financial assurances may be required as security to ensure performance of the required reclamation activities. The Company may incur significant reclamation costs which may materially exceed the provisions the Company has made for such reclamation. In addition, the potential for additional regulatory requirements relating to reclamation or additional reclamation activities may have a material adverse effect on the Company's financial condition, liquidity or results of operations. When a previously unrecognized reclamation liability becomes known or a previously estimated cost is increased, the amount of that liability or additional cost may be expensed, which may materially reduce net income in that period.

Production at the Company's mines involves the use of cyanide which is toxic material if not handled properly. Should cyanide leak or otherwise be discharged from the containment system, the Company could be subject to civil and criminal penalties and accordingly suffer a material impact on its business, financial condition and results of operations.

The Company's mineral exploration activities are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Although the Company believes that the Company's exploration activities are currently carried out in accordance with all applicable rules and regulations, new rules and regulations may be enacted or existing rules and regulations may be applied in a manner that could limit or curtail production or development of the Company's properties. Amendments to current laws and regulations governing the Company's operations and activities or more stringent implementation of such laws and regulations could have a material adverse effect on the Company's business, government royalties and the Company's financial condition and results of operations.

The Company's business is sensitive to climate conditions.

The Company and the mining industry are facing continued geotechnical challenges, which could adversely impact the Company's production and profitability. Unanticipated adverse geotechnical and hydrological conditions, such as landslides, droughts and pit wall failures, may occur in the future and such events may not be detected in advance. Geotechnical instabilities and adverse climatic conditions can be difficult to predict and are often affected by risks and hazards outside of the Company's control, such as severe weather and considerable rainfall, which may lead to periodic floods, mudslides, wall instability and seismic activity, which may result in slippage of material.

Geotechnical failures could result in limited or restricted access to mine sites, suspension of operations, government investigations, increased monitoring costs, remediation costs, loss of ore and other impacts, which could cause one or more of the Company's projects to be less profitable than currently anticipated and could result in a material adverse effect on the Company's results of operations and financial position.

Estimates of capital and operating costs may be lower than actual costs.

As a result of the substantial expenditures involved in the development of a mineral project, the need to project years into the future, the need to make assumptions and use models that may not adequately approximate reality, and the fluctuation of costs over time, a development project is prone to material cost and timing overruns. The Santa Luz Project does not have a recent operating history upon which the Company can base estimates of future operating costs. Decisions about the Santa Luz Project re-start have been based on studies, including the Santa Luz Technical Report. The Santa Luz Technical Report estimates cash operating costs based upon, among other things:

- anticipated tonnage, grades and metallurgical characteristics of the ore to be mined and processed;
- anticipated recovery rates of gold and other metals from the ore; and
- cash operating costs of comparable facilities and equipment.

In addition, the ramp up of RDM production post completion of the water dam involves additional risk. Capital costs, operating costs, production and economic returns, and other estimates may differ significantly from those anticipated by the Technical Reports, and there can be no assurance that the Company's actual capital or operating costs will not be higher than currently anticipated or that returns will not be lower than anticipated. The Company's actual costs may vary from estimates for a variety of reasons, including: limitations inherent in modeling; changes to assumed third party costs; short term operating factors; revisions to mine plans; risks and hazards associated with development and mining described elsewhere in this prospectus; natural phenomena, such as inclement weather conditions, water availability, floods, and earthquakes; and unexpected labour shortages or strikes. Operating costs may also be affected by a variety of factors, including: changing waste-to-ore ratios, ore grade metallurgy, labour and environmental costs, the cost of commodities, general inflationary pressures and currency exchange rates. Many of these factors are beyond the Company's control. Failure to achieve estimates or material increases in costs could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and prospects. Furthermore, delays in the construction and commissioning of mineral projects or other technical difficulties may result in even further capital expenditures being required. Any delay in the re-start of the Santa Luz Project or cost overruns or operational difficulties at any of the Company's projects may have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

The Company is exposed to counterparty, credit, liquidity and interest rate risks that could have an adverse effect on the Company's results of operations, cash flows and financial position.

The Company is exposed to various counterparty risks including, but not limited to: (i) financial institutions that hold the Company's cash and short term investments; (ii) companies that have payables to the Company, including concentrate and bullion customers; (iii) providers of the Company's risk management services; (iv) shipping service providers that move the Company's material; (v) the Company's insurance providers; and (vi) the Company's future lenders. The Company would also be exposed to counterparty risk with respect to counterparties to any hedging transactions that the Company enters into. The Company seeks to limit counterparty risk by entering into business arrangements with high credit-quality counterparties, limiting the amount of exposure to each counterparty and monitoring the financial condition of counterparties. For cash, cash equivalents, and accounts receivable, credit risk is represented by the carrying amount on the balance sheet. The Company is also exposed to liquidity risks in meeting the Company's operating and capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. The Company intends to mitigate liquidity risk through the implementation of its capital management policy by managing the Company's capital expenditures and operation cash flows and obtaining loans and other credit facilities, if necessary. Such failures to obtain loans and other credit facilities as intended could require the Company to take measures to conserve cash and could adversely affect the Company's access to the liquidity needed for the Company's business in the longer term.

If the Company is unable to successfully access financing, the Company may not be able to continue its exploration and development activities.

The development of the Company's projects and the construction of mining facilities and commencement of mining operations may require substantial additional equity or debt financing. The Company is currently in the process of arranging the Credit Facility with third party lenders which it currently anticipates will be finalized for execution on or about the closing date of the Offering. Additional financing may not be available when needed, or if available, the terms of such financing might not be favourable to the Company. Failure to raise capital or secure credit facilities when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

The Credit Facility will contain certain conditions precedent and covenants that must be met in order to have access to the Facility, and a risk exists as to whether the Company will be able to meet these conditions. It is expected that these conditions precedent will include, among others: (i) execution of definitive credit, guarantee, security and other related documentation and receipt of satisfactory legal opinions with respect to enforceability of the definitive credit, guarantee and security documentation, (ii) the absence of any Material Adverse Effect (as such term will be defined in the Credit Facility); (iii) the execution of currency hedging arrangements for at least two-thirds of the Company's USD/BRL exposure for at least two years from the date of the Credit Facility at a minimum level acceptable to the co-lead arrangers of the Credit Facility, acting reasonably; (iv) the lenders being satisfied that all necessary governmental and third party approvals, acknowledgements, directions, perfection certificates, consents and agreements required to consummate the Credit Facility; (v) no default or event of default has occurred and is outstanding (or would result from the making of the extension of credit); and (vi) the listing of the Common Shares on the TSX, as well as other conditions precedent customary for a facility of this nature. In addition to non-financial, negative and reporting covenants, it is expected that the Credit Facility will have financial covenants requiring that the Company maintain minimum levels of tangible net worth, liquidity and interest coverage, and a maximum level of total debt to EBITDA.

The Company's ability to make payments on its financial obligations may be impaired.

The Company's ability to make payments on or refinance its financial obligations (if necessary) 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 the Company's control, including the market price of gold. The Company may be unable to maintain a level of cash flow from operating activities sufficient to permit it to pay the principal, premium, if any, and interest on its financial obligations.

If the Company's cash flows and capital resources are insufficient to fund the Company's financial obligations, the Company 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 the Company's financial obligations. The Company may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow the Company to meet the Company's obligations as they become due.

In addition, the Company conducts all of the Company's operations through the Company's subsidiaries, certain of which in the future may not be guarantors of the Company's financial obligations. Accordingly, repayment of the Company's financial obligations is dependent on the generation of cash flow by the Company's subsidiaries and their ability to make such cash available to the Company, by dividend, debt repayment or otherwise. Unless they are guarantors of the Company's financial obligations, the Company's subsidiaries do not have any obligation to pay amounts due on the Company's financial obligations or to make funds available for that purpose. The Company's subsidiaries may not be able to, or may not be permitted to, make distributions to enable the Company to make payments in respect of the Company's financial obligations. In addition, taxes over such distributions may be imposed and increased by the government, which could affect the Company's ability to receive distributions.

Each subsidiary is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit the Company's ability to obtain cash from the Company's subsidiaries. In the event that the Company does not receive distributions from the Company's subsidiaries, the Company may be unable to settle the Company's financial obligations as they become due.

The Company's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its indebtedness on commercially reasonable terms or at all, would materially and adversely affect the Company's financial position and results of operations and the Company's ability to satisfy its obligations.

The construction and start-up of new mines is subject to a number of factors and the Company may not be able to successfully complete new construction projects.

The success of construction projects and the start-up of new mines by the Company is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations (including environmental and regulatory permits), the successful completion and operation of ore passes, the adsorption/desorption/recovery plants and conveyors to move ore, among other operational elements. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with new mines could delay or prevent the construction and start-up of new mines as planned. There can be no assurance that current or future construction and start-up plans implemented by the Company will be successful, that the Company will be able to obtain sufficient funds to finance construction and start-up activities, that personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects, that the Company will be able to obtain all necessary governmental approvals and permits or that the completion of the construction, the start-up costs and the ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the Company's operations and financial condition.

The capital expenditures and time required to develop new mines or other projects are considerable and changes in costs or construction schedules can affect project economics. Thus, it is possible that actual costs may change significantly and economic returns may differ materially from the Company's estimates.

The Santa Luz Project has significantly underperformed and has no recent operating history upon which to base estimates of future cash flow. During the third quarter of 2014, commissioning activities at the Santa Luz Project were suspended and the production, revenues, and project were placed on care and maintenance. The carrying value of the Santa Luz Project was reduced. The Company may not succeed in recommencing production at the Santa Luz Project in the first quarter of 2018, the Company's modifications to process the carbonaceous material at the Santa Luz Project may not be successful and the timing and amount of future production at the Santa Luz Project and the Company's other properties is uncertain. While commercial production at Pilar was declared effective October 1, 2014, this project has also been met with challenges during commissioning and now has a decreased production expectation relative to feasibility levels and, as such, the carrying value of this project was reduced as well.

Commercial viability of a new mine or development project is predicated on many factors. Mineral Reserves and Mineral Resources projected by feasibility studies and technical assessments performed on the projects may not be realized, and the level of future metal prices needed to ensure commercial viability may not materialize. Consequently, there is a risk that start-up of new mine and development projects may be subject to write-down and/or closure as they may not be commercially viable.

Any uncertainty and inability in the estimation, recalculation or replacement of Mineral Reserves and Mineral Resources could materially affect the Company's results of operations, cash flows and financial position.

To extend the lives of the Company's mines and projects, ensure the continued operation of the business and realize the Company's growth strategy, it is essential that the Company continues to realize its existing identified Mineral Reserves, convert Mineral Resources into Mineral Reserves, increase the Company's Mineral Resource base by adding new Mineral Resources from areas of identified mineralized potential, and/or undertake successful exploration or acquire new Mineral Resources.

The figures for Mineral Reserves and Mineral Resources contained in this prospectus are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that Mineral Reserves will be mined or processed profitably. Actual Mineral Reserves may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may differ from estimated levels. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any Mineral Reserve or Mineral Resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the Mineral Reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that gold recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Lower market prices, increased production costs, reduced recovery rates and other factors may result in a revision of the Company's Mineral Reserve estimates from time to time or may render the Company's Mineral Reserves uneconomic to exploit. Mineral Reserve data is not indicative of future results of operations. If the Company's actual Mineral Reserves and Mineral Resources are less than current estimates or if the Company fails to develop its Mineral Resource base through the realization of identified mineralized potential, the Company's results of operations or financial condition may be materially and adversely affected. Evaluation of Mineral Reserves and Mineral Resources occurs from time to time and they may change depending on further geological interpretation, drilling results and metal prices. The category of Inferred Mineral Resource is often the least reliable Mineral Resource category and is subject to the most variability. The Company regularly evaluates the Company's Mineral Resources and often determines the merits of increasing the reliability of its overall Mineral Resources.

Given that mines have limited lives based on Proven Mineral Reserves (as defined herein) and Probable Mineral Reserves, the Company must continually replace and expand the Mineral Reserves at the Company's mines. The life-of-mine estimates included in this prospectus may not be correct. The Company's ability to maintain or increase its annual production will be dependent in part on the Company's ability to bring new mines into production and to expand Mineral Reserves at existing mines.

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Proven Mineral Reserves and Probable Mineral Reserves as a result of continued exploration.

Mining is dependent on adequate infrastructure.

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

The Company relies on a number of licenses, permits and approvals from various governmental authorities, any loss of which could have a material adverse effect on the Company's business.

The Company's operations are subject to receiving and maintaining permits from appropriate governmental authorities. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of permits for the Company's existing operations, additional permits for any possible future changes to operations, or additional permits associated with new legislation. Prior to any development on any of its properties, the Company must receive permits from appropriate governmental authorities. There can be no assurance that the Company will continue to hold all permits necessary to develop or continue operating at any particular property. Any of these factors could have a material adverse effect on the Company's results of operations and financial position. See "*Business – Regulation*".

The Company does not have an operating history as a standalone business and the Audited Carve-Out Combined Financial Statements are not necessarily indicative of the Company's results of operation or financial condition that the Company may have achieved as a stand-alone company.

The Company's assets have been assets of Yamana for a number of years, most recently operating since December 2014 as an operating unit of Yamana. The Company cannot make any assurances as to its success operating as a stand-alone business, having never done so. Unless otherwise stated, all references in this prospectus to the Company's financial results for the years ended December 31, 2015, 2014 and 2013 are derived from or relate to the periods of the Audited Carve-Out Combined Financial Statements and not the Company's actual historical financial results. Prospective investors are cautioned that the summary financial and production data included in this prospectus that is derived from the Audited Carve-Out Combined Financial Statements are not necessarily indicative of the Company's results of operation or the financial condition that the Company would have achieved as a stand-alone company. In addition, such information is not necessarily indicative of the Company's future results.

The Company will incur increased costs as a result of complying with the reporting requirements, rules and regulations affecting public issuers.

As a public issuer, the Company will be subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Company's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Company's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on the Company's personnel, systems and resources, which could adversely affect the Company's business and financial condition. In particular, as a result of the Offering, the Company will become subject to reporting and other obligations under applicable Canadian securities laws, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, which requires annual management assessment of the effectiveness of the Company's internal controls over financial reporting. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for the Company to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. These reporting and other obligations will place significant demands on the Company as well as on the Company's management, administrative, operational and accounting resources.

The Company's insurance does not cover all potential losses, liabilities and damage related to its business and certain risks are uninsured or uninsurable.

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

The Company's insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The Company might also become subject to strict liability for pollution or other hazards that may not be insured against or that the Company may elect not to insure against because of premium costs or other reasons. Losses from these events could cause the Company to incur significant costs that could have a material adverse effect upon the Company's financial performance and results of operations. Should the Company be unable to fully fund the cost of remedying an environmental problem, the Company might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy, which may have a material adverse effect. The Company may suffer a material adverse effect on its business, results of operations, cash flows and financial position if the Company incurs a material loss related to any significant event that is not covered, or adequately covered, by its insurance policies.

The Company may expand into other geographic areas, which could increase the Company's operational, regulatory and other risks.

While currently all of the Company's mining and exploration properties are in Brazil, the Company may in the future expand into other geographic areas, which could increase the Company's operational, regulatory, compliance, reputational and foreign exchange rate risks. The failure of the Company's operating infrastructure to support such expansion, could result in operational failures and regulatory fines or sanctions. Future international expansion could require the Company to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. The Company may not be able to successfully identify suitable acquisition and expansion opportunities, or integrate such operations successfully with the Company's existing operations.

The Company may be negatively impacted by changes to mining laws and regulations.

The Company's mineral exploration activities are subject to various laws governing prospecting, exploration, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Although the Company believes that its exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Company's properties. Amendments to current laws and regulations governing the Company's operations and activities or more stringent implementation of such laws and regulations could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's current mining operations are primarily regulated by the Brazilian mining code, the Mining Code Regulation enacted by Decree No. 62,934 dated July 2, 1968, and certain rulings issued by the DNPM, or, together, the Mining Framework.

In 2009, it was announced that a new mining regulatory framework would be issued to replace the existing Mining Framework. In June 2013, the Brazilian federal government submitted Proposal No. 5,807/2013 to the Brazilian House of Representatives. Among other changes, this proposed law provides for (i) the creation of a new regulatory agency, the Brazilian Mining Agency (*Agência Nacional de Mineração*, or the ANM), to replace the DNPM and the creation of the National Council of Mineral Policy (*Conselho Nacional de Política Mineral*, or CNPM), to be responsible for outlining the general policies for the Brazilian mining industry; (ii) the granting of exploration licenses and mining concessions by means of a single procedure, which may be subject to a mandatory public bidding of the reserve, in accordance with Law No. 12,462/2011, and such rights would have an initial 40-year term renewable for additional 20-year periods; (iii) royalties CFEM, calculation based on the gross revenues from the marketing and sale of mineral substances (as opposed to the current revenue basis) and an increase in the CFEM rates of up to 4.0%; and (iv) the assessment of new taxes on mining activities. However, a significant number of amendments have been proposed to Proposal No. 5,807/2013, which could significantly change the law initially proposed. A special commission has been created to discuss these amendments, host public hearings and propose a final text to be presented before the Brazilian House of Representatives. In April 2014, new changes to Proposal No. 5,807/2013 were submitted. Among the proposed changes, is the preservation of the current regime under which there are two distinct stages (exploration followed by a mining concession phase) and the creation of a new regime for strategic areas, which will be subject to a public bidding system and a single-stage concession comprising both exploration and exploitation works. In May 2016, new changes to Proposal No. 5,807/2013 were submitted. It is still uncertain when the vote on the new mining code will occur and the final mining code may vary substantially from the current draft proposals. Due to recent political events of great relevance, including the impeachment of the former President, discussions regarding a new mining code lost priority at the Brazilian Congress. In recent announcements, the Ministry of Mines and Energy said that the mining code might suffer only specific modifications instead of a completely new mining code.

A new mining regulatory framework may result in limitations on the duration of the Company's existing mining concessions, an increase in the Company's expenses, particularly mining royalties, taxes and fees, and a re-tender of the Company's mining concessions if they are deemed to have strategic and economic importance. Neither the content of any new law nor the terms of any transitional provision may be determined at this stage.

The Company is dependent on information technology systems.

The Company's operations depend, in part, upon information technology systems. The Company's information technology systems are subject to disruption, damage or failure from a number of sources, including, but not limited to, computer viruses, cyber-attacks or other information security breaches, natural disasters, power loss and defects in design. Although to date the Company has not experienced any material losses relating to information technology system disruptions, damage or failure, there can be no assurance that it will not incur such losses in future. Any of these and other events could result in information technology systems failures, operational delays, production downtimes, destruction or corruption of data, security breaches or other manipulation or improper use of the Company's systems and networks, any of which may result in a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Terrorist attacks or "cyber security" events, or the threat of them, may adversely affect the Company's business.

In addition to the threat of terrorist attacks, the Company faces various other security threats, including cyber-security threats to gain unauthorized access to sensitive information, to render data or systems unusable, or otherwise affect the Company's ability to operate or control the Company's assets. Cyber-security attacks in particular are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. The occurrence of one of these events could cause a substantial decrease in revenues, increased costs to respond or other financial loss, damage to reputation, increased regulation or litigation or inaccurate information reported from the Company's operations. These developments may subject the Company's operations to increased risks, as well as increased costs, and, depending on their ultimate magnitude, could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is exposed to the possibility that applicable taxing authorities could take actions that result in increased tax or other costs that might reduce the Company's cash flow.

The Company pays a variety of taxes, fees and other governmental charges in connection with the operation of the Company's business, including income taxes, mining royalties, ad valorem property taxes, sales and use taxes, inventory taxes and various assessments. These taxes and other charges are assessed by a variety of taxing authorities pursuant to applicable laws, regulations and rules. From time to time, the Company may enter into specific agreements with such taxing authorities that provide for the reduction, abatement or deferral of such taxes or charges in exchange for certain payments or undertakings on the Company's part. If the Company enters into any such arrangements, the Company can give no assurance that any such reduction, abatement or deferral arrangements will be honored or that the applicable taxing authorities will not take actions that materially increase the amount of such taxes or other governmental charges that the Company is required to pay. In addition, the Company may incur additional and unanticipated costs and expenses in connection with the Company's efforts to resist any proposed increases in such taxes, fees, royalties or other charges or in connection with the Company's efforts to enforce any reduction, abatement or deferral arrangements that the Company has previously put in place.

The Brazilian government may implement changes to the Brazilian tax regime that may affect the Company. These changes could include changes in prevailing tax rates and the imposition of new or temporary taxes, the proceeds of which are earmarked for designated government purposes. Some of these changes may result in increases in the Company's tax payments, which could have an adverse effect on the Company's operations or profitability. The Company cannot provide assurance that it will be able to maintain the Company's profitability following any increases in Brazilian taxes applicable to the Company and the Company's operations.

The Company may be adversely affected by restrictions on transfers between the Company and the Company's subsidiaries.

The Company is a holding company that conducts operations through subsidiaries, including foreign subsidiaries. Accordingly, any limitation on the transfer of cash or other assets between the Company and such entities, or among such entities, including the creation or increase of taxes over such transfers, could restrict the Company's ability to fund the Company's operations efficiently or to fund dividends or other distributions to shareholders. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and share price.

The Company is exposed to the volatile changes in the prices of commodities consumed.

The profitability of the Company's operations will be dependent upon the cost and availability of commodities which are consumed or otherwise used in connection with the Company's operations and projects, including, but not limited to, diesel, fuel, natural gas, electricity, steel, concrete and cyanide. Commodity and resource prices fluctuate widely and are affected by numerous factors beyond the Company's control.

If there is a significant and sustained increase in the cost of certain commodities, the Company may decide that it is not economically feasible to continue all of the Company's commercial production and development activities and this could have an adverse effect on profitability. Higher worldwide demand for critical resources like input commodities, drilling equipment, mobile mining equipment, tires and skilled labour, etc. could affect the Company's ability to acquire them and lead to delays in delivery and unanticipated cost increases, which could have an effect on the Company's operating costs, capital expenditures and production schedules. The occurrence of one or more of these events may result in a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

The Company may face shortages or disruptions in the supply of raw materials, key services and capital equipment, or their prices may increase.

The Company's operations consume large quantities of key services, capital equipment and commodities. The mining industry has faced worldwide shortages of mining and construction equipment, spare parts, contractors and other skilled personnel during periods of high demand for minerals and metals and intense development of mining projects. The Company may experience longer lead-times for mining equipment and problems with the quality of contracted engineering, construction and maintenance services. The prices the Company pays for these services and products are strongly impacted by the local and global market. A rapid or significant increase in the costs of commodities, key services or capital equipment the Company uses in its operations could impact costs because the Company may have a limited ability to negotiate lower prices, and, in some cases, may not have a ready substitute. The Company's supply of raw materials could be interrupted for a variety of reasons, including availability and pricing. Prices for raw materials necessary for production have fluctuated significantly in the past and significant increases could adversely affect the Company's results of operations and profit margins. Any such increase in the Company's costs could have a material adverse effect on its business, results of operations, financial condition and cash flows.

Any changes or increases in the Company's production costs may impact the Company's profitability and could materially affect the Company's results of operations, cash flows and financial position.

Changes in the Company's production costs could have a major impact on the Company's profitability. The Company's main production expenses are personnel and contractor costs, materials and energy. Changes in costs of the Company's mining and processing operations could occur as a result of unforeseen events, including international and local economic and political events, a change in commodity prices, changes in legislation, increased costs (including oil, steel and diesel) and scarcity of labour, and could result in changes in profitability or Mineral Reserve estimates. Many of these factors may be beyond the Company's control.

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

The Company prepares estimates of future cash costs and capital costs for its operations and projects. There is no assurance that actual costs will not exceed such estimates. Exceeding cost estimates could have an adverse impact on the Company's future results of operations or financial condition.

Title, mineral rights or surface rights to the Company's properties could be challenged, and, if successful, such challenges could have a material adverse effect on the Company's production, results of operations, cash flows and financial position.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Title insurance is generally not available for mineral properties and the Company's ability to ensure that it has obtained a secure claim may be severely constrained. There is no guarantee that title to any of the Company's properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers or claims, including indigenous land claims, traditional peoples' claims and agrarian reform claims, and title may be affected by, among other things, undetected defects. If these challenges are successful, this could have an adverse effect on the development of the Company's properties as well as its results of operations, cash flows and financial position. In addition, the Company may be unable to operate its properties as permitted or to enforce the Company's rights with respect to the its properties.

The Company's mining concessions may be terminated in certain circumstances.

The Company's mining concessions may be terminated in certain circumstances. Under the laws of Brazil, Mineral Resources belong to the federal government and governmental concessions are required to explore for, and exploit, Mineral Reserves. The Company holds mining, exploration and other related concessions in each of the jurisdictions where the Company is operating and where it is carrying on development projects and prospects. The concessions the Company holds in respect of its operations, development projects and prospects may be terminated under certain circumstances. Termination of any one or more of the Company's mining, exploration or other concessions could have a material adverse effect on the Company's financial condition or results of operations. See "*Business – Regulation*".

The Company may be unable to compete successfully with other mining companies.

The mining industry is intensely competitive in all of its phases and the Company competes with many companies possessing greater financial and technical resources than those of the Company, including Yamana. Competition in the precious metals mining industry is primarily for: mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a global basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future.

Increased demand for metals and minerals may impact the Company's operations and increase the Company's costs.

During times of increased demand for metals and minerals, price increases may encourage expanded mining exploration, development and construction activities. These increased activities may result in escalating demand for and cost of contract exploration, development and construction services and equipment. Increased demand for and cost of services and equipment could cause exploration and project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and increased potential for scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project development or construction costs, result in project delays, or increase operating costs.

The Company may have future capital needs that require it to incur debt and it may not be able to obtain additional financing on acceptable terms, if at all.

The exploration and development of the Company's properties, including continuing exploration and development projects, and the construction or expansion of mining facilities and commencement or expansion of mining operations, may require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of a property interest. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed could have a material adverse effect on the Company's business, financial condition and results of operations.

Currency fluctuations may adversely affect the Company's capital costs and operational costs.

Currency fluctuations may affect the Company's capital costs and the costs that the Company incurs at its operations. Gold is sold throughout the world based principally on a U.S. dollar price, but a portion of the Company's operating and capital expenses are incurred in Brazilian *Real* and Canadian dollars. The Brazilian *Real* has experienced frequent and substantial variations in relation to the U.S. dollar and the Canadian dollar and other foreign currencies during the last decades. The appreciation of the Brazilian *Real* against the U.S. dollar would increase the costs of gold production at such mining operations, which could materially and adversely affect the Company's earnings and financial condition.

Differences between management's assumptions and market conditions could have a material effect in the future on the Company's financial position and results of operation.

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

The Company reviews and evaluates its mining interests and any associated or allocated goodwill for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the recoverable value of the asset is less than the carrying amount of the asset. An impairment loss is measured and recorded to the net recoverable value of the asset. The recoverable value of the asset is the higher of: (i) value in use (being the net present value of total expected future cash flows); and (ii) fair value less costs to sell.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount and considers the reversal of the impairment loss recognized in prior periods for all assets other than goodwill. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the asset in an arm's length transaction. This is often estimated using discounted cash flow techniques. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of International Accounting Standards 36 in a discounted cash flow model. Where a recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans. Assumptions underlying fair value estimates are subject to significant risks and uncertainties. Where third-party pricing services are used, the valuation techniques and assumptions used by the pricing services are reviewed by the Company to ensure compliance with the accounting policies and internal control over the Company's financial reporting. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Company's financial position and results of operation.

The assumptions used in the valuation of work-in process inventories by the Company include estimates of metal contained in the ore stacked on leach pads, assumptions of the amount of metal stacked that is expected to be recovered from the leach pads, estimates of metal contained in ore stock piles, assumptions of the amount of metal that will be crushed for concentrate, estimates of metal-in-circuit, estimated costs of completion to final product to be incurred and an assumption of the gold, silver and copper price expected to be realized when the gold, silver and copper is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its work-in-process inventories to net realizable value, which would reduce the Company's earnings and working capital. Net realizable value is determined as the difference between costs to complete production into a saleable form and the estimated future precious metal prices based on prevailing and long-term metal prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of write-down is reversed up to the lower of the new net realizable value or the original cost.

The Company may be subject to litigation that could have an adverse effect on its business.

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company may become involved in legal disputes in the future. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding may have a material effect on the Company's financial position or results of operations.

The Company may be subject to governmental and regulatory investigations, civil claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in regulatory actions and litigation, the difficulty of predicting decisions of regulators, judges and juries and the possibility that decisions may be reversed on appeal. Defense and settlement costs of legal claims can be substantial, even with claims that have no merit. For example, there can be no assurance Brazilian authorities will not consider the Company legal successors of the previous owners of the Pilar Operation and the Fazenda Brasileiro Mine in connection with their liabilities existing at the time the Company acquired those assets, notwithstanding any contractual provisions establishing responsibilities for those liabilities. Management is committed to conducting business in an ethical and responsible manner, which it believes will reduce the risk of legal disputes. However, if the Company is subject to legal disputes, there can be no assurances that these matters will not have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

The Company may use certain derivative products, which could have an adverse effect on its results of operations, cash flows and financial position.

From time to time, the Company may use certain derivative products to manage the risks associated with changes in gold prices, the price of other metals, interest rates, foreign currency exchange rates and energy prices. The use of derivative instruments involves certain inherent risks including, among other things: (i) credit risk – the risk of default on amounts owing to the Company by the counterparties with which the Company has entered into transactions; (ii) market liquidity risk – risk that the Company has entered into a derivative position that cannot be closed out quickly, by either liquidating such derivative instrument or by establishing an offsetting position; and (iii) unrealized mark-to-market risk – the risk that, in respect of certain derivative products, an adverse change in market prices for commodities, currencies or interest rates will result in the Company incurring an unrealized mark-to-market loss in respect of such derivative products.

The Company may be unsuccessful in integrating businesses and assets which it acquires in the future.

From time to time, the Company examines opportunities to acquire additional mining assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose it to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on the Company's ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with the Company's operations. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Company has committed to complete the transaction and established the purchase price or exchange ratio; a material ore body may prove to be below expectations; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may experience dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions. On April 29, 2016, the Company acquired the RDM Mine in connection with a restructuring of Carpathian. The RDM Mine may not perform to the Company's expectations, the Company may face difficulties integrating the RDM Mine into its business, or the Company may face regulatory, environmental, safety or other impediments to successfully operating this new project. See "*Business – Acquisition of RDM Mine*".

The Company's failure to maintain positive community relations could have an adverse effect on its business.

The Company's relationships with the communities in which it operates and other stakeholders are critical to ensure the future success of the Company's existing operations and the construction and development of the Company's projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Company, its operations or extractive industries generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that the Company's efforts in this respect will mitigate this potential risk.

The Company's projects, including exploration projects, may also be impacted by relations with various community stakeholders, and the Company's ability to develop related mining assets may still be affected by unforeseen outcomes from such community relations.

The Company's operations would be adversely affected if it fails to maintain satisfactory labour relations.

As of December 31, 2015, the Company employed a total of 1,508 full-time employees and 820 contractors. Most of the Company's employees are unionized and their employment is governed by collective bargaining or similar arrangements, which are renewable periodically. The Company cannot predict at this time whether it will be able to reach new agreements with its unionized workforce without a work stoppage or other labour unrest when their current collective bargaining agreements expire, and any such new agreements may not be on terms favourable to the Company. Additional groups of non-union employees may seek union representation in the future. Production at the Company's mining operations is dependent upon the efforts of its employees and the Company's operations would be adversely affected if it fails to maintain satisfactory labour relations. In addition, relations between the Company and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in the jurisdictions in which the Company carries on business or under collective bargaining agreements. Changes in such legislation or in the relationship between the Company and the Company's employees, or arising from negotiation of collective bargaining agreements, and any labour disputes or claims, may have a material adverse effect on the Company's business, results of operations and financial condition.

The Company relies on its local counsel and advisors in foreign jurisdictions.

The Company holds mining and exploration properties in Brazil. The legal and regulatory requirements in that country with respect to conducting mineral exploration and mining activities, banking system and controls, as well as local business culture and practices are different from those in Canada. The Company's officers and directors must rely, to a great extent, on the Company's local legal counsel and local consultants retained by the Company in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations, and to assist the Company with its governmental relations. The Company must rely, to some extent, on those members of management and the Brio Board who have previous experience working and conducting business in Brazil in order to enhance its understanding of and appreciation for the local business culture and practices. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing and tax matters in these countries. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond the Company's control and may adversely affect the Company's business. See "*Business – Regulation*".

The Company depends on key management personnel and may not be able to attract and retain qualified personnel in the future.

The Company is dependent upon a number of key management personnel. The loss of the services of one or more of such key management personnel could have a material adverse effect on the Company. The Company's ability to manage its operating, development, exploration and financing activities will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel, and there can be no assurance that it will be able to attract and retain such personnel. The loss of the services of one or more key employees or the failure to and attract and retain new personnel could have a material adverse effect on the Company's ability to manage and expand its business. The Company has entered into employment agreements with certain of its key executives. See "*Director and Executive Compensation – Executive Compensation – Employment Agreements and Potential Payments upon Termination or Change of Control*".

Higher electricity costs or energy shortages could adversely affect the Company's business.

The Company's operations require significant amounts of electricity. The Company purchases its electricity requirements on the open market. Any disruptions at the Company's third-party electricity suppliers would severely impact its operations. Prolonged substantial increases in electricity costs, or an inability to procure sufficient electricity at reasonable prices, would have a material adverse effect on the costs of the Company's operations and would negatively impact its gross margins unless the Company was able to fully pass through the additional expense.

The Company faces rising extraction costs over time as reserves deplete.

Reserves are gradually depleted in the ordinary course of a given mining operation. As mining progresses, distances to the primary crusher and to waste deposits become longer and pits become steeper. In addition, for some types of reserves, mineralization grade decreases and hardness increases at increased depths. As a result, over time, the Company usually experiences rising unit extraction costs with respect to its mines. The Company will likely experience rising extraction costs per unit in the future at its mining sites.

Risks Relating to Brazil

The Company operates its business in an emerging market. The Company's operations are subject to political, economic, social and geographic risks of doing business in Brazil.

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

All of the Company's mining and exploration properties are in Brazil, exposing the Company to the socioeconomic conditions as well as to the laws governing the mining industry in Brazil. See "*Business – Regulation*". Inherent risks with conducting foreign operations include, but are not limited to: high rates of inflation; changes in monetary and exchange policies; changes in interest rates; decreased liquidity in the domestic capital and lending markets; energy shortages; military repression; war or civil war; social and labour unrest; organized crime; hostage taking; terrorism; violent crime; extreme fluctuations in currency exchange rates; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, currency controls and governmental regulations that favour or require the Company to award contracts in, employ citizens of, or purchase supplies from, a particular jurisdiction.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. In addition, changes in government laws and regulations, including taxation, royalties, the repatriation of profits, restrictions on production, export controls, changes in taxation policies, environmental and ecological compliance, expropriation of property and shifts in the political stability of the country, could adversely affect the Company's exploration, development and production initiatives in these countries.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policies and regulations. Changes, if any, in mining or investment policies or shifts in political attitude in Brazil or any of the jurisdictions in which the Company operates may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, importation of parts and supplies, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

The Brazilian Congress is in the process of reviewing the royalty rates for mining companies and reforming its mining law. Finalization of the royalty rates is subject to change during the review and approval process and therefore the final rates are not determinable at this time. Similarly, it is unclear how changes in the mining law could affect the acquisition and maintenance of mineral rights and other obligations that may be imposed on mining companies. The magnitude of change in Brazil's royalty rates and mining law may affect the Company's business, results of operations and financial condition.

In addition, uncertainty over whether the Brazilian government will implement changes in policy or regulation may contribute to economic uncertainty in Brazil. Historically, Brazilian politics have affected the performance of the Brazilian economy. Past political crises have affected the confidence of investors and the public, generally resulting in an economic slowdown.

Global economic crises could negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Brazil. Such events could materially and adversely affect the Company's business, financial condition and results of operations.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

Corruption and fraud in Brazil relating to ownership of real estate may adversely affect the Company's business.

Under Brazilian law, real property ownership is normally transferred by means of a transfer deed, and subsequently registered at the appropriate real estate registry office under the corresponding real property record. There are uncertainties, corruption and fraud relating to title ownership of real estate in Brazil, mostly in rural areas. In certain cases, a real estate registry office may register deeds with errors, including duplicate and/or fraudulent entries, and, therefore, deed challenges frequently occur, leading to judicial actions. Property disputes over title ownership are frequent in Brazil, and, as a result, there is a risk that errors, fraud or challenges could adversely affect the Company's ability to operate, although ownership of mining rights are separate from ownership of land.

Inflation in Brazil, along with Brazilian governmental measures to combat inflation, may have a significant negative effect on the Brazilian economy and, as a result, on the Company's financial condition and results of operations.

In the past, high levels of inflation have adversely affected the economies and financial markets of Brazil, and the ability of its government to create conditions that stimulate or maintain economic growth. Moreover, governmental measures to curb inflation and speculation about possible future governmental measures have contributed to the negative economic impact of inflation in Brazil and have created general economic uncertainty. As part of these measures, the Brazilian government has at times maintained a restrictive monetary policy and high interest rates that have limited the availability of credit and economic growth. Brazil may experience high levels of inflation in the future. Inflationary pressures may weaken investor confidence in Brazil and lead to further government intervention in the economy, including interest rate increases, restrictions on tariff adjustments to offset inflation, intervention in foreign exchange markets and actions to adjust or fix currency values, which may trigger or exacerbate increases in inflation, and consequently have an adverse impact on the Company. In an inflationary environment, the value of uncollected accounts receivable, as well as of unpaid accounts payable, declines rapidly. If Brazil experiences high levels of inflation in the future and price controls are imposed, the Company may not be able to adjust the rates the Company charges the Company's customers to fully offset the impact of inflation on the Company's cost structures, which could adversely affect the Company's results of operations or financial condition.

Exchange rate instability may have a material adverse effect on the Brazilian economy.

The Brazilian *Real* has experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies during the last decades. See "*Exchange Rate Information*". Depreciation of the Brazilian *Real* against the U.S. dollar could create inflationary pressures in Brazil and cause increases in interest rates, which could negatively affect the growth of the Brazilian economy as a whole and harm the Company's financial condition and results of operations. On the other hand, appreciation of the Brazilian *Real* relative to the U.S. dollar and other foreign currencies could lead to a deterioration of the Brazilian foreign exchange current accounts, as well as dampen export-driven growth. Depending on the circumstances, either depreciation or appreciation of the Brazilian *Real* could have a material adverse effect on the Brazilian economy.

The Company's operations may be impaired as a result of restrictions to the acquisition or use of rural properties by foreigner investors or Brazilian companies under foreign control.

Non-resident individuals and non-domiciled foreign legal entities are subject to restrictions for the acquisition or lease for agricultural purpose, or arrendamento, of rural properties in Brazil. Limitations also apply to legal entities domiciled in Brazil controlled by foreign investors, such as the Company's subsidiaries through which the Company operates in Brazil. The limitations are set forth mainly in Law No. 5,709/1971 and in Decree No. 74,965/1974.

Until 2010, limitations imposed on the acquisition of rural property did not apply to Brazilian companies under foreign control. However, an opinion issued by the General Counsel of the Federal Government Office of Brazil significantly changed the interpretation of the applicable laws at the time. Accordingly, Brazilian companies that have the majority of their capital stock owned by foreign individuals and legal entities domiciled abroad are deemed "foreign investors" for the purposes of application of the restrictions on the acquisition of rural property in Brazil. The legality of such opinion has been and is currently being challenged, however prior challenges to the opinion have been unsuccessful.

A foreign investor or a Brazilian company under foreign control may only acquire rural property in Brazil without breaching the aforementioned opinion if certain conditions are met, including, among others, prior approval by the Brazilian Ministries or, in certain cases, by the Brazilian Congress. Pursuant to applicable legislation, any agreements regarding the direct or indirect ownership of rural properties by foreign individuals or entities may be considered null and void, as well as any agreements regarding corporate changes which might imply indirect acquisition or arrendamento of rural lands by foreign investors. Accordingly, the Company's ownership of any such rural properties in Brazil may be subject to legal challenges which could result in a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Holders of Common Shares may have difficulty obtaining or enforcing judgment against the Company

The Company is a holding company and all of the Company's subsidiaries and the majority of the Company's assets are located outside of Canada. Accordingly, it may be difficult for investors to enforce within Canada any judgments obtained against the Company, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws. Consequently, investors may be effectively prevented from pursuing remedies against the Company under Canadian securities laws or otherwise.

The Company has subsidiaries incorporated in Barbados, the Netherlands and Brazil. Certain current and proposed directors and officers, including the President and Chief Executive Officer, reside outside of Canada and substantially all of the assets of these persons are located outside of Canada. It may not be possible for shareholders to effect service of process against the Company's directors and officers who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of the Company's directors or officers for violations of Canadian securities laws or otherwise, it may not be possible to enforce such judgment against those directors and officers not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law claims or otherwise in original actions instituted in Barbados, the Netherlands, the United States or Brazil. Courts in these jurisdictions may refuse to hear a claim based on a violation of Canadian securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

Risks Relating to the Offering

The Exercise Price determined for the Purchase Rights is not necessarily an indication of the price at which the Common Shares will trade.

The Yamana Board, in consultation with the Managing Dealers, based the per share Exercise Price being used in the Offering on various factors including, among other things, (i) the Fairness Opinion, (ii) the desirability of broad participation in the Offering by Yamana Shareholders, and (iii) Yamana's liquidity needs and the aggregate amount of proceeds to be paid to Yamana pursuant to the Offering, if the Offering were fully subscribed. The per share Exercise Price may not be indicative of the price at which the Common Shares will trade after the Offering.

If you do not act promptly and follow the exercise instructions, your exercise of Purchase Rights may be rejected.

If you desire to purchase Common Shares in the Offering, you must act promptly to ensure that the Purchase Rights Agent actually receives all required forms and payments before the expiration of the Offering at 5:00 p.m., Toronto time, on December 21, 2016, unless Yamana extends the Offering. If you are a beneficial owner of Yamana Shares, you must act promptly to ensure that your broker, dealer, custodian bank or other nominee acts for you and that the Purchase Rights Agent receives all required forms and payments before the Expiry Time. Neither Yamana nor Brio Gold is or will be responsible if your nominee fails to ensure that the Purchase Rights Agent receives all required forms and payments before the Expiry Time. If you fail to complete and sign the required exercise forms, send an incorrect payment amount, or otherwise fail to follow the subscription procedures that apply to the exercise of your Purchase Rights before the Offering expires, the Purchase Rights Agent will reject your exercise or accept it only to the extent of the payment received. None of Yamana, Brio Gold or the Purchase Rights Agent undertakes any responsibility or action to contact you concerning an incomplete or incorrect exercise form or payment, nor are Yamana, Brio Gold or the Purchase Rights Agent under any obligation to correct such forms or payment. Yamana has the sole discretion to determine whether an exercise properly complies with the exercise procedures.

There is no existing market for the Purchase Rights.

There is currently no existing public market for the Purchase Rights. The Purchase Rights are not currently listed or quoted on any stock exchange or market in Canada or elsewhere. Although the TSX has granted listing approval for the Purchase Rights, there is no guarantee an active trading market will develop on the TSX or elsewhere. If an active trading market does not develop, the trading price of the Purchase Rights may decline, and investors may have difficulty selling any of the Purchase Rights that they purchase or acquire by way of the Offering.

Prior to the Offering, there has been no public trading market for the Purchase Rights, and the Company and Yamana cannot offer assurances that one will develop or be sustained on the TSX or otherwise. The Company and Yamana cannot predict the prices at which the Purchase Rights will trade. The Exercise Price was determined by Yamana in consultation with the Managing Dealers and may not bear any relationship to the market price at which the Purchase Rights will trade.

The market price for the Purchase Rights could be subject to significant volatility. Factors such as demand for Purchase Rights and whether holders of Purchase Rights seek to sell such Purchase Rights, as well as commodity prices, government regulation, interest rates, share price movements of the Company's peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Purchase Rights.

In particular, if you are in the United States and you are not a QIB, you may not exercise your Purchase Rights and, in order to receive any value for your Purchase Rights, you must arrange to sell your Purchase Rights outside of the United States; however, a trading market in the Purchase Rights may not develop on the TSX or otherwise, and you may not able to sell your rights.

You may not revoke your exercise of the Purchase Rights and you could be committed to buying Common Shares at a price above the prevailing market price after completion of the Offering.

Once you exercise your Purchase Rights, you may not revoke the exercise even if you later learn information that you consider to be unfavorable to the exercise of your Purchase Rights. If you exercise your Purchase Rights, you may not be able to sell the Common Shares purchased under the Purchase Rights at a price equal to or greater than the Exercise Price, and you may lose all or part of your investment in the Common Shares.

Yamana may not use the proceeds as described in this prospectus.

Yamana currently intends to use the net proceeds received from the Offering and the Additional Distribution as described under "*Use of Proceeds*". However, the Yamana Board and/or management will have discretion in the actual application of the net proceeds, and may elect to allocate net proceeds differently from that described under "*Use of Proceeds*" if they believe it would be in Yamana's best interests to do so. Yamana Shareholders may not agree with the manner in which the Yamana Board and/or management chooses to allocate and spend the net proceeds. The failure by the Yamana Board and/or management to apply these funds effectively could have a material adverse effect on Yamana's business, financial condition, results of operations, cash flows or prospects.

You will not receive interest on your exercise funds during the period pending the closing of the Offering.

The Purchase Rights Agent will hold the gross proceeds from the sale of Common Shares under the Purchase Rights in escrow in a segregated bank account, and it will release the proceeds of any Purchase Rights exercised prior to the Expiry Date, together with any interest earned on the proceeds, less any applicable withholding taxes, to Yamana as soon as is practicable after the exercise of such Purchase Rights. Exercises to purchase Common Shares received prior to the Expiry Date will be credited to your account or the account of your nominee as soon as practicable after the exercise of such Purchase Rights.

Canadian tax authorities may determine that the fair market value of a Purchase Right is greater than the Company's determination.

This could result in the amount of the taxable dividend paid by the distribution of the Purchase Rights being higher than would otherwise be the case, with potential increase in tax liability for Purchase Rights holders.

Canadian tax authorities may require Yamana Shareholders to include in income as a taxable benefit (rather than a taxable dividend) the fair market value of the Purchase Rights distributed to them by Yamana.

This could result in a potential increase in tax liability for Canadian resident Purchase Rights holders.

If you receive and exercise the Purchase Rights, you may be subject to adverse U.S. federal income tax consequences.

If you receive a Purchase Right and exercise that Purchase Right, you should generally expect to have (i) taxable dividend income equal to the fair market value (if any) of the Purchase Right on the date of its distribution by Yamana and (ii) no additional income upon the exercise of the Purchase Right. See "*Certain United States Federal Income Tax Considerations*''. As a result, you may need to fund any tax resulting from the receipt of the Purchase Right with cash from other sources.

If you are a U.S. taxpayer and receive and sell the Purchase Rights, you may be subject to adverse U.S. federal income tax consequences.

If you are a U.S. taxpayer and receive a Purchase Right and sell that Purchase Right, you should generally expect to have (i) taxable dividend income equal to the fair market value (if any) of the Purchase Right on the date of its distribution by Yamana and (ii) short-term capital gain or loss on the sale of the Purchase Right equal to the difference between the proceeds received upon the sale and the fair market value (if any) of the Purchase Right on the date of its distribution by Yamana. See "*Certain United States Federal Income Tax Considerations*''. It is possible that the sale proceeds received upon a sale of the

Purchase Rights will be less than any tax resulting from your receipt of the Purchase Right. In this event, you will generally need to fund the remaining portion of any tax with cash from other sources.

If you are a U.S. taxpayer and receive but do not sell or exercise the Purchase Rights before they expire, you may be subject to adverse U.S. federal income tax consequences.

If you are a U.S. taxpayer and receive a Purchase Right from Yamana and do not sell or exercise that Purchase Right before it expires, you should generally expect to have (i) taxable dividend income equal to the fair market value (if any) of the Purchase Right on the date of its distribution by Yamana and (ii) a short-term capital loss upon the expiration of such Purchase Right in an amount equal to your adjusted tax basis (if any) in such Purchase Right. In general, the deductibility of capital losses is subject to limitations. See "*Certain United States Federal Income Tax Considerations*''. Accordingly, if you receive a Purchase Right from Yamana and take no action, you may owe tax and need to fund that tax with cash from other sources.

Risks Relating to Holding the Common Shares

Investors may lose their entire investment.

An investment in the Common Shares is speculative and may result in the loss of an investor's entire investment. Only potential investors who are experienced in high risk investments and who can afford to lose their entire investment should consider investing in the Company.

There is no existing market for the Common Shares.

There is currently no existing public market for the Common Shares. Although conditional approval for the listing of the Common Shares has been received by the TSX, the Common Shares are not currently listed or quoted on the TSX or any other stock exchange or market in Canada or elsewhere and there is no guarantee an active trading market will develop on the TSX or elsewhere. If an active trading market does not develop, the trading price of the Common Shares may decline, and investors may have difficulty selling any of the Common Shares that they purchase or acquire by way of the Offering.

In particular, there can be no assurance as to the number of Holders that will exercise Purchase Rights to acquire Common Shares. If an investor agrees to purchase Common Shares under the Additional Distribution prior to completion of the Offering, and if only a limited number of Holders exercise Purchase Rights to acquire Common Shares, there may be limited or no liquidity in the Common Shares and investors may have difficulty selling any of the Common Shares that they purchase pursuant to the Additional Distribution.

Prior to the Offering, there has been no public trading market for the Common Shares, and the Company cannot offer assurances that one will develop or be sustained after the Offering. The Company cannot predict the prices at which the Common Shares will trade. The Exercise Price was determined by the Company in consultation with the Managing Dealers and may not bear any relationship to the market price at which the Common Shares will trade after the Offering, or to any other established criteria of the Company's value. Shares of companies often trade at a discount to the initial offering price due to sales loads, underwriting discounts and related offering expenses. Therefore, the Common Shares should not be treated as a trading vehicle.

The Market Price for the Common Shares may vary widely.

The market price for the Common Shares could be subject to significant volatility. Factors such as commodity prices, government regulation, interest rates, share price movements of the Company's peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Common Shares. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

It may be difficult to enforce judgments and effect service of process against the Company.

Although the Company is organized under the laws of Ontario, Canada, the Company's material subsidiaries are organized under the laws of Brazil and the Netherlands, certain of its directors, management and personnel, as well as certain experts named herein, are residents of jurisdictions outside of Canada, and substantially all of the Company's assets and much of their assets are located outside of Canada. Consequently, it may not be possible for purchasers to effect service of process within Canada upon those persons. It also may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside of Canada.

The Company may issue additional Common Shares without shareholder approval, which would dilute shareholder interests.

The Company may issue additional Common Shares, Brio RSUs or other equity securities of equal or senior rank. However, upon closing of the Offering, the Company intends to adopt the Omnibus Incentive Plan. Subject to adjustments as provided for under the Omnibus Incentive Plan, the maximum number of Common Shares available for issuance under the Omnibus Incentive Plan will not exceed 5% of the Company's issued and outstanding Common Shares following completion of the Offering, excluding the currently outstanding Brio RSUs. See "*Director and Executive Compensation – Compensation Discussion and Analysis – Omnibus Incentive Plan*".

The Company's issuance of additional Common Shares, Brio RSUs or other equity securities of equal or senior rank may have the following effects:

- each shareholder's proportionate ownership interest in the Company will decrease;
- the relative voting strength of each previously outstanding share may be diminished; and
- the market price of the Common Shares may decline.

Future offerings of equity securities, which would dilute the Company's existing shareholders, and future offerings of debt securities, which would rank senior to the Common Shares upon the Company's liquidation, may adversely affect the market value of the Common Shares.

In the future, the Company may attempt to increase its capital resources by making additional offerings of equity securities or offerings of debt, including senior or subordinated notes and classes of preferred shares. Additional equity offerings may dilute the holdings of the Company's existing shareholders or reduce the market value of its Common Shares. Upon liquidation, holders of the Company's debt securities and preferred shares and lenders with respect to other borrowings will receive a distribution of the Company's available assets prior to the holders of its Common Shares. Because the Company's decision to issue securities in any future offering will depend on market conditions and other factors beyond the Company's control, the Company cannot predict or estimate the amount, timing or nature of its future offerings. Thus, holders of the Common Shares bear the risk of the Company's future offerings reducing the market value of the Common Shares and diluting their shareholdings in the Company.

Yamana may continue to be a significant shareholder and may have interests that conflict with the interests of the Company's other shareholders.

It is expected that upon completion of the Offering (assuming full exercise of the Purchase Rights) and the Additional Distribution, Yamana will hold approximately 46.3% of the Company's issued and outstanding Common Shares, or approximately 44% on a fully diluted basis. The Yamana Investor Rights Agreement provides Yamana with, among other things: (i) the right to nominate one of the Company's directors, so long as its ownership of the outstanding Common Shares is more than 19.9% (on a non-diluted basis); and (ii) the right to nominate an additional director to the Brio Board in the event the Brio Board is increased to more than five members and Yamana owns not less than 50.0% of the Company's outstanding Common Shares. Additionally, Yamana will continue to hold and may acquire additional investments and assets that will compete with the Company, including in Brazil. Accordingly, the interests of Yamana may not be the same as those of the Company's other shareholders, and conflicts of interest may arise from time to time that may be resolved in a manner detrimental to the Company or the Company's minority shareholders. See "*Certain Relationships and Related Party Transactions – Agreements with Yamana – Yamana Investor Rights Agreement*".

The Company does not anticipate paying any dividends on the Common Shares in the foreseeable future.

The Company has not declared or paid any dividends or other distributions on its Common Shares since the date of its incorporation, and the Company does not currently have a policy with respect to the payment of dividends or other distributions. The Company does not intend to pay dividends in the foreseeable future. The payment of dividends in the future will depend on earnings and the Company's financial condition and such other factors as the Company's directors consider appropriate. There can be no assurance that the Company will pay dividends under any circumstances. In addition, the Company may enter into debt instruments which place restrictions on the Company's ability to pay cash dividends.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Cassels Brock & Blackwell LLP, counsel to Yamana and the Company, and Norton Rose Fulbright Canada LLP, counsel to the Managing Dealers, the following is a summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the "**Tax Act**") relating to the distribution of the Purchase Rights as a dividend in-kind to a Yamana Shareholder who, for the purposes of the Tax Act and at all relevant times: (i) will hold the Purchase Rights acquired hereunder, and any Common Shares acquired on the exercise of the Purchase Rights or otherwise pursuant to the Offering, as capital property; (ii) deals at arm's length with Yamana and Brio Gold; and (iii) is not "affiliated" with Yamana and Brio Gold (a "**Holder**"). Purchase Rights and Common Shares will generally be considered to be capital property to a Holder unless such securities are held by the Holder in the course of carrying on a business of buying and selling securities, or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder, and counsel's understanding of the current administrative practices and assessing policies of the Canada Revenue Agency (the "**CRA**"). This summary also takes into account all specific proposals to amend the Tax Act and the regulations (the "**Proposed Amendments**") announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and assumes that all Proposed Amendments will be enacted in the form proposed. There can be no assurance that the Proposed Amendments will be enacted in the form proposed or at all. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action or decision, nor does it take into account other federal or any provincial, territorial or foreign income tax considerations, which may differ from the Canadian federal income tax considerations discussed below.

This summary is not applicable to a Holder: (i) that is a "financial institution" as defined in the Tax Act for the purposes of the "mark-to-market property" rules contained in the Tax Act; (ii) that is a "specified financial institution" or "restricted financial institution" as defined in the Tax Act; (iii) an interest in which is, or whose Purchase Rights or Common Shares are, a "tax shelter investment" as defined in the Tax Act; (iv) that has elected to report its "Canadian tax results" in a "functional currency" in accordance with section 261 of the Tax Act; (v) that has entered, or will enter, into a "derivative forward agreement", as defined in the Tax Act, with respect to the Purchase Rights or the Common Shares; or (vi) that has acquired any Common Shares upon the exercise of an employee stock option or pursuant to the Employee Distribution. Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada and is, or becomes, controlled by a non-resident corporation for purposes of the "foreign affiliate dumping" rules in Section 212.3 of the Tax Act. Such Holders should consult their own tax advisors.

THIS SUMMARY IS OF A GENERAL NATURE ONLY AND IS NOT, AND IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR HOLDER AND NO REPRESENTATIONS WITH RESPECT TO THE TAX CONSEQUENCES TO ANY PARTICULAR HOLDER ARE MADE. THIS SUMMARY IS NOT EXHAUSTIVE OF ALL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS. ACCORDINGLY, HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS HAVING REGARD TO THEIR OWN PARTICULAR CIRCUMSTANCES.

Holders Resident in Canada

The following portion of this summary applies to a Holder who, at all relevant times is or is deemed to be resident in Canada for purposes of the Tax Act (a "**Resident Holder**"). Certain Resident Holders whose Common Shares might not otherwise be capital property may, in certain circumstances, be entitled to make an irrevocable election under subsection 39(4) of the Tax Act to have such Common Shares, and every other "Canadian security" as defined in the Tax Act owned by such Resident Holder in the taxation year in which the election is made and in all subsequent taxation years, deemed to be capital property. This election does not apply to Purchase Rights. Any Resident Holder contemplating making a subsection 39(4) election should consult its tax advisor for advice as to whether the election is available or advisable in its particular circumstances.

Dividend in-Kind – Distribution of Purchase Rights by Yamana and Dividends on Common Shares

The amount of the dividend in-kind will be a taxable dividend. A Resident Holder will be required to include in income as a taxable dividend an amount equal to the fair market value of the Purchase Rights distributed to such Resident Holder by Yamana, determined at the time of receipt of such Purchase Rights by the Resident Holder.

Holders will be advised following the record date for the dividend in-kind of Yamana's determination of the fair market value of the Purchase Rights and the resulting amount of the dividend in-kind. Such determination is not binding on the CRA or any Holder.

A Resident Holder will be required to include in computing its income for a taxation year any taxable dividend received or deemed to be received on such Resident Holder's Common Shares.

A Resident Holder who is an individual will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit applicable to any dividends designated by Yamana as an "eligible dividend" for purposes of the Tax Act with respect to the dividend in-kind (or by Brio with respect to any dividends paid on the Common Shares). Yamana has advised that the dividend in-kind will be designated an "eligible dividend" for purposes of the Tax Act.

A Resident Holder that is a corporation generally will be entitled to deduct in computing its taxable income an amount equal to the amount of the taxable dividend included in its income. A "private corporation" or a "subject corporation" (each as defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax of 38⅓% on any dividend that it receives, to the extent that the dividend is deductible in computing the corporation's taxable income.

In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Canadian resident corporation as proceeds of disposition or a capital gain. Purchase Rights should consult its own tax advisors with respect to the potential application of subsection 55(2) of the Tax Act to such dividend.

The cost to a Resident Holder of Purchase Rights received in payment of the dividend in-kind will be equal to the fair market value of such Purchase Rights, determined at the time of receipt of such Purchase Rights by the Resident Holder.

Exercise of Purchase Rights

The exercise of Purchase Rights is not a disposition for purposes of computing income under the Tax Act and consequently, no gain or loss will be realized on the exercise of Purchase Rights. The cost of a Common Share acquired on the exercise of Purchase Rights will be equal to the aggregate of the amount paid to acquire such Common Share and the adjusted cost base of the Purchase Rights.

Expiry of Purchase Rights

The expiry of an unexercised Purchase Right will result in a capital loss to the Resident Holder equal to the adjusted cost base of the Purchase Right immediately before its expiry. The taxation of capital losses is described in "*Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*".

Disposition of Purchase Rights and Common Shares

A Resident Holder that disposes or is deemed to dispose of a Purchase Right (other than on the exercise thereof) or a Common Share will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Purchase Right or the Common Share, as the case may be, exceed (or are less than) the aggregate of the adjusted cost base to the Resident Holder of such Purchase Right or Common Share, as the case may be, determined immediately before the disposition, and any reasonable costs of disposition. The taxation of capital gains and capital losses is described in "*Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*".

In calculating the adjusted cost base to a Resident Holder of any Common Shares at a particular time, the cost of Common Shares acquired on the exercise of Purchase Rights or otherwise pursuant to the Offering must be averaged with the adjusted cost base of all other Common Shares of the Resident Holder held as capital property immediately before that time.

Taxation of Capital Gains and Capital Losses

Generally, a Resident Holder will be required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized by it in that year. A Resident Holder will generally be required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses in excess of taxable capital gains for a taxation year may be carried back to any of the three preceding taxation years or carried forward to any subsequent taxation year and deducted against net taxable capital gains realized in such years, subject to the detailed rules contained in the Tax Act.

A capital loss realized on the disposition of a Common Share by a Resident Holder that is a corporation may, to the extent and under the circumstances specified by the Tax Act, be reduced by the amount of dividends received or deemed to have been received by the corporation on such shares (or on a share for which such share is substituted or exchanged). Similar rules may apply where shares are owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own advisors.

Alternative Minimum Tax on Resident Holders who are Individuals

A capital gain realized, or a dividend received, by a Resident Holder who is an individual (including certain trusts and estates) may give rise to liability for alternative minimum tax under the Tax Act.

Additional Refundable Tax on Canadian-Controlled Private Corporations

A Resident Holder that is a "Canadian-controlled private corporation" as defined in the Tax Act may be required to pay an additional $10\frac{2}{3}$% refundable tax on certain investment income, including certain amounts in respect of net taxable capital gains and dividends not deductible in computing taxable income (subject to proration for taxation years beginning before 2016).

Eligibility for Investment

Purchase Rights and Common Shares will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan, registered education savings plan, registered disability savings plan or a tax-free savings account (a "**TFSA**") (collectively "**Plans**"), at any particular time, provided that, at that time, the Purchase Rights and Common Shares, as applicable, are listed on a "designated stock exchange" (which currently includes the TSX and the TSXV). The Purchase Rights will also be a qualified investment for Plans if the Common Shares are listed on a designated stock exchange and the Purchase Rights are not listed on a designated stock exchange, provided Yamana is not a "connected person" under the Plan. A "connected person" is, in relation to a Plan, a person who is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the Plan as well as any other person who does not deal at arm's length with that person.

Notwithstanding the foregoing, if the Purchase Rights or Common Shares are a "prohibited investment" for the purposes of an RRSP, RRIF or TFSA, the annuitant of such RRSP or RRIF or the holder of the TFSA, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Purchase Rights and Common Shares will not be a prohibited investment for an, RRSP, RRIF or TFSA provided the annuitant or the holder thereof, as the case may be, (i) deals at arm's length with Brio for purposes of the Tax Act, and (ii) does not have a "significant interest" (as defined in subsection 207.01(4) of the Tax Act) in Brio. In addition, the Common Shares will not be a "prohibited investment" for an RRSP, RRIF or TFSA if such shares are "excluded property" as defined in the Tax Act for trusts governed by such RRSP, RRIF or TFSA. Resident Holders who intend to hold Purchase Rights or Common Shares in an RRSP, RRIF or TFSA are advised to consult their own tax advisors.

Holders Not Resident in Canada

The following portion of the summary applies to a Holder who at all relevant times, for the purposes of the Tax Act: (i) is not and is not deemed to be resident in Canada; and (ii) does not and will not use or hold, and is not and will not be deemed to use or hold, Purchase Rights and Common Shares in connection with carrying on a business in Canada (a "**Non-Resident Holder**"). This portion of the summary is not applicable to a Non-Resident Holder that is an insurer carrying on an insurance business in Canada and elsewhere.

Dividend in-Kind – Distribution of Purchase Rights by Yamana and Dividends on Common Shares

The fair market value of Purchase Rights distributed to a Non-Resident Holder, determined at the time of receipt of such Purchase Rights by the Non-Resident Holder, will be a dividend paid to such Holder.

Holders will be advised following the record date for the dividend in-kind of Yamana's determination of the fair market value of the Purchase Rights and the resulting amount of the dividend in-kind. Such determination is not binding on the CRA or any Holder.

Dividends paid or credited, or deemed to be paid or credited, to Non-Resident Holders, including the dividend in-kind of the distribution of the Purchase Rights, generally will be subject to Canadian withholding tax at a rate of 25% of the gross amount of the dividend, unless the rate is reduced under the provisions of an applicable income tax treaty or convention. The rate of withholding tax under the *Canada-U.S. Income Tax Convention* (the "**Treaty**"), as amended, applicable to a Non-Resident Holder, who is a resident of the United States for the purposes of the Treaty, is the beneficial owner of the dividend and is entitled to all of the benefits under the Treaty generally will be reduced to 15% (or to 5% for a company that holds at least 10% of the voting stock of the corporation paying the dividend).

Yamana will withhold a portion of the Purchase Rights otherwise deliverable to Non-Resident Holders and arrange for the sale of such Purchase Rights on behalf of the Non-Resident Holders to satisfy the withholding requirements relating to the distribution of the Purchase Rights to Non-Resident Holders.

The cost to a Non-Resident Holder of Purchase Rights received in payment of the dividend in-kind will be equal to the fair market value of such Purchase Rights, determined at the time of receipt of such Purchase Rights by the Non-Resident Holder.

Exercise of Purchase Rights

The exercise of Purchase Rights is not a disposition for purposes of computing income under the Tax Act and, consequently, no gain or loss will be realized on the exercise of Purchase Rights. The cost of a Common Share acquired on the exercise of a Purchase Right will be equal to the aggregate of the amount paid to acquire such Common Share and the adjusted cost base of the Purchase Right. In calculating the adjusted cost base to a Non-Resident Holder of any Common Shares at a particular time, the cost of Common Shares acquired on the exercise of Purchase Rights must be averaged with the adjusted cost base of all other Common Shares of the Non-Resident Holder held as capital property immediately before that time.

Expiry of Purchase Rights

The expiry of an unexercised Purchase Right will not result in any Canadian federal income tax consequences to a Non-Resident Holder provided the Purchase Right does not constitute "taxable Canadian property". See discussion in "*Holders Not Resident in Canada – Disposition of Purchase Rights and Common Shares*".

Disposition of Purchase Rights and Common Shares

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition of Purchase Rights or Common Shares, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Purchase Rights or Common Shares disposed of constitute "taxable Canadian property" of the Non-Resident Holder and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention.

Provided the Common Shares are listed on a "designated stock exchange", as defined in the Tax Act (which currently includes the TSX and the TSXV), at the time of disposition, the Purchase Rights and Common Shares generally will not constitute taxable Canadian property of a Non-Resident Holder at that time, unless, at any time in the 60 month period preceding the disposition the following two conditions were met concurrently: (a) 25% or more of the issued shares of any class of the capital stock of Brio were owned by any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder did not deal at arm's length and (iii) partnerships in which persons referred to in (i) or (ii) hold a membership interest (directly or indirectly through one or more partnerships); and (b) more than 50% of the fair market value of the Common Shares was derived from, directly or indirectly, any combination of (i) real or immovable property situated in Canada, (ii) "Canadian resource properties" (as defined in the Tax Act), (iii) "timber resource properties" (as defined in the Tax Act), and (iv) options in respect of, or interests in, or for civil law rights in, property described in (i) to (iii), whether or not such property exists. If the Purchase Rights or Common Shares constitute taxable Canadian property, a capital gain realized on the disposition of such securities may be exempt from tax in Canada under the terms of a tax treaty or convention between Canada and the country of residence of the Non-Resident Holder. Notwithstanding the foregoing, a Purchase Right or Common Share may otherwise be deemed to be taxable Canadian property to a Non-Resident Holder for purposes of the Tax Act.

In the case of a Non-Resident Holder that is a resident of the United States for purposes of the Treaty and that is entitled to benefits thereof, any gain realized by the Non-Resident Holder that would otherwise be subject to tax under the Tax Act on a disposition of Purchase Rights will generally be exempt from tax pursuant to the Treaty and in the case of the Common Shares, will generally be exempt pursuant to the Treaty provided that the value of such shares is not derived principally from real property situated in Canada at the time of disposition.

In circumstances where a Purchase Right or Common Share is, or is deemed to be, taxable Canadian property of the Non-Resident Holder, any capital gain that would be realized on the disposition of such Purchase Right or Common Share that is not exempt from tax under the Tax Act pursuant to an applicable income tax treaty or convention generally will be subject to the same Canadian tax consequences discussed above for a Resident Holder. Such holders should consult their tax advisors about their particular circumstances.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Purchase Rights and the Common Shares into which the Purchase Rights may be converted by U.S. Holders, as defined below, that acquire the Purchase Rights pursuant to this Offering. This discussion is not a complete analysis or listing of all of the possible tax consequences of such transactions and does not address all tax considerations that might be relevant to particular beneficial owners of the Purchase Rights or Common Shares in light of their personal circumstances or to persons that are subject to special tax rules. In particular, this description of the material U.S. federal income tax consequences does not address the tax treatment of special classes of beneficial owners of the Purchase Rights or Common Shares, such as:

- financial institutions;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt entities;
- insurance companies;
- persons that do not hold the Purchase Rights and Common Shares into which the Purchase Rights can be converted as capital assets, within the meaning of Section 1221 of the Code;
- persons that own, have owned or will own (directly, indirectly, or by attribution) 10% or more of the total combined voting power of Yamana outstanding common shares or that would own 10% or more of the total combined voting power of the Company after the exercise of the Purchase Rights to purchase Common Shares;
- U.S. expatriates;
- dealers or traders in securities; or
- U.S. Holders whose functional currency is not the U.S. dollar.

This summary does not address the alternative minimum tax, U.S. federal estate and gift tax consequences or tax consequences under any state, local or non-U.S. laws.

For purposes of this discussion, a person is a “U.S. Holder” if it is a beneficial owner of the Purchase Rights (or the Common Shares into which the Purchase Rights may be converted) that is: (1) an individual citizen or resident alien of the United States for U.S. federal income tax purposes; (2) a corporation, or any entity treated as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof, or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust (A) if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a partnership or other entity treated as a partnership for U.S. federal income tax purposes is a beneficial owner of the Purchase Rights or Common Shares, the U.S. federal income tax consequences to the partners will generally depend upon the status of the partners and the activities of the entity. Partners of a partnership or other pass-through entity that acquires Purchase Rights are urged to consult with their tax advisors regarding the tax consequences of acquiring, owning and disposing of Purchase Rights and the Common Shares into which the Purchase Rights may be converted.

The following discussion is based on the Code, U.S. judicial decisions, administrative pronouncements and existing and proposed Treasury Regulations, all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below. The Company has not requested, and will not request, a ruling or other guidance from the U.S. Internal Revenue Service (the "**IRS**") with respect to any of the U.S. federal income tax consequences described below, and as a result there can be no assurance that the IRS will not disagree with or challenge any of the conclusions described herein.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any beneficial owner or prospective beneficial owner of the Purchase Rights or the Common Shares and no opinion or representation with respect to the U.S. federal income tax consequences to any such beneficial owner or prospective beneficial owner is given. Prospective purchasers are urged to consult their tax advisors as to the particular consequences to them under U.S. federal, state and local, and any applicable non-U.S., tax laws of the acquisition, ownership and disposition of the Purchase Rights and the Common Shares into which the Purchase Rights may be converted.

Ownership of Purchase Rights

Distribution of Purchase Rights to Yamana Shareholders

Subject to the discussion of the passive foreign investment company ("**PFIC**") rules below, U.S. Holders that acquire the Purchase Rights pursuant to the Plan of Distribution will be treated as receiving a distribution equal to the fair market value of the Purchase Rights at the date of the distribution. Such distribution generally will be taxable as dividend to the extent of Yamana's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Distributions in excess of current or accumulated earnings and profits will be treated first as a non-taxable return of capital reducing such U.S. Holder's tax basis in the Yamana Shares. Any distribution in excess of such tax basis will be treated as capital gain and will be either long-term or short-term capital gain depending upon whether the U.S. Holder held the Yamana Shares for more than one year.

Dividend received on Yamana Shares by corporate U.S. Holders generally will not be eligible for the "dividends received deduction." Provided that Yamana are eligible for the benefits of the Canada-U.S. Tax Convention or Yamana Shares are "readily tradable" on a U.S. securities market, dividends paid by Yamana to non-corporate U.S. Holders generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that Yamana is not classified as a PFIC (as defined herein) in the tax year of distribution or in the preceding tax year.

Sale, Other Taxable Disposition or Expiration of Purchase Rights

Upon the sale, other taxable disposition or expiration of a Purchase Right a U.S. Holder will recognize gain or loss equal to the difference between the U.S. Holder's amount realized and the tax basis in the Purchase Right. The amount realized is the sum of cash plus the fair market value of any property, which includes foreign currency, received. The U.S. Holder's adjusted tax basis in a Purchase Right is the fair market value of the Purchase Right at the date of the distribution of the Purchase Right to such U.S. Holder. Subject to the PFIC rules discussed below, gain or loss recognized upon the sale, other taxable disposition or expiration of a Purchase Right will generally be short-term capital gain or loss. The deductibility of capital losses is subject to limitations.

U.S. Federal Income Tax Consequences of Exercise of Purchase Rights

A U.S. Holder's tax basis in the Common Share received by such U.S. Holder upon the exercise of a Purchase Right will be an amount equal to the sum of the U.S. Holder's adjusted basis in the Purchase Right plus the Subscription Price. The U.S. Holder's holding period for the Common Shares received upon exercise of a Purchase Right will begin on the date following the date of exercise of the Purchase Right and will not include the period during which the U.S. Holder held the Purchase Right.

Ownership of Common Shares

The following discussion is subject in its entirety to the rules described below under the heading "-*Passive Foreign Investment Company Rules*."

Distribution on Common Shares

Distributions paid on Common Shares received upon the exercise of a Purchase Right will be treated as dividends to the extent paid out of the Company's current or accumulated earnings and profits (as determined under U.S. federal income tax principles) and will be includible in income by a U.S. Holder when received. If a distribution exceeds the Company's current and accumulated earnings and profits, the excess will be treated as a tax-free return of the capital up to the U.S. Holder's tax basis in the Common Shares. Any remaining excess distribution generally will be treated as capital gain. However, the Company may not maintain the calculations of its earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder may have to assume that any distribution with respect to the Common Shares will constitute ordinary dividend income.

Dividends received on Common Shares by corporate U.S. Holders generally will not be eligible for the "dividends received deduction." Provided that the Company is eligible for the benefits of the Canada-U.S. Tax Convention or the Common Shares are "readily tradable" on a U.S. securities market, dividends paid to non-corporate U.S. Holders generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that the Company is not classified as a PFIC in the tax year of distribution or in the preceding tax year.

Sale or Other Taxable Disposition of Common Shares

A U.S. Holder will generally recognize capital gain or loss upon the sale or other taxable disposition of Common Shares in an amount equal to the difference between the U.S. Holder's tax basis in the Common Shares disposed of and the amount realized on the disposition. Gain or loss realized by a U.S. Holder on the sale or other taxable disposition of Common Shares will be capital gain or loss for U.S. federal income tax purposes, and will be long-term capital gain or loss if the U.S. Holder's holding period for the common shares is more than one year. In the case of a non-corporate U.S. Holder, long-term capital gains will be subject to reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Passive Foreign Investment Company Rules

Special U.S. federal income tax rules apply to U.S. persons owning stock of a PFIC. A foreign corporation generally will be considered a PFIC for any taxable year in which (i) 75% or more of its gross income is passive income, or (ii) 50% or more of the average value of its assets are considered "passive assets" (generally, assets that generate passive income). For this purpose, "passive income" generally includes, among other things, interest, dividends, rents, royalties, certain gains from the sale of stock and securities and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all of a non-U.S. corporation's commodities are stock in trade or inventory, depreciable property used in a trade or business, or supplies regularly used or consumed in the ordinary course of a trade or business. Based on the nature of their income, assets and activities, neither Yamana nor the Company believe that it was a PFIC for the taxable year ended December 31, 2015 and neither expects that it will be a PFIC for the current taxable year. However, PFIC classification is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question, and is determined annually. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations and uncertainty. Consequently, there can be no assurance that Brio Gold or Yamana are not and will not become a PFIC for any future tax year.

If Yamana or the Company were classified as a PFIC for any year during which a U.S. Holder held Yamana Shares, the Purchase Rights or Common Shares, a U.S. Holder may be subject to special adverse rules with respect to "excess distribution" or gain from the disposition of a Purchase Right or Common Shares. An excess distribution generally is defined as the excess of distributions received on shares of stock, which will include the distribution of Purchase Rights to Yamana Shareholders and any distributions on Common Shares, in any taxable year over 125% of the average annual distributions received by such holder during the three preceding taxable years or, if shorter, during such holder's holding period for such shares. Generally, a U.S. Holder would be required to allocate any excess distribution or gain from the disposition of the Purchase Rights or the Common Shares ratably over its holding period. For purposes of the PFIC rules, a U.S. Holder's holding period for the Common Shares will include such U.S. Holder's holding period for the Purchase Rights which were exercised to purchase such Common Shares. Amounts allocated to the year of the disposition or excess distribution would be taxed as ordinary income, and amounts allocated to prior tax years would be taxed at the highest tax rate in effect for each such year and an interest charge at a rate applicable to underpayments of tax would apply. A U.S. Holder may make an election to mitigate these adverse tax consequences (including the "QEF Election" under Section 1295 of the Code and the "Mark-to-Market Election" under Section 1296 of the Code). However, these elections will not be available to U.S. Holders prior to the exercise of the Purchase Right to purchase Common Shares, and as a result these elections may not fully mitigate adverse tax consequences with respect to any portion of excess distribution on or gain from disposition of Common Shares or Purchase Rights that is allocated to periods prior to the exercise of the Purchase Rights. Furthermore, neither Yamana nor the Company can provide any assurances that it will satisfy the record keeping requirements or make available to U.S. Holders the information such U.S. Holders require to make a QEF Election with respect to Common Shares or Yamana Shares.

U.S. Holders are urged to consult their own tax advisors regarding the potential application of the PFIC rules to the ownership and disposition of the Purchase Rights or Common Shares or the Yamana Shares, and the availability of certain U.S. tax elections under the PFIC rules.

Additional Considerations Applicable to Purchase Rights and Common Shares

Foreign Tax Credit

In general, any Canadian withholding tax imposed on dividend payments in respect of the Common Shares or Yamana Shares will be treated as a foreign income tax eligible for credit against a U.S. Holder's U.S. federal income tax liability (or, at a U.S. Holder's election, may, in certain circumstances, be deducted in computing taxable income). Dividends paid on the Common Shares or Yamana Shares will be treated as foreign-source income, and generally will be treated as "passive category income" for U.S. foreign tax credit purposes. The Code applies various complex limitations on the amount of foreign taxes that may be claimed as a credit by U.S. taxpayers. U.S. Holders are urged to consult their own tax advisors with respect to the amount of foreign taxes that can be claimed as a credit.

Receipt of foreign currency

The amount of any distribution on the Common Shares paid to a U.S. Holder in foreign currency, or proceeds on the sale, exchange or other taxable disposition of the Purchase Rights or the Common Shares paid to a U.S. Holder in foreign currency, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt, regardless of whether such foreign currency is converted into U.S. dollars at that time. A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders that use the accrual method of tax accounting. U.S. Holders are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Net investment income tax

An additional 3.8% tax is imposed on the "net investment income" of certain U.S. Holders who are individuals, estates or trusts. Among other items, "net investment income" generally includes gross income from dividends and certain net gains from sales or other taxable dispositions of Purchase Rights or Common Shares. Special rules apply to PFICs. U.S. Holders are urged to consult their tax advisors with respect to this tax and its applicability in their particular circumstances to income and gains in respect of an investment in the Purchase Rights or the Common Shares.

Backup withholding and information reporting

In general, information reporting will apply to payments made through a U.S. paying agent or U.S. intermediary to a U.S. Holder other than certain exempt recipients, such as corporations. In the event that a U.S. Holder fails to provide any such required form, the U.S. Holder could be subject to significant penalties. In general, payments to U.S. Holders may be subject to backup withholding, at a rate of 28%, if the U.S. Holder fails to provide its taxpayer identification number or otherwise comply with the backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld from payments to a U.S. Holder under the backup withholding rules will be allowed as a credit against such U.S. Holder's U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided the required information is timely furnished to the IRS. Each U.S. Holder is urged to consult its own tax advisor regarding the information reporting and backup withholding tax rules.

Owners of "specified foreign financial assets" with an aggregate value in excess of $50,000 (and in some circumstances, a higher threshold), may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" generally include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. U.S. Holders are urged to consult their own tax advisors regarding this legislation and any other information reporting that may be required in connection with their ownership of Purchase Rights and/or Common Shares.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the Company's knowledge, there are no legal proceedings or regulatory actions material to the Company to which it is a party, or has been a party to, or of which any of its property is the subject matter of, or was the subject matter of, since the beginning of the financial year ended December 31, 2015, and no such proceedings or actions are known by the Company to be contemplated.

There have been no penalties or sanctions imposed against the Company by a court or regulatory authority, and the Company has not entered into any settlement agreements before any court relating to provincial or territorial securities legislation or with any securities regulatory authority, as of the date hereof or since its incorporation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this prospectus, no director, executive officer or shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued Common Shares, or any of their respective associates or affiliates, has any material interest, direct or indirect, in any transaction which has materially affected or which is reasonably expected to materially affect the Company since the Company was incorporated.

See "*Certain Relationships and Related Party Transaction – Agreements with Yamana*" for a discussion of certain agreements which Yamana and the Company intend to enter into in connection with and upon closing of the Offering.

MATERIAL CONTRACTS

Except for material contracts entered into in the ordinary course of business, the Yamana Investor Rights Agreement is the only material contract entered into since the date of the Company's incorporation, which still remains in effect and is material to the Company. See "*Certain Relationships and Related Party Transactions – Yamana Investor Rights Agreement*". A copy the Yamana Investor Rights Agreement will be filed with the Canadian securities regulatory authorities and will be available for review under the Company's profile on SEDAR at www.sedar.com.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Company's auditor is Deloitte LLP, Chartered Professional Accountants, having an address at 2800 – 1055 Dunsmuir Street, 4 Bentall Centre, Vancouver, British Columbia V7X 1P4. The Brio Audited Financial Statements as at and for the year ended December 31, 2015 and as at and for the period ended December 31, 2014 from July 11, 2014, the date of the Company's incorporation, and the Company's Audited Carve-Out Combined Financial Statements as at December 31, 2015, 2014 and 2013 and for the years ended December 31, 2015, 2014 and 2013 included in this prospectus have been audited by Deloitte LLP, Chartered Professional Accountants, as stated in their reports appearing herein.

The MRDM Audited financial statements as at December 31, 2015 and 2014 and for each of the two years then ended, and Audited financial statements as at December 31, 2014 and 2013 and for each of the two years then ended included in this prospectus have been audited by PricewaterhouseCoopers Auditores Independentes, having an address at Rua dos Inconfidentes 911, 17º e 18º, Belo Horizonte, MG, Brasil 30140-128, Caixa Postal 289, as stated in their report appearing herein. Their reports with respect thereto contain emphasis of matter paragraphs related to MRDM having incurred recurring losses, and that MRDM's current liabilities exceeded its current assets by US$295,074,298 at December 31, 2015 and by US$221,966,239 at December 31, 2014, which together with the other matters described in Note 1 to these financial statements, raises a significant doubt about the ability of MRDM to continue as a going concern.

The transfer agent and registrar for the Common Shares on closing of the Offering is expected to be CST Trust Company, at its principal office in Toronto, Ontario.

PROMOTER

Yamana may be considered a promoter of the Company within the meaning of applicable Canadian securities laws. To the knowledge of the Company, as of the date of this prospectus, Yamana beneficially owns, controls or directs, directly or indirectly, 112,527,429 Common Shares, representing 100% of the issued and outstanding Common Shares. Upon completion of the Offering (assuming all Purchase Rights are exercised) and the Additional Distribution, Yamana will hold approximately 46.3% of the issued and outstanding Common Shares, or approximately 44% on a fully diluted basis. Yamana and the Company intend to enter into certain agreements in connection with and upon closing of the Offering, as applicable. See "*Certain Relationships and Related Party Transaction – Agreements with Yamana*".

EXPERTS

The Fazenda Brasileiro Technical Report and the Pilar Technical Report were prepared by or under the supervision of Chester M. Moore, P.Eng., Robert L. Michaud, P.Eng. and Andrew P. Hampton, P.Eng., all of RPA and each of whom are qualified persons pursuant to NI 43-101. The Santa Luz Technical Report was prepared by or under the supervision of Stuart E. Collins, P.E., Mark Mathison, C.P.G., Hugo Miranda, MBA, ChMC (RM) and Jeffrey Bowen, MAusIMM (CP) and each of whom are qualified persons pursuant to NI 43 101. The RDM Mine Technical Report was prepared by or under the supervision of Kathleen Ann Altman, Ph.D., P.E., Stuart E. Collins, P.E. and Mark B. Mathisen, C.P.G., all of RPA and each of whom are qualified persons pursuant to NI 43-101. Copies of the Technical Reports are available electronically on SEDAR at www.sedar.com. See "*Scientific and Technical Information*".

The above persons and RPA held no securities of the Company or of any associate or affiliate of the Company when they prepared the reports or the Mineral Resource or Mineral Reserve estimates referred to, or following the preparation of such reports or data, and either did not receive any direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of such reports or data.

None of the above persons nor RPA, nor any director, officers or employees of RPA, are currently or are expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

Deloitte LLP has advised the Company that they are independent of the Company within the meaning of the rules of Professional Conduct of the Chartered Professional Accountants of British Columbia. PricewaterhouseCoopers Auditores Independentes has advised the Company that they are independent of MRDM in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of Conselho Regional de Contabilidade.

The matters referred to under "*Eligibility for Investment*" have been passed upon by Cassels Brock & Blackwell LLP on behalf of the Company and Yamana and by Norton Rose Fulbright Canada LLP on behalf of the Managing Dealers. Certain other legal matters related to the Offering have been passed upon by Cassels Brock & Blackwell LLP and Paul, Weiss Rifkind, Wharton & Garrison LLP on behalf of the Company and Yamana and by Norton Rose Fulbright Canada LLP on behalf of the Managing Dealers. To the best of the Company's knowledge, after reasonable inquiry, as of the date of this prospectus, the aforementioned partnerships (and their partners and associates) do not beneficially own, directly or indirectly, any of the outstanding Common Shares.

PURCHASERS' STATUTORY RIGHTS OF RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if this prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

STATUTORY RIGHT OF ACTION FOR SECONDARY MARKET DISCLOSURE

Investors are advised that Yamana will file a material change report (the "**Yamana MCR**") on SEDAR in respect of the Offering prior to the distribution and trading on the TSX of the Purchase Rights. The Yamana MCR will contain information with respect to the Offering and the Purchase Rights consistent with the disclosure in this prospectus and that is intended to: (i) assist Holders of Purchase Rights in making an informed investment decision with respect to holding, trading or exercising the Purchase Rights, (ii) assist Yamana Shareholders in understanding the impact of such investment decision on their holdings in Yamana, and (iii) assist Holders of Purchase Rights in understanding how to trade or exercise the Purchase Rights. To the extent that such Yamana MCR contains a misrepresentation, a person or company that acquires or trades

Purchase Rights during the period from the time that the Yamana MCR is filed on SEDAR until such time as the misrepresentation is publicly corrected by Yamana will have a right of action for damages under the secondary market liability provisions of applicable securities legislation in the Holder's province or territory against Yamana, the directors of Yamana, and any officer of Yamana who authorized, permitted or acquiesced in the filing of the Yamana MCR. Holders of Purchase Rights should refer to any applicable provisions of the securities legislation of the Holder's province or territory for particulars of these rights or consult with a legal advisor.

INDEX TO FINANCIAL STATEMENTS

BrioGold

CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2015 AND 2014 AND FOR THE YEAR ENDED DECEMBER 31, 2015 AND FOR THE PERIOD FROM THE DATE OF INCORPORATION, JULY 11, 2014, TO DECEMBER 31, 2014

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Independent Auditor's Report

To the Board of Directors of Brio Gold Inc.

We have audited the accompanying consolidated financial statements of Brio Gold Inc., which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014, and the consolidated statements of operations, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2015 and for the period from the date of incorporation July 11, 2014, to December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Brio Gold Inc. as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the year ended December 31, 2015 and for the period from the date of incorporation July 11, 2014, to December 31, 2014 in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
November 17, 2016
Vancouver, Canada

BRIO GOLD INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31,	For the period from the date of incorporation, July 11, 2014 to December 31,
(In thousands of United States Dollars)	**2015**	**2014**
Sales to related party *(Note 26)*	**$ 82,678**	$ —
Cost of sales excluding depletion, depreciation and amortization *(Note 15)*	**(51,862)**	—
Gross margin excluding depletion, depreciation and amortization	**30,816**	—
Depletion, depreciation and amortization	**(30,271)**	—
Impairment of mineral properties *(Note 10)*	**(12,698)**	—
Mine operating earnings	**(12,153)**	—
Expenses		
General and administrative	**(11,539)**	(115)
Exploration and evaluation	**(583)**	—
Impairment of non-operating mineral properties (Note 10)	**(7,330)**	—
Other operating expenses *(Note 17)*	**(4,389)**	—
Operating loss	**(35,994)**	(115)
Foreign exchange (loss) /gain	**(4,624)**	1
Finance expense *(Note 18)*	**(1,116)**	—
Loss before income taxes	**(41,734)**	(114)
Income tax expense *(Note 20)*	**(17,034)**	—
Net loss	**(58,768)**	(114)
Other comprehensive loss, net of taxes	**—**	—
Total comprehensive loss	**$ (58,768)**	$ (114)
Weighted average number of shares outstanding *(Note 21)*	**15,773,980**	25
Net loss per share (basic and diluted) *(Note 21)*	**$ (3.73)**	$ (4,560.00)

The accompanying notes are an integral part of the consolidated financial statements.

BRIO GOLD INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the year ended December 31,		For the period from the date of incorporation, July 11, 2014 to December 31,
(In thousands of United States Dollars)		**2015**		**2014**
Operating activities				
Loss before income tax expense	**$**	**(41,734)**	$	(114)
Adjustments to reconcile loss before income taxes to net operating cash flows:				
Depletion, depreciation and amortization		**30,271**		—
Foreign exchange losses		**4,624**		—
Finance expense *(Note 18)*		**1,118**		—
Impairment of mineral properties *(Note 10)*		**20,028**		—
Other non-cash operating expenses *(Note 22 b)*		**7,028**		—
Decommissioning, restoration and similar liabilities paid *(Note 13)*		**(205)**		—
Income taxes paid		**(480)**		—
Cash flows from operating activities before net change in working capital	**$**	**20,650**	$	(114)
Net change in working capital *(Note 22 a)*		**(4,238)**		113
Cash flows from operating activities	**$**	**16,412**	$	(1)
Investing activities				
Acquisition of assets and liabilities from Yamana Gold Inc. *(Note 5)*	**$**	**(370,844)**	$	—
Acquisition of property, plant and equipment		**(16,545)**		—
Cash flows used in investing activities	**$**	**(387,389)**	$	—
Financing activities				
Share issuances to Yamana Gold Inc. *(Note 14)*	**$**	**367,749**	$	1
Receipt of loan from Yamana *(Note 12)*		**8,149**		—
Cash flows from financing activities	**$**	**375,898**	$	1
Effect of foreign exchange on cash		**(955)**		
Increase in cash and cash at end of year	**$**	**3,966**	$	—

The accompanying notes are an integral part of the consolidated financial statements.

BRIO GOLD INC.
CONSOLIDATED BALANCE SHEETS

(In thousands of United States Dollars)		As at December 31, 2015		As at December 31, 2014
Assets				
Current assets:				
Cash	**$**	**3,966**	$	—
Trade and other receivables *(Note 7)*		**6,921**		—
Inventories *(Note 8)*		**24,180**		—
Other current assets *(Note 9)*		**6,800**		—
		41,867		—
Non-current assets:				
Property, plant and equipment *(Note 10)*		**428,129**		—
Other non-current assets *(Note 9)*		**10,186**		
Total assets	**$**	**480,182**	$	—
Liabilities				
Current liabilities:				
Trade and other payables *(Note 11)*	**$**	**32,676**	$	113
Income taxes payable		**2,220**		—
Other provisions and liabilities *(Note 12)*		**11,733**		—
		46,629		**113**
Non-current liabilities:				
Decommissioning, restoration and similar liabilities *(Note 13)*		**20,919**		—
Deferred income tax liabilities *(Note 20 B)*		**39,004**		—
Other non-current provisions and liabilities *(Note 12)*		**1,363**		—
Total liabilities		**107,915**		113
Equity				
Share capital *(Note 14)*		**367,750**		1
Reserve		**63,399**		—
Retained earnings		**(58,882)**		(114)
Total equity		**372,267**		(113)
Total equity and liabilities	**$**	**480,182**	$	—

Contractual commitments, contingencies and related parties *(Notes 24, 25 and 26)*.
The accompanying notes are an integral part of the consolidated financial statements.

BRIO GOLD INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of United States Dollars,	Share capital	Reserve	Deficit	Total equity
Share issuance on incorporation	$ 1	$ —	$ —	$ 1
Net loss	—	—	(114)	(114)
Balance as at December 31, 2014	**$ 1**	**$ —**	**$ (114)**	**$ (113)**
Balance at January 1, 2015	**$ 1**	**$ —**	**$ (114)**	**$ (113)**
Net loss	—	—	(58,768)	(58,768)
Transactions with owners:				
Issued for cash and acquisition of mining assets	367,749	58,754	—	426,503
Restricted share units	—	4,645	—	4,645
Balance as at December 31, 2015	**$ 367,750**	**$ 63,399**	**$ (58,882)**	**$ 372,267**

The accompanying notes are an integral part of the consolidated financial statements.

1. NATURE OF OPERATIONS

Brio Gold Inc. (the "Company" or "Brio") has a registered office at 200 Bay Street, Suite 2200, RBC Plaza North Tower Toronto, Ontario, Canada, M5J 2J3, is a privately held corporation.

The Company is a subsidiary of Yamana Gold Inc. ("Yamana"), whose shares are listed in the Toronto Stock Exchange and New York Stock Exchange.

The Company was established on July 11, 2014 and is engaged in the mining and sale of gold, including exploration, extraction, processing, and mine reclamation. The Company depends on its parent company and other Yamana Group companies for financing and administrative and governance structures provided by those companies.

The Company operates in Brazil and holds three principle mining assets; Pilar, Mineração Fazenda Brasileiro and C1 Santa Luz. Commercial production started in October 2014 for Pilar and over 25 years ago for Mineração Fazenda Brasileiro. Prior to being acquired by Brio, the C1 Santa Luz mine began commissioning in June 2013, however lower than expected gold recoveries were experienced because of significant carbon content in the ore. After careful review and extensive efforts to improve dilution and recovery rates from the carbon - leach circuit, commissioning of the C1 Santa Luz mine ceased in the third quarter of 2014 and was put into "care and maintenance", while various alternative metallurgical processes were evaluated for achieving improved recovery content of the ore.

The Company's cash flows, as well as its profitability, are affected by several factors, such as production output, its ability to extract minerals from rocks, gold content actually extracted, environmental and mine reclamation costs, gold prices, interest rates, and foreign exchange fluctuations. Even though the Company seeks to constantly manage the risks related to these factors, many of them are volatile and driven by market conditions; therefore, the Company's operations are exposed to these uncertainties.

2. BASIS OF PREPARATION AND PRESENTATION

Statement of compliance

These annual consolidated financial statements have been prepared by management in compliance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared in accordance with the following significant accounting policies, which have been applied consistently to all periods presented.

The Consolidated Financial Statements have been prepared on a going concern basis using historical cost.

The Consolidated Financial Statements are in United States Dollars, which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated.

These Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on November 15, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies summarized below have been applied consistently in all material respects in preparing the consolidated financial statements.

(a) Basis of Consolidation

The Consolidated Financial Statements include the financial statements of Brio Gold Inc. and the following significant entities:

		Interest
	Country of incorporation	December 31, 2015
Fazenda Brasileiro Desenvolvimento Mineral Ltda. *(i)*	Brazil	**100%**
Pilar de Goias Desenvolvimento Mineral S.A *(ii)*	Brazil	**100%**
Santa Luz Desenvolvimento Mineral LTDA *(i)*	Brazil	**100%**
Brio Gold Mineracao S.A	Brazil	**100%**
Brazil Holdings Cooperatie U.A	Netherlands	**100%**
Fazenda Holdings BV	Netherlands	**100%**
C1 Holdings BV	Netherlands	**100%**
Pilar Holdings BV	Netherlands	**100%**
Brio Gold Inc.	Canada	**100%**
2426271 Ontario Inc.	Canada	**100%**
Brio Gold USA Inc.	Canada	**100%**

(i) These subsidiaries were formerly held by Yamana and held the Minera Fazenda Brasileiro mine and the C1 Santa Luz mine (See Note 5)
(ii) This subsidiary received the assets and liabilities of the Pilar mine (See note 5)

The Company does not have any material off-balance sheet arrangements, except as noted in Contractual Commitments (*Note 24)*.

(b) Foreign Currency Translation

The Company's mining operations operate primarily within an economic environment where the functional currency is the United States dollar. Transactions in foreign currencies are translated to the functional currency at exchange rates in effect at the dates of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the United States dollar are translated into United States dollars at the exchange rate prevailing as at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenue and expenses are translated at the average exchange rates prevailing during the month, with the exception of depletion, depreciation and amortization which is translated at historical exchange rates. Exchange gains and losses from translation are included in earnings. Foreign exchange gains and losses and interest and penalties related to tax, if any, are reported within the income tax expense line.

(c) Operating Segments

The Company’s Chief Operating Decision Maker ("CODM"), comprised of the senior management team, performs planning, reviews operation results, assesses performance and makes resource allocation decisions based on the segment structure described in Note 23 at an operational level on a number of measures, which include mine operating earnings, production levels and unit production costs. The Company's CODM also relies on a management team with its members positioned in the geographical regions where the Company's key mining operations are located. Segment results that are reported to the Company's CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(d) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss (“FVTPL”), loans and receivables or other financial liabilities.

Loan and receivables, other financial liabilities are measured at amortized cost and are amortized using the effective interest method. At the end of each reporting period, the Company determines if there is objective evidence that an impairment loss on financial assets measured at amortized costs has been incurred. If objective evidence indicates that an impairment loss for such assets has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in profit or loss.

Financial assets and financial liabilities which are classified as FVTPL are measured at fair value with changes in those fair values recognized as finance income/expense.

(e) Revenue Recognition

Revenue from the sale of precious metals, gold and silver, is recognized at the fair value of the consideration received and when all significant risks and rewards of ownership pass to the purchaser, usually on the transfer of title, including delivery of the product, there is a fixed or determinable selling price and collectability is reasonably assured. Revenue is net of treatment and refining charges if payment of these amounts can be enforced at the time of sale.

(f) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of operations except to the extent it relates to items recognized directly in equity or in other comprehensive income (OCI), in which case the related taxes are recognized in equity or OCI.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, which may differ from earnings reported in the statement of operations due to items of income or expenses that are not currently taxable or deductible for tax purposes, using tax rates substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent they can be controlled and that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) Cash

Cash consists of cash on hand, cash on deposit with banks and banks term deposits with terms of less than 90 days from the date of acquisition.

(h) Inventories

Inventories consisting of product inventories, work-in-process (metal-in-circuit and gold-in-process) and ore stockpiles are valued at the lower of the cost of production and net realizable value. Net realizable value is calculated as the difference between estimated costs to complete production into a saleable form and the estimated future precious metal price based on prevailing and long-term metal prices.

The cost of production includes an appropriate proportion of depreciation and overhead. Work-in-process (metal-in-circuit and gold-in-process) represents inventories that are currently in the process of being converted to a saleable product. The assumptions used in the valuation of work-in-process inventories include estimates of metal contained and recoverable in the ore stacked on leach pads, the amount of metal stacked in the mill circuits that is expected to be recovered from the leach pads, the amount of gold in these mill circuits and an assumption of the precious metal price expected to be realized when the precious metal is recovered. If the cost of inventories is not recoverable due to decline in selling prices or increases in the costs of completion or the estimated costs to be incurred to make the sale, the Company would be required to write-down the recorded value of its work-in-process inventories to net realizable value.

Ore in stockpiles is comprised of ore extracted from the mine and available for further processing. Costs are added to ore in stockpiles at the current mining cost per tonne and removed at the accumulated average cost per tonne. Costs are added to ore on the heap leach pads based on current mining costs and removed from the heap leach pad as ounces are recovered in process at the plant based on the average cost per recoverable ounce on the heap leach pad. Although the quantities of recoverable gold placed on the heap leach pads are reconciled by comparing the grades of ore placed on the heap leach pads to the quantities of gold actually recovered, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As such, engineering estimates are refined based on actual results over time. Variances between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis. The ultimate recovery of gold from each heap leach pad will not be known until the leaching process is concluded.

Inventories of materials and supplies expected to be used in production are valued at the lower of cost and net realizable value. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of write-down is reversed. Write-downs of inventory and reversals of write-downs are reported as a component of current period costs.

(i) Property, Plant and Equipment

i. *Land, Building, Plant and Equipment*

Land, building, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. The cost is comprised of the asset's purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated decommissioning and restoration costs associated with the asset.

The depreciable amount of building, plant and equipment is amortized on a straight-line basis to the residual value of the asset over the lesser of mine life or estimated useful life of the asset. Each part of an item of building, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately if its useful life differs. Useful life of building, plant and equipment items range from two to fifteen years, but do not exceed the related estimated mine life based on proven and probable mineral reserves and the portion of mineral resources that management expects to become mineral reserves in the future and be economically extracted.

	Depreciation Method	Useful Life
Building	Straight Line	4 to 15 years
Machinery and equipment	Straight Line	2 to 7 years
Vehicles	Straight Line	3 to 5 years
Furniture and office equipment	Straight Line	2 to 10 years
Computer equipment and software	Straight Line	3 to 5 years
Land	Not depreciated	

The Company reviews the useful life, depreciation method, residual value and carrying value of its building, plant and equipment at least annually.

Expenditures that extend the useful lives of existing facilities or equipment are capitalized and amortized over the remaining useful lives of the assets. Repairs and maintenance expenditures are expensed as incurred.

ii. *Exploration, Evaluation Assets and Depletable Producing Properties*

The Company's tangible exploration and evaluation assets are comprised of mineral resources and exploration potential. The value associated with mineral resources and exploration potential is the value beyond proven and probable mineral reserves.

Exploration and evaluation assets acquired as part of an asset acquisition or a business combination are recorded as tangible exploration and evaluation assets and are capitalized at cost, which represents the fair value of the assets at the time of acquisition determined by estimating the fair value of the property's mineral reserves, mineral resources and exploration potential at such time.

The value of such assets when acquired is primarily a function of the nature and amount of mineralized material contained in such properties. Exploration and evaluation stage mineral interests represent interests in properties that potentially contain mineralized material consisting of measured, indicated and inferred mineral resources; other mine exploration potential such as inferred mineral resources not immediately adjacent to existing mineral reserves but located around and near mine or project areas; other mine-related exploration potential that is not part of measured, indicated and inferred mineral resources; and any acquired right to explore and develop a potential mineral deposit.

Exploration and evaluation expenditures incurred by the Company are capitalized at cost if management determines that probable future economic benefits will be generated as a result of the expenditures. Expenditures incurred before the Company has obtained legal rights to explore a specific area of interest are expensed. Costs incurred for general exploration that are either not project-specific or do not result in the acquisition of mineral properties are considered greenfield expenditures and charged to expense. Brownfield expenditures, which typically occur in areas surrounding known deposits and/or re-exploring older mines using new technologies to determine if greater mineral reserves and mineral resources exist, are capitalized. Brownfield activities are focused on the discovery of mineral reserves and mineral resources close to existing operations, including around mine or near-mine, reserve/resource extension and infill drilling.

Exploration expenditures include the costs incurred in either the initial exploration for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits.

Evaluation expenditures include the costs incurred to establish the technical feasibility and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of:

- acquiring the rights to explore;
- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable mineral reserve;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, pre-feasibility and final feasibility studies.

The values assigned to the tangible exploration and evaluation assets are carried at acquired costs until such time as the technical feasibility and commercial viability of extracting the mineral resource is demonstrated, which occurs when the related project or component of a mineral reserve or mineral resource that does not form part of the mine plan of a producing mine is considered economically feasible for development. At that time, the property and the related costs are reclassified as part of the development costs of a producing property not yet subject to depletion, and are capitalized. Assessment for impairment is conducted before reclassification.

Depletion or depreciation of those capitalized exploration and evaluation costs and development costs commences upon completion of commissioning of the associated project or component. Depletion of mining properties and amortization of preproduction and development costs are calculated and recorded on a unit-of-production basis over the estimate of recoverable ounces. The depletable costs relating to the ore body or component of the ore body in production are multiplied by the number of ounces produced divided by the estimated recoverable ounces, which includes proven and probable mineral reserves of the mine and the portion of mineral resources expected to be classified as mineral reserves and economically extracted. Management assesses the estimated recoverable ounces used in the calculation of depletion at least annually, or whenever facts and circumstances warrant that an assessment should be made. Changes to estimates of recoverable ounces and depletable costs including changes resulting from revisions to the Company's mine plans and changes in metal price forecasts can result in a change in future depletion rates.

The Company assesses and tests its exploration and evaluation assets and mining properties for impairment, and subsequent reversal of impairment, at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Costs related to areas of interest abandoned are written off when such a decision is made. An impairment assessment of the exploration and evaluation assets is conducted before the reclassification or transfer of exploration and evaluation assets to depletable producing properties.

(j) Impairment of Non-Current Assets

The Company assesses at the end of each reporting period whether there is any indication, from external and internal sources of information, that an asset or cash generating unit (“CGU”) may be impaired.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company defines a CGU as an area of interest. An area of interest is an area of similar geology; an area of interest includes exploration tenements/licenses which are geographically close together, are managed by the same geological management group and have similar prospectivity. An area of interest may be categorized as project area of interest or an exploration area of interest as defined by the geology/exploration team of the Company. A project area of interest represents an operating mine or a mine under construction and its nearby exploration properties, which are managed by the Company's operation group. An exploration area of interest represents a portfolio or pool of exploration properties which are not adjacent to an operating mine or a mine under construction; an exploration area of interest is managed by the Company’s exploration group.

Information the Company considers as impairment indicators include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral properties. Internal sources of information include the manner in which property and plant and equipment are being used or are expected to be used and indications of economic performance of the assets, historical exploration and operating results. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties.

If indication of impairment exists, the Company estimates the recoverable amount of the asset or CGU to determine the amount of impairment loss. For exploration and evaluation assets, indicators include but are not limited to, continuous downward trend in metal prices resulting in lower in situ market values for exploration potential, expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned, and if the entity has decided to discontinue exploration activity in the specific area.

When an impairment review is undertaken, recoverable amount is assessed by reference to the higher of 1) value in use and 2) fair value less costs to sell ("FVLCS"). The best evidence of fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction. This is often estimated using discounted cash flow techniques. Where recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of IAS 36. Assumptions underlying fair value estimates are subject to significant risks and uncertainties. Where third-party pricing services are used, the valuation techniques and assumptions used by the pricing services are reviewed by the Company to ensure compliance with the accounting policies and internal control over financial reporting of the Company. The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount and considers the reversal of the impairment loss recognized in prior periods.

(k) Borrowing Costs

Interest on borrowings related to qualifying assets including construction or development projects is capitalized until substantially all activities that are necessary to make the asset ready for its intended use are complete. This is usually when the Company declares completion of commissioning at the mine. All other borrowing costs are charged to earnings in the period incurred.

(l) Decommissioning, Restoration and Similar Liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Decommissioning, restoration and similar liabilities are a type of provision associated with the retirement of a long-lived asset that the Company has acquired, constructed, developed and/or used in operations. Reclamation obligations on the Company's mineral properties are recorded as a decommissioning, restoration and similar liabilities. These include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. These estimated obligations are provided for in the accounting period when the related disturbance occurs, whether during the mine development or production phases at the present value of estimated future costs to settle the obligations. The costs are estimated based on mine closure plan. The cost estimates are updated annually during the life of the operation to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures that may occur upon decommissioning, restoration and similar liabilities. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

The amortization or 'unwinding' of the discount applied in establishing the present value of decommissioning, restoration and similar liabilities is charged to the consolidated statement of operations as finance expense in each accounting period. The initial decommissioning, restoration and similar liabilities together with other movements in the provisions for decommissioning, restoration and similar liabilities, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalized within property, plant and equipment. The capitalized costs are amortized over the life of the mine on a unit-of-production basis.

4. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

(a) Critical Judgments in the Application of Accounting Policies

Information about critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Assets' Carrying Values and Impairment Charges
In the determination of carrying values and impairment charges, management looks at the higher of value in use and fair value less costs to sell in the case of long lived assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. During the year of 2015, the Company recognized a non-cash impairment loss on certain mining properties in the amount of $20.0 million (December 31, 2014 - *nil*) and concluded that no reversals are required on previously recognized impairments.

Capitalization of Exploration and Evaluation Costs
Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. During the period ended December 31, 2015, the Company capitalized a total of $0.8 million (period ended December 31, 2014 - *nil*) of exploration and evaluation expenditures.

Recoverable Ounces
The carrying amounts of the Company's mining properties are depleted based on recoverable ounces contained in proven and probable mineral reserves plus a portion in mineral resources. The Company includes a portion of mineral resources where it is considered probable that those mineral resources will be economically extracted. Changes to estimates of recoverable ounces and depletable costs including changes resulting from revisions to the Company's mine plans and changes in metal price forecasts can result in a change in future depletion rates.

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects, issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and mineral resources. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

Determination of Economic Viability of a Project
Management has determined that costs associated with projects under construction or developments have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise, existing permits and life of mine plans.

Determination of Functional Currency

According to IFRS, the determination of functional currency is based on the primary economic environment in which the entity operates and is normally the one in which it primarily generates and expends cash. The Company considers the following factors in determining functional currency:

- The currency that mainly influences sales prices for goods and services (often the currency in which sales prices for its goods and services are denominated);
- The currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services; and
- The currency that mainly influences labour, material and other costs of providing goods or services.

If the above factors are mixed or unclear the Company also considers additional factors, which include: the currency in which funds from financing activities are generated, and the currency in which receipts from operating activities are usually retained.

Based on evaluation against the aforementioned criteria and other factors, the Company has concluded that the functional currency of the Company is the United States dollar.

(b) Key Sources of Estimation Uncertainty in the Application of Accounting Policies

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are included in the following notes:

Mineral Reserve and Mineral Resource Estimates

To extend the lives of its mines and projects, ensure the continued operation of the business and realize its growth strategy, it is essential that the Company continues to realize its existing identified mineral reserves, convert mineral resources into mineral reserves, increase its mineral resource base by adding new mineral resources from areas of identified mineralized potential, and/or undertake successful exploration or acquire new mineral resources.

There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. Lower market prices, increased production costs, reduced recovery rates and other factors may result in a revision of its mineral reserve estimates from time to time or may render the Company's mineral reserves uneconomic to exploit, which may materially and adversely affect the results of operations or financial condition. Mineral reserve data are not indicative of future results of operations. Evaluation of mineral reserves and mineral resources occurs from time to time and they may change depending on further geological interpretation, drilling results and metal prices. The Company regularly evaluates its mineral resources and it often determines the merits of increasing the reliability of its overall mineral resources.

Impairment of Mineral Properties

While assessing whether any indications of impairment exist for mineral properties, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral properties. Internal sources of information include the manner in which property and plant and equipment are being used or are expected to be used and indications of economic performance of the assets, historical exploration and operating results. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties.

Estimation of Provision for Liabilities

The Company assesses its provision for liabilities other than decommissioning and restoration costs when new information becomes available. Provisions are liabilities that are uncertain in timing and amount. The Company records a provision when: (1) the Company has a present obligation (legal or constructive) as a result of past events; (2)when it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of obligation.

Income Taxes and Recoverability of Potential Deferred Tax Assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operating activities and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Inventory Valuation

Finished goods, work-in-process, heap leach ore and stockpile ore are valued at the lower of the production costs or net realizable value. The assumptions used in the valuation of work-in process inventories include estimates of gold contained in the ore stacked on leach pads, assumptions of the amount of gold stacked that is expected to be recovered from the leach pads, the amount of gold in the mill circuits and assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its work-in-process inventories, which would reduce the Company's earnings and working capital.

Contingencies

Refer to Note 25, Contingencies to the consolidated financial statements.

5. BUSINESS ACQUISITIONS

Brio entered into Sale and Purchase agreements ["SPA"] to acquire certain mining interests from Yamana. The SPA are dated June 1, 2015 and August 1, 2015.

The acquisition by Brio was accounted for as a transfer of assets and assumption of liabilities. The transaction did not qualify as a business combination under IFRS 3, Business Combinations, as the transaction is a combination of entities or businesses under common control. Assets and liabilities transferred are recorded in the accounts of Brio at Yamana's carrying value.

Consideration paid for these assets and liabilities is $370.8 million which consists of $232.5 million ($901.8 million Brazilian reais ("R")) for Pilar, $42.9 million for Mineração Fazenda Brasileiro, and $95.4 million for C1 Santa Luz. The carrying value of the assets was $48.5 million higher than the consideration paid which has resulted in the recording of a capital contribution from Yamana in the amount of $48.5 million.

The following table summarizes the assets acquired and liabilities assumed:

	Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	Total
Inventory	$ 13,398	$ 9,271	$ 10,904	**$ 33,573**
Current Assets	$ 13,830	$ 9,510	$ 14,736	**$ 38,076**
Property, plant and equipment	$ 86,782	$ 43,041	$ 339,534	**$ 469,357**
Total assets	$ 100,635	$ 52,550	$ 354,270	**$ 507,455**
Decommissioning, restoration and similar liabilities	$ (14,029)	$ (6,558)	$ (7,275)	**$ (27,862)**
Total liabilities	$ (23,524)	$ (24,319)	$ (40,356)	**$ (88,199)**
Reserve	$ (34,211)	$ 67,169	$ (81,414)	**$ (48,456)**

6. RECENT ACCOUNTING PRONOUNCEMENTS

The IASB or the International Financial Reporting Interpretations Committee ("IFRIC") issue pronouncements that are mandatory for the Company to implement. Pronouncements that are not applicable to the Company have been excluded from this note. The following pronouncements have been issued but are not yet effective:

(a) IFRS 9 Financial Instruments - The standard is effective for annual reporting periods beginning January 1, 2018 for public entities. The Company is assessing the impact of this Standard.

(b) IFRS 15 Revenue from Contracts with Customers - The final standard on revenue from contracts with customers was issued on May 28, 2014, effective for annual reporting periods beginning on or after January 1, 2017 with early adoption permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. On September 11, 2015 the IASB issued an amendment to the revenue Standard, formalizing the deferral of the effective date by one year to January 1, 2018. The Company is assessing the impact of this Standard.

(c) IFRS 16 Leases - The standard is effective for annual reporting periods beginning January 1, 2019. Early application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. The Company is assessing the impact of this Standard.

7. TRADE AND OTHER RECEIVABLES

	As at December 31, 2015	As at December 31, 2014
Trade receivable	**$ 57**	$ —
Metal sales receivable from Yamana Gold Inc. (Note 26)	**6,864**	—
	$ 6,921	$ —

There is no provision of doubtful accounts in any of the periods presented.

8. INVENTORIES

	As at December 31, 2015	As at December 31, 2014
Product inventories	**$ 2,405**	$ —
Metal in circuit and gold in process	**2,678**	—
Ore stockpiles	**1,730**	—
Materials and supplies	**17,367**	—
	$ 24,180	$ —

The amount of inventories recognized as an expense in 2015 was $51.9 million (*$nil* for the period ended December 31, 2014) and is included in cost of sales, excluding depletion, depreciations, and amortization

9. OTHER ASSETS

As at December 31,	As at December 31, 2015	As at December 31, 2014
Tax credits receivables *(ii)*	**$ 4,726**	$ —
Advances to suppliers	**6,256**	—
Option agreement *(i)*	**6,000**	—
Other long-term advances	**4**	—
	$ 16,986	$ —
Current	**$ 6,800**	$ —
Non-current	**10,186**	—
	$ 16,986	$ —

(i) Balance represents a $6 million payment for the option to purchase certain rights and interests with respect to Mineração Riacho dos Machados Ltda ("MRDM"). The option was exercised February 17, 2016 (refer to *Note 27: Subsequent Events*).

(ii) Tax credits receivables classified as other assets consist of sales taxes which are recoverable against other taxes payable and value-added taxes.

10. PROPERTY, PLANT AND EQUIPMENT

	Mining property costs subject to depletion	Mining property costs not subject to depletion *(ii)*	Land, building, plant & equipment *(i)(ii)*	Total
Cost, December 31, 2014	$ —	$ —	$ —	$ —
Acquisition cost	229,327	45,846	194,184	469,357
Transfers, reclassifications and other non-cash movements	—	(1,222)	—	(1,222)
Capital expenditures	9,099	781	6,665	16,545
Change in decommissioning, restoration & similar liabilities	(3,232)	(3,020)	—	(6,252)
Cost, December 31, 2015	**$ 235,194**	**$ 42,385**	**$ 200,849**	**$ 478,428**
Accumulated depreciation and impairment, December 31, 2014	**$ —**	**$ —**	**$ —**	**$ —**
Depreciation for the year	$ 22,738	$ —	$ 7,533	$ 30,271
Impairment charges	995	19,033	—	20,028
Accumulated depreciation and impairment, December 31, 2015	**23,733**	**19,033**	**7,533**	**50,299**
Carrying value, December 31, 2015	**$ 211,461**	**$ 23,352**	**$ 193,316**	**$ 428,129**

(i) Included in land, building, plant and equipment is $5.9 million of land which is not subject to depreciation (2014 - *$nil)*.

(ii) Balance includes amounts related to C1 Santa Luz for $33.2 million which is not subject to depreciation as the mine is in care and maintenance

Impairment of Mineral Properties

In accordance with the Company's accounting policies and processes, each asset or cash generating unit ("CGU") is evaluated at the end of each reporting period as to whether there are any indicators, from external and internal sources of information, that an asset or CGU may be impaired requiring an adjustment to the carrying value.

In assessing whether an impairment charge is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs to sell ("FVLCS") and value in use. The recoverable amount was determined as the FVLCS for each CGU. FVLCS was determined based on the net present value of the future estimated cash flows expected to be generated from the continued use of the CGUs, using assumptions a market participant may take into account. The determination of FVLCS for each CGU uses Level 3 valuation techniques.

During the year ended December 31, 2015, the Company recorded impairment charges as follows:

(In millions)	**2015**	
CGU	**Total Impairment**	**Net Book Value after impairment - as at Dec. 31, 2015**
Pilar	$ —	**335.6**
Fazenda Brasileiro	**12.7**	**59.3**
C1 Santa Luz	**7.3**	**33.2**
Total impairments in respect of these projects	**$ 20.0**	**428.1**

During the fourth quarter, the Company performed its annual impairment test based on updated life of mine after-tax cash flow projections which were revised for updated estimates of future metal prices, production based on current estimates of recoverable mineral reserves and mineral resources, recent operating and exploration results, exploration potential, future operating costs, capital expenditures and long-term foreign exchange rates. The Company examined future cash flows, the intrinsic value beyond proven and probable mineral reserves, value of land holdings, as well as other factors, which are determinants of commercial viability of each mining property in its portfolio. Despite the fact that the main drivers for the impairment were the decrease in value of exploration land and value of potential ounces, the impairments of mineral properties are allocated to depletable and non-depletable assets on a proportional basis, consistent with IFRS.

Impairment Testing: Key Assumptions and Sensitivities

As part of the determination of FVLCS, the company considered the following assumptions:

- *Production volumes:* In calculating the FVLCS, the production volumes incorporated into the cash flow models based on detailed life-of-mine plans and take into account development plans for the mines agreed by management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted. As each producing mine has specific reserve characteristics and economic circumstances, the cash flows of the mines are computed using appropriate individual economic models and key assumptions established by management. The production profiles used were consistent with the reserves and resource volumes approved as part of the Company's process for the estimation of proved and probable reserves, resource estimates and in certain circumstances, include expansion projects. These are then assessed to ensure they are consistent with what a market participant would estimate
- *Commodity prices:* Forecast commodity prices are based on management's estimates and are derived from forward price curves and long-term views of global supply and demand, building on past experience of the industry and consistent with external sources. Estimated long-term gold prices of $1,250 per ounce was used to estimate future revenues
- *Discount rates:* In calculating the FVLCS, a real post-tax discount rate of 4.75% based on a market participant's weighted average cost of capital ("WACC"). The WACC used in the models is in real terms, consistent with the other assumptions in the models.
- *Exchange rates:* Foreign exchange rates are estimated with reference to external market forecasts and based on observable market data including spot and forward values.

Sensitivity Analysis

The Company has performed a sensitivity analysis to identify the impact of changes in long-term metal prices and operating costs which are key assumptions that impact the impairment calculations. The Company assumed a 1% change in the metal price assumptions and a 1% change in certain cost inputs while holding all other assumptions constant. Based on the results of the impairment testing performed during the quarter, the CGU's sensitivity to changes in these key assumptions appear below. Generally there is a direct correlation between metal prices and industry cost levels as a significant decline in metal prices will often be mitigated by a corresponding decline in industry operating input cost levels. The Company believes that adverse changes in metal price assumptions would impact certain other inputs in the life of mine plans which may offset, to a certain extent, the impact of these adverse metal price changes.

A 1% change in gold price and operating costs will change the recoverable value by approximately $8 million and $4.5 million, respectively.

The model used to determine impairment is based on management's best assumptions using material and practicable data which may generate results that are not necessarily indicative of future performance. In addition, in deriving this analysis, the Company has made assumptions based on the structure and relationships of variables as at the balance sheet date which may differ due to fluctuations throughout future years with all other variables assumed to remain constant. Actual changes in one variable may contribute to changes in another variable, which may amplify or offset the individual effect of each assumption.

Although these estimates are based on management's best knowledge of the amounts, events or actions, the actual results may differ from these estimates as they will only be resolved on the occurrence of one or more future events.

11. TRADE AND OTHER PAYABLES

		As at December 31, 2015		As at December 31, 2014
Trade payables *(i)*	**$**	**21,748**	$	113
Other payables		**10,928**		—
	$	**32,676**	$	113

(i) No interest is charged on the trade payables for the first 60 days from the date of invoice. The Company has financial risk management policies in place to ensure that all payables are paid within the credit terms.

12. OTHER PROVISIONS AND LIABILITIES

		As at December 31, 2015		As at December 31, 2014
Loan payable to Yamana Gold Inc. *(i)*	**$**	**8,149**	$	—
Other taxes payable		**1,272**		—
Current portion of decommissioning, restoration and similar liabilities *(Note 13)*		**1,989**		—
Other		**1,686**		—
	$	**13,096**	$	—
Current	**$**	**11,733**	$	—
Non-current		**1,363**		—
	$	**13,096**	$	—

(i) On February 11, 2015, the Company entered into a loan agreement with Yamana Gold Inc. The terms are as follows:

- The loan is due at the earlier of 18 months after June 1, 2015, a change of control or an equity financing event.
- The loan is interest bearing at LIBOR + 2.75%, payable at the maturity of the loan.

13. DECOMMISSIONING, RESTORATION AND SIMILAR LIABILITIES

		As at December 31, 2015		As at December 31, 2014
Obligation at date of acquisition of related assets	**$**	**27,862**	$	—
Unwinding of discount		**1,118**		—
Adjustments to decommissioning, restoration and similar liabilities		**(1,209)**		—
Foreign exchange impact		**(4,658)**		—
Expenditures		**(205)**		—
Balance, end of year	**$**	**22,908**	$	—
Current	**$**	**1,989**	$	—
Non-current		**20,919**		—
	$	**22,908**	$	—

The Decommissioning, Restoration and Similar Liabilities are calculated as the net present value of estimated undiscounted future cash flows, which total $37.0 million using discount rates specific to the liabilities of 14.32%. The settlement of the obligations is estimated to occur through to 2027. The Company anticipates that the Decommissioning, Restoration and Similar Liabilities of the mines will be incurred in Brazilian Reais. The liabilities are thus subject to translation gains and losses from one reporting period to the next in accordance with the Company's accounting policy for foreign currency translation of monetary items. The translation gains/losses, as well as changes in the estimates related to these liabilities are reflected in Property, Plant and Equipment.

14. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares at no par value.

	As at December 31, 2015			As at December 31, 2014		
	Number of common shares		Amount (000's)	Number of common shares		Amount (000's)
Balance, as at January 1,	**25**	**$**	**1**	—	$	—
Issuance of shares	**23,499,975**		**367,749**	25		1
Balance, end of period *(i)*	**23,500,000**	**$**	**367,750**	25	$	1

As part of the capitalization of the Company and the acquisition of Pilar, Mineração Fazenda Brasileiro and C1 Santa Luz assets, 23,499,975 shares were issued for total cash proceeds of $367.7 million.

The Company has a Restricted Share Unit ("RSU") plan that was introduced during the year ended December 31, 2015 for senior executives. Each RSU, if vested, entitles the holder to one common share of the Company. As of December 31, 2015, 1,500,000 RSUs had been granted, but had not vested. The vesting occurs on the earlier of the third anniversary of the executive's employment, or a going public transaction. The estimated fair value of the RSU on the date of grant is recognized in income over the vesting period. The stock based compensation amortized for the period ended December 31, 2015 was $4.6 million. The unamortized values of the RSUs as at December 31, 2015 is $13.4 million.

15. COST OF SALES EXCLUDING DEPLETION, DEPRECIATION AND AMORTIZATION

	For the year ended December 31,	For the period from date of incorporation to December 31,
(In thousands of United States Dollars)	**2015**	**2014**
Contractors and services	**$ 5,283**	$ —
Employee compensation and benefits expenses *(Note 16)*	**12,493**	—
Repairs and maintenance	**10,946**	—
Royalties	**3,296**	—
Power	**4,558**	—
Consumables	**11,606**	—
Other	**2,072**	—
Change in inventories, ore stockpiles, material and supplies	**1,608**	—
Cost of sales excluding depletion, depreciation and amortization	**$ 51,862**	$ —

16. EMPLOYEE COMPENSATION AND BENEFIT EXPENSES

	For the year ended December 31,	For the period from date of incorporation to December 31,
(In thousands of United States Dollars)	**2015**	**2014**
Wages and salaries	**$ 11,270**	$ —
Social security, pension, bonus and government-mandated programs	**6,620**	—
Other benefits	**46**	—
Total Employee compensation and benefits expenses	**$ 17,936**	$ —
Less: Expensed within General and Administrative expenses	**(5,136)**	—
Less: Expensed within Exploration and evaluation expenses	**(307)**	—
Employee compensation and benefit expenses included in Cost of sales *(Note 15)*	**$ 12,493**	$ —

17. OTHER OPERATING EXPENSES

	For the year ended December 31,	For the period from date of incorporation to December 31,
(In thousands of United States Dollars)	**2015**	**2014**
Provisions for indirect tax credits	**$ 193**	$ —
Write-off and loss (gains) on sale of assets	**2,315**	—
Care and maintenance	**1,585**	—
Other expense	**296**	—
Other operating expenses	**$ 4,389**	$ —

18. FINANCE EXPENSE

For the years ended December 31,	For the year ended December 31, 2015	For the period from date of incorporation to December 31, 2014
Unwinding of discounts on provisions	$ 1,118	$ —
Bank, financing fees and other	(2)	—
Finance expense	**$ 1,116**	$ —

19. FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

The Company's financial instruments include cash, trade and other receivables, option agreement, trade and other payables and loan payable to Yamana. The carrying values of cash, trade and other receivables and trade and other payables approximate their fair values due to the relatively short-term nature of these instruments.

There were no material differences between the carrying value and fair value of non-current assets and liabilities.

The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy. As at December 31, 2015 and December 31, 2014, there were no embedded derivatives requiring separate accounting.

(b) Currency Risk

The Company's sales are denominated in United States dollars. The Company is primarily exposed to currency fluctuations relative to the United States dollar as a portion of the Company's operating costs and capital expenditures are denominated in foreign currencies; the Brazilian Real. Monetary assets denominated in foreign currencies are also exposed to foreign currency fluctuations. These potential currency fluctuations could have a significant impact on production costs and thereby the profitability of the Company.

	December 31, 2015		December 31, 2014	
(On 10% change in United States Dollars exchange rate)	Effect on net earnings before tax	Effect on other comprehensive income, before tax	Effect on net earnings before tax	Effect on other comprehensive income, before tax
Brazilian Reais	$ 3,508	$ —	$ —	$ —

(c) Commodity Price Risk

Gold and silver prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the political and economic conditions of major gold and silver-producing countries. The profitability of the Company is directly related to the market price of gold and silver. A decline in the market prices for these precious metals could negatively impact the Company's future operations. The Company has not hedged any of its gold or silver sales.

(d) Credit Risk

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial instrument. The Company limits credit risk by entering into business arrangements with high credit-quality counterparties, limiting the amount of exposure to each counterparty and monitoring the financial condition of counterparties whilst also establishing policies to ensure liquidity of available funds. In addition, credit risk is further mitigated in specific cases by maintaining the ability to novate contracts from lower quality credit counterparties to those with higher credit ratings.

For cash and trade and other receivables, credit risk is represented by the carrying amount on the balance sheet. Cash is deposited in highly rated corporations and the credit risk associated with these deposits is low. The Company does not have any assets pledged as collateral.

The Company's maximum credit exposure to credit risk is as follows:

As at,	**As at December 31, 2015**	**As at December 31, 2014**
Cash	**$ 3,966**	$ —
Trade and other receivables	**6,921**	—
	$ 10,887	$ —

(e) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Under the terms of our trading agreements, counterparties cannot require the Company to immediately settle outstanding financial instruments except upon the occurrence of customary events of default. The Company mitigates liquidity risk by managing its capital expenditures and operating cash flows. Contractual maturities relating to contractual commitments are included in *Note 24.*

20. INCOME TAXES

(a) Income Tax Expense

	For the year ended December 31, 2015	For the period from date of incorporation to December 31, 2014
Current tax expense (recovery)		
Current tax expense in respect of the current year	$ 2,798	$ —
Impact of foreign exchange	(21)	—
Penalties and interest	1	—
	$ 2,778	$ —
Deferred tax expense (recovery)		
Deferred tax expense recognized in the current year	$ (48,684)	$ —
Impact of foreign exchange	62,940	—
	$ 14,256	$ —
Total income tax expense	$ 17,034	$ —

The following table reconciles income taxes calculated at statutory rates with the income tax expense in the Consolidated Statements of Operations:

(In thousands of United States Dollars)	For the year ended December 31, 2015	For the period from date of incorporation to December 31, 2014
Loss before income taxes	$ (41,734)	$ —
Canadian statutory tax rate	26.5%	—
Expected income tax recovery	$ (11,060)	$ —
Impact of higher foreign tax rates *(i)*	2,188	—
Interest and penalties	1	—
Permanent differences	(1,918)	—
Unrecognized deferred tax assets	12,754	—
Tax effect of translation in foreign operations	(44,239)	—
Unrealized foreign exchange on non-monetary assets	62,919	—
Withholding Taxes	181	—
Other	(3,792)	—
Income tax expense	$ 17,034	$ —
Income tax expense is represented by:		
Current income tax expense	$ 2,778	$ —
Deferred income tax (recovery) expense	$ 14,256	$ —
Total income tax expense	$ 17,034	$ —

(i) The Company operates in multiple foreign tax jurisdictions that have tax rates that differ from the statutory rate.

(b) Deferred Income Taxes

The following is the analysis of the deferred tax assets (liabilities) presented in the Consolidated Balance Sheets:

(In thousands of United States Dollars)	For the year ended December 31, 2015		For the period from date of incorporation to December 31, 2014	
The net deferred income tax assets (liabilities) are classified as follows:				
Deferred income tax assets	$	—	$	—
Deferred income tax liabilities		39,004		—
	$	39,004	$	—

As at December 31, 2015		Opening balance		Acquisitions	Recognized in profit or loss		Other		Closing balance
Deductible temporary differences	$	—		5,537	1,563		—		7,100
Amounts related to tax losses		—		—	52		—		52
Decommissioning, restoration and similar liabilities		—		2,871	(944)		—		1,927
Property, plant and equipment and Mineral Properties		—		38,160	(5,406)		—		32,754
Unrealized foreign exchange losses		—		(71,203)	(8,186)		—		(79,389)
Inventory		—		—	(392)		—		(392)
Other		—		—	(943)		(113)		(1,056)
Net deferred income tax liabilities	$	—	$	(24,635)	$	(14,256)	$	(113)	$ (39,004)

(c) Unrecognized Deductible Temporary Differences and Unused Tax Losses

Deferred tax assets have not been recognized in respect of the following items:

(In thousands of United States Dollars)	For the year ended December 31, 2015		For the period from date of incorporation to December 31, 2014	
Deductible temporary differences (no expiry)	$	138,456	$	—
Tax losses		8,293		—
	$	146,749	$	—

Loss carry forwards at December 31, 2015 will expire as follows:

(In thousands of United States Dollars)		Brazil		Canada		USA		Other		Total
2021 and onwards		—		1,936		1,558		162		3,656
Unlimited		4,637		—		—		—		4,637
	$	4,637	$	1,936	$	1,558	$	162	$	8,293

21. NET LOSS PER SHARE

(In thousands of United States Dollars, except for per share and number of shares are shown in full)		For the year ended December 31,	For the period from date of incorporation to December 31,
		2015	**2014**
Weighted average number of common shares - basic		**15,773,980**	25
Weighted average number of dilutive potential shares *(i)*		**—**	—
Weighted average number of common shares - diluted		**15,773,980**	**25**
Net loss attributable to Brio Gold equity holders	**$**	**(58,768)$**	**(114)**
Net loss per share attributable to Brio Gold equity holders - basic and diluted	**$**	**(3.73)$**	**(4,560.00)**

(i) Effect of dilutive securities - the potential shares attributable to restrictive share units were anti-dilutive in the period ended December 31, 2015 (for the year ended December 31, 2015 were 1,006,849).

22. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Net Change in Non-Cash Operating Working Capital

		For the year ended December 31,		For the period from date of incorporation to December 31,
(In thousands of United States Dollars)		**2015**		**2014**
Net decrease (increase) in:				
Trade and other receivables	**$**	**(6,922)**	$	—
Inventories		**9,394**		—
Other assets		**(8,298)**		—
Net (decrease) increase in:				
Trade payable and other payables		**(1,438)**		—
Other current liabilities		**3,026**		—
Net change in non-cash working capital	**$**	**(4,238)**	$	113

(b) Other Non-Cash Operating Expenses

		For the year ended December 31,		For the period from date of incorporation to December 31,
(In thousands of United States Dollars)		**2015**		**2014**
Provisions for indirect tax credits	**$**	**193**	$	—
Write-off and loss on sale of assets		**2,315**		—
Share based payments		**4,645**		
Others		**(125)**		—
Other non-cash operating expenses	**$**	**7,028**	$	—

23. OPERATING SEGMENTS

The Company which produces primarily gold, and to a lesser extent silver and copper, bases its operating segments on the way information is reported and used by the Chief Operating Decision Makers ("CODM"). The Company has three core reportable operating segments as shown below. Property, plant and equipment referred to below consist of land, buildings, equipment and mining properties subject to depletion and mining properties not subject to depletion which include assets under construction and exploration and evaluation costs.

As at December 31, 2015		Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	Corporate and Others	Total
Property, plant and equipment	$	59,274 $	33,219 $	335,636 $	— $	**428,129**
Non-current assets	$	59,721 $	33,219 $	339,095 $	6,280 $	**438,315**
Total assets	$	76,994 $	42,920 $	353,240 $	7,028 $	**480,182**
Total liabilities	$	(25,402)$	(19,971)$	(59,116)$	(3,426)$	**(107,915)**

Segment Operating Earnings

As at December 31, 2015		Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	Corporate and Others	Total
Total segment revenue	$	42,201 $	— $	40,477 $	— $	**82,678**
Cost of sales		(27,449)	2	(24,415)	—	**(51,862)**
Depletion, depreciation and amortization		(18,329)	—	(11,942)	—	**(30,271)**
Impairment of mineral properties		(12,698)	—	—	—	**(12,698)**
Mine operating earnings/(loss)	$	(16,275)$	2 $	4,120 $	— $	**(12,153)**
Other expenses *(i)*						**(29,581)**
Loss before income taxes					$	**(41,734)**
Capital expenditures	$	4,941 $	1,165 $	10,439 $	— $	**16,545**

(i) Other expenses is comprised of general and administrative expense of $11.5 million, exploration and evaluation expense of $0.6 million, foreign exchange loss of $4.6 million, finance expense of $1.1 million, other operating expense of $4.4 million and charges related to impairment of non-operating mineral properties of $7.3 million.

These entities were acquired during the 2015 reporting period therefore comparative segment financial information has not been included.

24. CONTRACTUAL COMMITMENTS

Construction and Service Contracts

	As at December 31, 2015	As at December 31, 2014
Within 1 year	**$ 46,313**	$ —
Between 1 to 3 years	**19,887**	—
Between 3 to 5 years	**581**	—
After 5 years	**37**	—
	$ 66,818	$ —

25. CONTINGENCIES

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the Consolidated Financial Statements of the Company.

26. RELATED PARTIES

Sales Arrangements with Yamana Gold Inc.

The Company sells all its production to Yamana. Price per ounce is determined by applying a 2.85% discount on the London Bullion Market Association (LBMA) gold price at the transaction date. The discount is recorded as an offset to revenue. Under the agreement, Yamana is subjected to a penalty calculated at a 3 months LIBOR + 2% of the total payment amount if the funds are not paid within 30 days of the date of bill of sale.

Other Related Party Transactions

Related party payables/receivables and related party expenses/income relate to the purchase and sale of precious metal through related parties agreements and transfers under finance arrangements, are unsecured and are due on demand.

Compensation of Key Management Personnel

During the period ended December 31, 2015 key management personnel were recruited to provide senior management oversight in association with operational management, optimization and improvement of its assets. Remuneration paid to key management during the period to December 31, 2015 includes cash payment of $0.9 million and a stock based compensation expense of $4.6 million.

27. SUBSEQUENT EVENTS

MRDM Acquisition

On February 17, 2016, The Company entered into an Assignment and Assumption Agreement and a Restructuring Agreement pursuant to which it would ultimately acquire all right, title and interests in Mineração Riacho dos Machados Ltda (“MRDM”), a wholly-owned subsidiary of Carpathian Gold Inc. (“Carpathian”), from Macquarie Bank Limited, holder of rights and interests in a loan facility extended to MRDM, and Carpathian. MRDM owns and operates the Riacho Dos Machados ("RDM") mine which is an open-pit heap-leach gold mine located in Minas Gerais State, Brazil. RDM increases the production profile of the Company in a mining-friendly jurisdiction and is expected to increase the sustainable production level, contribute to cash flow and provide mineral reserve growth and a mineral resource base with growth potential.

On April 29, 2016, the Company closed on the restructuring procedures and concurrently attained control of MRDM for approximately $53.9 million in total cash consideration and incurred acquisition related costs of $3.0 million.

The Company has recognized its interest in the MRDM assets, liabilities, revenues and expenses in accordance with the Company rights and obligations prescribed by the transaction, as a business combination. In accordance with the Company accounting policy, the Company has recognized the acquired identifiable assets and liabilities.

As of the date of these Consolidated Financial Statements, the determination of the fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalized. The Company is currently in the process of determining the fair values of the net assets acquired, assessing and measuring the associated deferred income tax assets and liabilities on the acquisition. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed in the fair value below and are subject to change.

Total consideration paid by the Company was as follows:

Cash	**$**	**53,862**

The following table summarizes the total fair values of assets and liabilities acquired:

Cash	**$**	**258**
Net working capital acquired (i)		**2,323**
Property, plant and equipment (including mineral interests)		**57,415**
Non-current liabilities		**(6,134)**
Net identifiable assets	**$**	**53,862**

(i) Included in net working capital acquired is accounts receivables of $2.6 million at fair value which were collected subsequent to the period ended June 30, 2016.

Collar Contracts

On November 3rd and 4th, 2016, the Company entered into (a) zero-cost collar foreign exchange contracts of $28.0 million Reais ("R$") per month for two years (January 2017 through December 2018), totaling R$672 million, with average call and put strike prices of US$1 = R$3.30 and US$1 = $3.8971 respectively, and (b) forward contracts of R$28 million per month for two years (January 2017 through December 2018) totaling R$672 million, at a fixed exchange rate averaging 1US$ =R$3.5535.

Credit Facility

On November 3, 2016, the Company entered into a Commitment Letter, with National Bank of Canada and CIBC (the "Co-Lead Arrangers" and each a "Co-Lead Arranger") for a revolving term senior secured credit facility in the amount of US$75,000,000 (the "Credit Facility") upon the terms and conditions set out in a term sheet appended to the Commitment Letter. Subject to the terms and conditions of the Commitment Letter, each of the Co-Lead Arrangers has committed US$25,000,000 to the Credit Facility. Such terms and conditions include a successful syndication of at least US$25,000,000 in additional commitments from one or more other financial institutions. The Credit Facility may be increased to US$100,000,000 upon meeting certain performance conditions. The term of the Credit Facility is three years, with a reduction to US$50,000,000 after two years. The Credit Facility contains representations and warranties, conditions precedent, covenants, and events of default typical for a facility of this type. Interest rate margins are tied to a grid based on LIBOR that varies with the leverage ratio of the Company.

Share Issuance

On September 30, 2016, the Company settled the outstanding loan facilities with Yamana Gold Inc. ("Yamana") totaling $60.1 million through the issuance to Yamana of 89,027,429 common shares in the Company.

On October 17, 2016, the Company announced that it had filed a preliminary prospectus with the securities regulatory authorities in each of the provinces and territories of Canada in connection with qualifying a secondary offering of common shares held by Yamana Gold Inc., which Brio Shares will be transferred to purchasers through the exercise of purchase rights. Each purchase right shall provide Yamana Shareholders with an opportunity to purchase from Yamana its Brio Shares at an exercise price to be determined in the context of the market.

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CARVE OUT COMBINED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2015 AND 2014 AND
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

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Independent Auditor's Report

To the Board of Directors of Brio Gold Inc.

We have audited the accompanying carve out combined financial statements of Brio Gold Inc. and the Mining Operations comprising the Pilar Mine, the Mineracao Fazenda Brasileiro Mine and the C1 Santa Luz Project transferred by Yamana Gold Inc. to Brio Gold Inc. (collectively the "Business"), which comprise the carve out combined balance sheets as at December 31, 2015 and December 31, 2014, and the carve out combined statements of operations, carve out combined statements of changes in net investment by Yamana Gold Inc. and carve out combined statements of cash flows for each of the years in the three year period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve Out Combined Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the carve out combined financial statements present fairly, in all material respects, the financial position of the Business as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for each of the years in the three year period ended December 31, 2015, in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants

November 17, 2016
Vancouver, Canada

BRIO GOLD INC.
CARVE OUT COMBINED STATEMENTS OF OPERATIONS

	For the years ended December 31,		
(In thousands of United States Dollars)	**2015**	**2014**	**2013**
Sales ***(Note 22)***	**$ 163,606**	$ 106,086	$ 96,119
Cost of sales excluding depletion, depreciation and amortization ***(Note 12)***	**(106,816)**	(82,853)	(59,606)
Gross margin excluding depletion, depreciation and amortization	**56,790**	23,233	36,513
Depletion, depreciation and amortization	**(50,342)**	(22,353)	(14,653)
Impairment of mining properties ***(Notes 4, 8, and 15)***	**(12,717)**	(207,626)	—
Mine operating earnings	**(6,269)**	**(206,746)**	**21,860**
Expenses			
General and administrative	**(19,301)**	(23,091)	(23,806)
Exploration and evaluation	**(583)**	(5)	(2,416)
Other operating expenses *(Note 14)*	**(24,840)**	(35,733)	(30,833)
Impairment of non-operating mining properties *(Notes 4, 8, and 15)*	**(7,360)**	(360,760)	—
Operating loss	**(58,353)**	(626,335)	(35,195)
Foreign exchange gain/(loss)	**26,727**	6,038	(20,779)
Finance expense *(Note 11)*	**(3,272)**	(1,231)	(1,305)
Loss before income taxes	**(34,898)**	(621,528)	(57,279)
Income tax (expense) /recovery *(Note 17)*	**(36,387)**	30,751	(36,351)
Net loss	**$ (71,285)**	$ (590,777)	$ (93,630)
Other comprehensive earnings (loss), net of taxes	**—**	—	—
Total comprehensive loss	**$ (71,285)**	$ (590,777)	$ (93,630)

The accompanying notes are an integral part of the carve out combined financial statements.

BRIO GOLD INC.
CARVE OUT COMBINED STATEMENTS OF CASH FLOWS

	For the years ended December 31,		
(In thousands of United States Dollars)	**2015**	**2014**	**2013**
Operating activities			
Loss before income taxes	**$ (34,898)**	$ (621,528)	$ (57,279)
Adjustments to reconcile loss before taxes to net operating cash flows:			
Depletion, depreciation and amortization	**50,342**	22,353	14,653
Foreign exchange (gain)/loss	**(26,727)**	(6,038)	20,779
Finance expense *(Note 11)*	**3,272**	1,231	1,305
Impairment of mineral properties *(Notes 4, 8 and 15)*	**20,077**	568,386	—
Other non-cash operating expenses *(Note 18)*	**26,419**	29,676	15,305
Decommissioning, restoration and similar liabilities paid *(Note 11)*	**(988)**	(2,527)	(873)
Income taxes paid	**(4,913)**	—	(2,286)
Cash flows from operating activities before net change in working capital	**$ 32,584**	$ (8,447)	$ (8,396)
Net change in working capital *(Note 18)*	**(26,816)**	(11,621)	5,048
Cash flows from/(used in) operating activities	**$ 5,768**	$ (20,068)	$ (3,348)
Investing activities			
Acquisition of property, plant and equipment *(Note 8)*	**$ (32,433)**	$ (130,231)	$ (295,270)
Cash flows used in investing activities	**$ (32,433)**	$ (130,231)	$ (295,270)
Financing activities			
Increase in Yamana Gold's net investment	**31,586**	150,299	298,618
Cash flows from financing activities	**$ 31,586**	$ 150,299	$ 298,618
Effect of foreign exchange on cash	**(955)**	—	—
Increase in cash during the year, and cash balance at end of year	**$ 3,966**	$ —	$ —

The accompanying notes are an integral part of the carve out combined financial statements.

BRIO GOLD INC.
CARVE OUT COMBINED BALANCE SHEETS

(In thousands of United States Dollars)	As at December 31, 2015	As at December 31, 2014
Assets		
Current assets:		
Cash	**$ 3,966**	$ —
Inventories *(Note 6)*	**24,180**	29,012
Other current assets *(Note 7)*	**6,934**	8,104
	35,080	37,116
Non-current assets:		
Property, plant and equipment *(Note 8)*	**428,129**	478,479
Other non-current assets *(Note 7)*	**10,368**	1,285
Total assets	**$ 473,577**	$ 516,880
Liabilities		
Current liabilities:		
Trade and other payables *(Note 9)*	**$ 28,683**	$ 50,733
Income taxes payable	**7,978**	5,661
Other provisions and liabilities *(Note 10)*	**10,580**	2,791
	47,241	59,185
Non-current liabilities:		
Decommissioning, restoration and similar liabilities *(Note 11)*	**20,919**	31,513
Deferred income tax liabilities	**34,249**	5,044
Other non-current provisions and liabilities *(Note 10)*	**2,290**	—
Total liabilities	**$ 104,699**	$ 95,742
Equity		
Net Investment by Yamana Gold Inc.	**368,878**	421,138
Total equity and liabilities	**$ 473,577**	$ 516,880

Contractual commitments, contingencies and related parties *(Notes 20, 21 and 22).*

The accompanying notes are an integral part of the carve out combined financial statements.

CARVE OUT COMBINED STATEMENT OF CHANGES IN NET INVESTMENT BY YAMANA GOLD INC.

	For the years ended December 31		
	2015	2014	2013
Balance, beginning of year	**$ 421,138**	$ 805,666	$ 680,457
Net loss	**(71,285)**	(590,777)	(93,630)
Increase in Investment by Yamana Gold Inc.	**19,025**	206,249	218,839
Balance, end of year	**$ 368,878**	$ 421,138	$ 805,666

The accompanying notes are an integral part of the carve out combined financial statements.

(Tabular amounts in thousands of United States Dollars unless otherwise noted)

1. NATURE OF OPERATIONS

Brio Gold Inc. ("Brio" or the "Company") a wholly owned subsidiary of Yamana Gold Inc. ("Yamana") was incorporated on July 11, 2014 to become the holding company for certain Brazilian mining assets owned by Yamana. The three principal mining assets transferred to Brio were the Pilar Mine, the Mineração Fazenda Brasileiro Mine and the C1 Santa Luz Project (the operations of Brio and the mining assets transferred are referred to herein collectively as the "Business"). The mining assets were transferred to Brio during the year ended December 31, 2015. The Pilar Mine achieved commercial production in October 2014 and the Mineração Fazenda Brasileiro Mine has been operating for in excess of 25 years. The C1 Santa Luz mine began commissioning in June 2013, however due to lower than expected gold recoveries because of significant carbon content in the ore, commissioning was abandoned in the third quarter of 2014. In September 2014, after careful review and extensive efforts to improve dilution and recovery rates from the carbon - leach circuit, C1 Santa Luz mine was put into "care and maintenance", while various alternative metallurgical processes are being evaluated for achieving improved recovery content of the mined ore.

2. BASIS OF PREPARATION AND PRESENTATION

These carve-out combined financial statements include the operations of the Business and present the historical financial position, financial performance, changes in Yamana`s net investment and cash flows on a carve-out combined basis. To give effect to the continuity of Yamana's interest in the assets and liabilities of the Business, all assets and liabilities have been recorded in these carve-out combined financial statements at Yamana's book values and have been included from the date they were acquired by Yamana. The Business generally maintains their own independent management and infrastructure. To the extent that certain services are centralized by Yamana and shared across entities including those of the Business, such as information technology, fees for access to and use of such services have been charged to the respective operations as a means of allocation across all Yamana entities.

The carve-out combined financial statements present the net investment by Yamana in the Business rather than the shareholders' equity. Yamana's net investment comprises the accumulated earnings of the transferred operations, contributions by, less distributions to, Yamana.

Due to the inherent limitations of carving out the assets, liabilities, operations and cash flows from larger entities, these financial statements may not necessarily reflect the financial position, results of operations and cash flow that would have been realized had the Business been a stand-alone entity during the periods presented.

(a) Statement of Compliance

These carve out combined financial statements have been prepared by management in compliance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared in accordance with the following significant accounting policies, which have been applied consistently to all periods presented.

These carve out combined financial statements were authorized for issuance by the Board of Directors of Brio on November 15, 2016.

(b) Basis of Preparation and Presentation

The carve out combined financial statements have been prepared on a going concern basis using historical cost.

The carve out combined financial statements are presented in United States Dollars, which is the Business's functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies summarized below have been applied consistently in all material respects in preparing the financial statements.

(a) Foreign Currency Translation

The Business's mining operations operate primarily within an economic environment where the functional currency is the United States Dollar. Transactions in foreign currencies are translated to the functional currency at exchange rates in effect at the dates of the transactions. Monetary assets and liabilities of the Business's operations denominated in a currency other than the United States Dollar are translated into United States Dollars at the exchange rate prevailing as at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenue and expenses are translated at the average monthly exchange rates at the time of the transaction, with the exception of depletion, depreciation and amortization which is translated at historical exchange rates. Exchange gains and losses from translation are included in earnings. Foreign exchange gains and losses and interest and penalties related to tax, if any, are reported within the income tax expense line.

(b) Operating Segments

The Business's Chief Operating Decision Maker ("CODM"), comprised of the senior management team, performs planning, reviews operation results, assesses performance and makes resource allocation decisions based on the segment structure described in Note 19 at an operational level on a number of measures, which include mine operating earnings, production levels and unit production costs. The Business's CODM also relies on a management team with its members positioned in the geographical regions where the Business's key mining operations are located. Segment results that are reported to the Business's CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(c) Impairment of Non-Current Assets

The Business assesses at the end of each reporting period whether there is any indication, from external and internal sources of information, that an asset or cash generating unit ("CGU") may be impaired.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Business defines a CGU as an area of interest. An area of interest is an area of similar geology; an area of interest includes exploration tenements/licenses which are geographically close together, are managed by the same geological management group and have similar prospectivity. An area of interest may be categorized as project area of interest or an exploration area of interest as defined by the geology/exploration team of the Business. A project area of interest represents an operating mine or a mine under construction and its nearby exploration properties, which are managed by the Business's operation group. An exploration area of interest represents a portfolio or pool of exploration properties which are not adjacent to an operating mine or a mine under construction; an exploration area of interest is managed by the Business's exploration group.

Information the Business considers as impairment indicators include changes in the market, economic and legal environment in which the Business operates that are not within its control and affect the recoverable amount of mineral properties. Internal sources of information include the manner in which property and plant and equipment are being used or are expected to be used and indications of economic performance of the assets, historical exploration and operating results. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Business's mining properties, costs to sell the mining properties and the discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Business's mineral properties.

If indication of impairment exists, the Business estimates the recoverable amount of the asset or CGU to determine the amount of impairment loss. For exploration and evaluation assets, indicators include but are not limited to, continuous downward trend in metal prices resulting in lower in situ market values for exploration potential, expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned, and if the entity has decided to discontinue exploration activity in the specific area.

When an impairment review is undertaken, recoverable amount is assessed by reference to the higher of 1) value in use and 2) fair value less costs to sell (“FVLCS”). The best evidence of fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Business could receive for the CGU in an arm's length transaction. This is often estimated using discounted cash flow techniques. Where recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of International Accounting Standard 36. Assumptions underlying fair value estimates are subject to significant risks and uncertainties. Where third-party pricing services are used, the valuation techniques and assumptions used by the pricing services are reviewed by the Business to ensure compliance with the accounting policies and internal control over financial reporting of the Business. The Business assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Business estimates the recoverable amount and considers the reversal of the impairment loss recognized in prior periods.

(d) Financial Instruments
Financial assets and financial liabilities are recognized when the Business becomes a party to the contractual provisions of the financial instrument. All financial instruments are measured at fair value on initial recognition, net of transaction costs, except for those financial instruments classified as fair value through profit or loss ("FVTPL"). Measurement in subsequent periods depends on whether the financial instrument has been classified as FVTPL, loans and receivables or other financial liabilities.

Loans and receivables and other financial liabilities are measured at amortized cost and are amortized using the effective interest method. At the end of each reporting period, the Business determines if there is objective evidence that an impairment loss on financial assets measured at amortized costs has been incurred. If objective evidence indicates that an impairment loss for such assets has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in profit or loss.

Financial assets and financial liabilities which are classified as FVTPL are measured at fair value with changes in those fair values recognized as finance income/expense.

(e) Revenue Recognition
Revenue from the sale of precious metals, gold and silver, is recognized at the fair value of the consideration received and when all significant risks and rewards of ownership pass to the purchaser, usually on the transfer of title, including delivery of the product, there is a fixed or determinable selling price and collectability is reasonably assured.

(f) Income Taxes
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of operations except to the extent it relates to items recognized directly in equity or in other comprehensive income (OCI), in which case the related taxes are recognized in equity or OCI.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, which may differ from earnings reported in the statement of operations due to items of income or expenses that are not currently taxable or deductible for tax purposes, using tax rates substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent they can be controlled and that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) Cash

Cash consists of cash on hand, cash on deposit with banks, banks term deposits with terms of less than 90 days from the date of acquisition.

(h) Inventories

Inventories consisting of product inventories, work-in-process (metal-in-circuit and gold-in-process) and ore stockpiles are valued at the lower of the cost of production and net realizable value. Net realizable value is calculated as the difference between estimated costs to complete production into a saleable form and the estimated future precious metal price based on prevailing and long-term metal prices.

The cost of production includes an appropriate proportion of depreciation and overhead. Work-in-process (metal-in-circuit and gold-in-process) represents inventories that are currently in the process of being converted to a saleable product. The assumptions used in the valuation of work-in-process inventories include estimates of metal contained and recoverable in the ore stacked on leach pads, the amount of metal stacked in the mill circuits that is expected to be recovered from the leach pads, the amount of gold in these mill circuits and an assumption of the precious metal price expected to be realized when the precious metal is recovered. If the cost of inventories is not recoverable due to decline in selling prices or increases in the costs of completion or the estimated costs to be incurred to make the sale, the Business would be required to write-down the recorded value of its work-in-process inventories to net realizable value.

Ore in stockpiles is comprised of ore extracted from the mine and available for further processing. Costs are added to ore in stockpiles at the current mining cost per tonne and removed at the accumulated average cost per tonne. Costs are added to ore on the heap leach pads based on current mining costs and removed from the heap leach pad as ounces are recovered in process at the plant based on the average cost per recoverable ounce on the heap leach pad. Although the quantities of recoverable gold placed on the heap leach pads are reconciled by comparing the grades of ore placed on the heap leach pads to the quantities of gold actually recovered, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As such, engineering estimates are refined based on actual results over time. Variances between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis. The ultimate recovery of gold from each heap leach pad will not be known until the leaching process is concluded.

Inventories of materials and supplies expected to be used in production are valued at the lower of cost and net realizable value. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of write-down is reversed. Write-downs of inventory and reversals of write-downs are reported as a component of cost of sales.

(i) Property, Plant and Equipment

i. *Land, Building, Plant and Equipment*

Land, building, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. The cost is comprised of the asset's purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated decommissioning and restoration costs associated with the asset.

The depreciable amount of building, plant and equipment is amortized on a straight-line basis to the residual value of the asset over the lesser of mine life or estimated useful life of the asset. Each part of an item of building, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately if its useful life differs. Useful life of building, plant and equipment items ranges from two to fifteen years, but do not exceed the related estimated mine life based on proven and probable mineral reserves and the portion of mineral resources that management expects to become mineral reserves in the future and be economically extracted.

	Depreciation Method	**Useful Life**
Building	Straight Line	4 to 15 years
Machinery and equipment	Straight Line	2 to 7 years
Vehicles	Straight Line	3 to 5 years
Furniture and office equipment	Straight Line	2 to 10 years
Computer equipment and software	Straight Line	3 to 5 years
Land	Not depreciated	

The Business reviews the useful life, depreciation method, residual value and carrying value of its building, plant and equipment at least annually.

Expenditures that extend the useful lives of existing facilities or equipment are capitalized and amortized over the remaining useful lives of the assets. Repairs and maintenance expenditures are expensed as incurred.

ii. *Exploration, Evaluation Assets and Depletable Producing Properties*

The Business's tangible exploration and evaluation assets are comprised of mineral resources and exploration potential. The value associated with mineral resources and exploration potential is the value beyond proven and probable mineral reserves.

Exploration and evaluation assets acquired as part of an asset acquisition or a business combination are recorded as tangible exploration and evaluation assets and are capitalized at cost, which represents the fair value of the assets at the time of acquisition determined by estimating the fair value of the property's mineral reserves, mineral resources and exploration potential at such time.

The value of such assets when acquired is primarily a function of the nature and amount of mineralized material contained in such properties. Exploration and evaluation stage mineral interests represent interests in properties that potentially contain mineralized material consisting of measured, indicated and inferred mineral resources; other mine exploration potential such as inferred mineral resources not immediately adjacent to existing mineral reserves but located around and near mine or project areas; other mine-related exploration potential that is not part of measured, indicated and inferred mineral resources; and any acquired right to explore and develop a potential mineral deposit.

Exploration and evaluation expenditures incurred by the Business are capitalized at cost if management determines that probable future economic benefits will be generated as a result of the expenditures. Expenditures incurred before the Business has obtained legal rights to explore a specific area of interest are expensed. Costs incurred for general exploration that are either not project-specific or do not result in the acquisition of mineral properties are considered greenfield expenditures and charged to expense. Brownfield expenditures, which typically occur in areas surrounding known deposits and/or re-exploring older mines using new technologies to determine if greater mineral reserves and mineral resources exist, are capitalized. Brownfield activities are focused on the discovery of mineral reserves and mineral resources close to existing operations, including around mine or near-mine, reserve/resource extension and infill drilling.

Exploration expenditures include the costs incurred in either the initial exploration for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits.

Evaluation expenditures include the costs incurred to establish the technical feasibility and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of:

- acquiring the rights to explore;
- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable mineral reserve;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, pre-feasibility and final feasibility studies.

The values assigned to the tangible exploration and evaluation assets are carried at acquired costs until such time as the technical feasibility and commercial viability of extracting the mineral resource is demonstrated, which occurs when the related project or component of a mineral reserve or mineral resource that does not form part of the mine plan of a producing mine is considered economically feasible for development. At that time, the property and the related costs are reclassified as part of the development costs of a producing property not yet subject to depletion, and are capitalized. Assessment for impairment is conducted before reclassification.

Depletion or depreciation of those capitalized exploration and evaluation costs and development costs commences upon completion of commissioning of the associated project or component. Depletion of mining properties and amortization of preproduction and development costs are calculated and recorded on a unit-of-production basis over the estimate of recoverable ounces. The depletable costs relating to the ore body or component of the ore body in production are multiplied by the number of ounces produced divided by the estimated recoverable ounces, which includes proven and probable mineral reserves of the mine and the portion of mineral resources expected to be classified as mineral reserves and economically extracted. Management assesses the estimated recoverable ounces used in the calculation of depletion at least annually, or whenever facts and circumstances warrant that an assessment should be made. Changes to estimates of recoverable ounces and depletable costs including changes resulting from revisions to the Business's mine plans and changes in metal price forecasts can result in a change in future depletion rates.

The Business assesses and tests its exploration and evaluation assets and mining properties for impairment, and subsequent reversal of impairment, at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Costs related to areas of interest abandoned are written off when such a decision is made. An impairment assessment of the exploration and evaluation assets is conducted before the reclassification or transfer of exploration and evaluation assets to depletable producing properties.

iii. *Assets Under Construction*

Assets under construction consist of expenditures for the construction of future mines, pre-production revenue credits and expenses prior to achieving completion of commissioning. Completion of commissioning is commonly used as a reference for determining the point in time at which a mine and plant have achieved operational results that are expected to remain at a sustainable operational level over a period of time. Upon completion of commissioning, production costs are no longer capitalized and are reported as operating costs. The determination of when completion of commissioning has been achieved is based on several qualitative and quantitative factors including but not limited to the following:

- A significant portion of planned capacity, production levels, grades and recovery rates are achieved at a sustainable level
- Achievement of mechanical completion and operating effectiveness
- Significant milestones such as obtaining necessary permits and production inputs are achieved to allow continuous and sustainable operations

Costs associated with commissioning new assets, in the period before they are capable of operating in the manner intended by management, are capitalized. Borrowing costs, including interest, associated with projects that are actively being prepared for production are capitalized to assets under construction. These costs are elements of the historical cost of acquiring an asset when a period of time is required to bring it to the condition and location necessary for its intended use. Capitalized interest costs are amortized on the same basis as the related qualifying asset.

Once the mining project has been established as commercially feasible, all the related capitalized expenditures, other than that on land, buildings, plant and equipment, are transferred to the category “mining properties subject to depreciation or depletion” together with any amounts transferred from exploration and evaluation assets.

(j) Borrowing Costs
Interest on borrowings related to qualifying assets including construction or development projects is capitalized until substantially all activities that are necessary to make the asset ready for its intended use are complete. This is usually when the Business declares completion of commissioning at the mine. All other borrowing costs are charged to earnings in the period incurred.

(k) Decommissioning, Restoration and Similar Liabilities
A provision is recognized if, as a result of a past event, the Business has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Decommissioning, restoration and similar liabilities are a type of provision associated with the retirement of a long-lived asset that the Business has acquired, constructed, developed and/or used in operations. Reclamation obligations on the Business's mineral properties are recorded as a decommissioning, restoration and similar liabilities. These include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. These estimated obligations are provided for in the accounting period when the related disturbance occurs, whether during the mine development or production phases at the present value of estimated future costs to settle the obligations. The costs are estimated based on mine closure plan. The cost estimates are updated annually during the life of the operation to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Business's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures that may occur upon decommissioning, restoration and similar liabilities. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

The amortization or 'unwinding' of the discount applied in establishing the present value of decommissioning, restoration and similar liabilities and other provisions is charged to the consolidated statement of operations as finance expense in each accounting period. The initial decommissioning, restoration and similar liabilities together with other movements in the provisions for decommissioning, restoration and similar liabilities, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalized within property, plant and equipment. The capitalized costs are amortized over the life of the mine on a unit-of-production basis.

4. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES

The preparation of carve out combined financial statements in conformity with IFRS requires the Business's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the carve out combined financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

(a) Critical Judgments in the Application of Accounting Policies

Information about critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Assets' Carrying Values and Impairment Charges

In the determination of carrying values and impairment charges, management looks at the higher of value in use and fair value less costs to sell in the case of long lived assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. During the year of 2015, the Business recognized a non-cash impairment loss on certain mining properties in the amount of $20.1 million ($568.4 million in December 31, 2014, nil in December 31, 2013) and concluded that no reversals are required on previously recognized impairments.

Capitalization of Exploration and Evaluation Costs

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. During the period ended December 31, 2015, the Business capitalized a total of $4.2 million (December 31, 2014 - $4.9 million; December 31, 2013 - $9.7 million) of exploration and evaluation expenditures.

Recoverable Ounces

The carrying amounts of the Business's mining properties are depleted based on recoverable ounces contained in proven and probable mineral reserves plus a portion in mineral resources. The Business includes a portion of mineral resources where it is considered probable that those mineral resources will be economically extracted. Changes to estimates of recoverable ounces and depletable costs including changes resulting from revisions to the Business's mine plans and changes in metal price forecasts can result in a change in future depletion rates.

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects, issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and mineral resources. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Business's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Business's financial position and results of operation.

Determination of Economic Viability of a Project

Management has determined that costs associated with projects under construction or developments have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise, existing permits and life of mine plans.

Completion of Commissioning/Commencement of Operating Level Production

During the determination of whether a mine has reached an operating level that is consistent with the use intended by management, costs incurred are capitalized as property, plant and equipment and any consideration from commissioning sales are offset against costs capitalized. The Business defines completion of commissioning as the date that a mine has achieved a sustainable level of production at or near expected levels including planned capacity for the mine and mill; production levels; grades and recovery rates along with various qualitative factors including but not limited to the achievement of mechanical completion, the working effectiveness of the site refinery, whether a refining contract for the product is in place and whether the product is of sufficient quantity to be sold, whether there is a sustainable level of production input available including power, water and diesel, and whether the necessary permits are in place to allow continuous operations.

C1 Santa Luz and Pilar mines commenced commissioning in the second half of 2013.

During the year ended December 31, 2014 the Business made a decision to suspend commissioning activities at C1 Santa Luz and place the project on care and maintenance. The Business is working with employees, labor unions, contractors and various levels of governments to minimize the impact on local communities and remains confident that once the metallurgical recovery evaluation process is completed, C1 Santa Luz will become a sustainable operation providing long term benefits to local communities. Suspension of commissioning activities is an impairment indicator, thus, the Business performed an impairment test and recognized a non-cash impairment charge during the year ended December 31, 2014.

Pilar completed commissioning and declared commercial production effective October 1, 2014.

Determination of Functional Currency

According to IFRS, the determination of functional currency is based on the primary economic environment in which the entity operates and is normally the one in which it primarily generates and expends cash. The Business considers the following factors in determining functional currency:

- The currency that mainly influences sales prices for goods and services (often the currency in which sales prices for its goods and services are denominated);
- The currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services; and
- The currency that mainly influences labor, material and other costs of providing goods or services.

If the above factors are mixed or unclear the Business also considers additional factors, which include: the currency in which funds from financing activities are generated, and the currency in which receipts from operating activities are usually retained.

Based on evaluation against the aforementioned criteria and other factors, the Business has concluded that the functional currency of the Business is the United States Dollar.

(b) Key Sources of Estimation Uncertainty in the Application of Accounting Policies

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are included in the following notes:

Mineral Reserve and Mineral Resource Estimates

To extend the lives of its mines and projects, ensure the continued operation of the business and realize its growth strategy, it is essential that the Business continues to realize its existing identified mineral reserves, convert mineral resources into mineral reserves, increase its mineral resource base by adding new mineral resources from areas of identified mineralized potential, and/or undertake successful exploration or acquire new mineral resources.

There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Business's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. Lower market prices, increased production costs, reduced recovery rates and other factors may result in a revision of its mineral reserve estimates from time to time or may render the Business's mineral reserves uneconomic to exploit, which may materially and adversely affect the results of operations or financial condition. Mineral reserve data are not indicative of future results of operations. Evaluation of mineral reserves and mineral resources occurs from time to time and they may change depending on further geological interpretation, drilling results and metal prices. The Business regularly evaluates its mineral resources and it often determines the merits of increasing the reliability of its overall mineral resources.

Impairment of Mineral Properties

While assessing whether any indications of impairment exist for mineral properties, consideration is given to both external and internal sources of information. Information the Business considers include changes in the market, economic and legal environment in which the Business operates that are not within its control and affect the recoverable amount of mineral properties. Internal sources of information include the manner in which property and plant and equipment are being used or are expected to be used and indications of economic performance of the assets, historical exploration and operating results. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Business's mining properties, costs to sell the mining properties and the discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Business's mineral properties.

Estimation of Provision for Liabilities

The Business assesses its provision for liabilities other than decommissioning and restoration costs when new information becomes available. Provisions are liabilities that are uncertain in timing and amount. The Business records a provision when: (1) the Business has a present obligation (legal or constructive) as a result of past events; (2)when it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of obligation.

Income Taxes and Recoverability of Potential Deferred Tax Assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operating activities and the application of existing tax laws in each jurisdiction. The Business considers relevant tax planning opportunities that are within the Business's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Business from realizing the tax benefits from the deferred tax assets. The Business reassesses unrecognized income tax assets at each reporting period.

Inventory Valuation

Finished goods, work-in-process, heap leach ore and stockpile ore are valued at the lower of the production costs or net realizable value. The assumptions used in the valuation of work-in process inventories include estimates of gold contained in the ore stacked on leach pads, assumptions of the amount of gold stacked that is expected to be recovered from the leach pads, the amount of gold in the mill circuits and assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Business could be required to write-down the recorded value of its work-in-process inventories, which would reduce the Business's earnings and working capital.

Contingencies
Refer to Note 21, Contingencies to the consolidated financial statements.

5. RECENT ACCOUNTING PRONOUNCEMENTS

The IASB or the International Financial Reporting Interpretations Committee ("IFRIC") issue pronouncements that are mandatory for the Business to implement. Pronouncements that are not applicable to the Business have been excluded from this note. The following pronouncements have been issued but are not yet effective:

(a) IFRS 9 Financial Instruments - The standard is effective for annual reporting periods beginning January 1, 2018 for public entities. The Business is assessing the impact of this Standard.

(b) IFRS 15 Revenue from Contracts with Customers - The final standard on revenue from contracts with customers was issued on May 28, 2014, effective for annual reporting periods beginning on or after January 1, 2017 with early adoption permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. On September 11, 2015 the IASB issued an amendment to the revenue Standard, formalizing the deferral of the effective date by one year to January 1, 2018. The Business is assessing the impact of this Standard.

(c) IFRS 16 Leases - The standard is effective for annual reporting periods beginning January 1, 2019. Early application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. The Business is assessing the impact of this Standard.

6. INVENTORIES

	As at December 31, 2015	As at December 31, 2014
Product inventories	**$ 2,405**	$ 6,824
Metal in circuit and gold in process	**2,678**	2,304
Ore stockpiles	**1,730**	4,582
Materials and supplies	**17,367**	15,302
	$ 24,180	$ 29,012

The amount of inventories recognized as an expense during the year ended December 31, 2015, was $106.8 million (2014 - $82.9 million, 2013 - $59.6 million) and is included in cost of sales. For the year ended December 31, 2015, a total recovery of $0.4 million was recorded to adjust inventory to net realizable value (2014 - a charge of $0.2 million, 2013 - a charge of $0.1 million) which is included in cost of sales.

7. OTHER ASSETS

	As at December 31, 2015	As at December 31, 2014
Tax credits receivable *(i)*	**$ 4,726**	$ 930
Advances to suppliers	**6,256**	7,844
Option agreement *(ii)*	**6,000**	—
Other long-term advances	**4**	—
Other	**316**	615
	$ 17,302	$ 9,389
Current	**$ 6,934**	$ 8,104
Non-current	**10,368**	1,285
	$ 17,302	$ 9,389

(i) Tax credits receivables classified as other assets consist of sales taxes which are recoverable against other taxes payable and value-added taxes.

(ii) Balance represents a $6 million payment for the option to purchase certain rights and interests with respect to Mineração Riacho dos Machados Ltda ("MRDM"). The option was exercised February 17, 2016 (refer to *Note 23: Subsequent Events*).

8. PROPERTY, PLANT AND EQUIPMENT

	Mining property costs subject to depletion	Mining property costs not subject to depletion *(ii)*	Land, building, plant & equipment *(i) (ii)*	Total
Cost, January 1, 2014	**$ 193,883**	**$ 752,696**	**$ 98,523**	**$ 1,045,102**
Additions	35,085	87,706	7,440	130,231
Transfers, reclassification and other non-cash movements	207,052	(159,626)	(48,449)	(1,023)
Change in decommissioning, restoration & similar liabilities	7,135	7,361	—	14,496
Disposals	—	(277)	(1,594)	(1,871)
Cost, December 31, 2014	**$ 443,155**	**$ 687,860**	**$ 55,920**	**$ 1,186,935**
Additions	20,282	3,125	9,026	32,433
Transfers, reclassification and other non-cash movements	(110,999)	(75,965)	186,263	(701)
Change in decommissioning, restoration & similar liabilities	(7,414)	(4,249)	—	(11,663)
Disposals	—	—	(266)	(266)
Cost, December 31, 2015	**$ 345,024**	**$ 610,771**	**$ 250,943**	**$ 1,206,738**
Accumulated depreciation and impairment, January 1, 2014	**$ 86,125**	**$ —**	**$ 33,091**	**$ 119,216**
Depreciation for the year	16,391	—	5,962	22,353
Impairment charges	—	568,386	—	568,386
Disposals	(8)	—	(1,491)	(1,499)
Accumulated depreciation and impairment, December 31, 2014	**$ 102,508**	**$ 568,386**	**$ 37,562**	**$ 708,456**
Depreciation for the year	30,011	—	20,331	50,342
Impairment charges	1,044	19,033	—	20,077
Disposals	—	—	(266)	(266)
Accumulated depreciation and impairment, December 31, 2015	**$ 133,563**	**$ 587,419**	**$ 57,627**	**$ 778,609**
Carrying value, December 31, 2014	340,647	119,474	18,358	478,479
Carrying value, December 31, 2015	**$ 211,461**	**$ 23,352**	**$ 193,316**	**$ 428,129**

(i) Included in land, building, plant and equipment is $5.9 million of land which in not subject to depreciation (2014 - $4.5million).

(ii) Balance includes amounts related to C1 Santa Luz for $33.2 million (2014 - $27.7 million) which are not subject to depreciation as the mine is in care and maintenance

9. TRADE AND OTHER PAYABLES

	As at December 31, 2015	As at December 31, 2014
Trade payables *(i)*	**$ 21,748**	$ 44,021
Other payables	**6,935**	6,712
	$ 28,683	$ 50,733

(i) No interest is charged on the trade payables for the first 60 days from the date of invoice. The Business has financial risk management policies in place to ensure that all payables are paid within the credit terms.

10. OTHER PROVISIONS AND LIABILITIES

		As at December 31, 2015		As at December 31, 2014
Loan payable to Yamana Gold Inc. (i)	$	**8,149**	$	—
Other taxes payable		**1,272**		1,371
Current portion of decommissioning, restoration and similar liabilities *(Note 11)*		**1,989**		1,212
Other		**1,460**		208
	$	**12,870**	$	2,791
Current	$	**10,580**	$	2,791
Non-current		**2,290**		—
	$	**12,870**	$	2,791

(i) On February 11, 2015, the Business entered into a loan agreement with Yamana Gold Inc. The terms are as follows:

- The loan is due at the earlier of 18 months after June 1, 2015, a change of control or an equity financing event.
- The loan is interest bearing at LIBOR + 2.75%.

11. DECOMMISSIONING, RESTORATION AND SIMILAR LIABILITIES

		As at December 31, 2015		As at December 31, 2014
Balance, beginning of year	$	**32,725**	$	19,525
Unwinding of discount		**3,272**		1,231
Adjustments to decommissioning, restoration and similar liabilities		**(953)**		16,820
Foreign exchange impact		**(11,148)**		(2,324)
Expenditures		**(988)**		(2,527)
Balance, end of year	$	**22,908**	$	32,725
Current	$	**1,989**	$	1,212
Non-current		**20,919**		31,513
	$	**22,908**	$	32,725

The Decommissioning, Restoration and Similar Liabilities are calculated as the net present value of estimated undiscounted future cash flows, which total $37.0 million (December 31, 2014 - $51.2 million) using discount rates specific to the liabilities of 14.32% (December 31, 2014 - 12.08% to 12.17%). The settlement of the obligations is estimated to occur through to 2027. The Decommissioning, Restoration and Similar Liabilities of the mines are to be incurred in Brazilian Reais. The liabilities are thus subject to translation gains and losses from one reporting period to the next in accordance with the Business's accounting policy for foreign currency translation of monetary items. The translation gains/losses, as well as changes in the estimates related to these liabilities are reflected in Property, Plant and Equipment.

12. COST OF SALES EXCLUDING DEPLETION, DEPRECIATION AND AMORTIZATION

	For the years ended December 31,		
(In thousands of United States Dollars)	**2015**	**2014**	**2013**
Contractors and services *(i)*	**$ 16,272**	$ 24,304	$ 8,693
Employee compensation and benefits expenses *(Note 13)*	**28,665**	21,778	20,014
Repairs and maintenance	**19,724**	10,176	9,171
Royalties	**3,309**	17	22
Power	**8,788**	4,566	4,855
Consumables	**26,251**	22,862	13,578
Other	**3,735**	3,385	(897)
Change in inventories, ore stockpiles, material and supplies	**72**	(4,235)	4,170
Cost of sales excluding depletion, depreciation and amortization *(i)*	**$ 106,816**	$ 82,853	$ 59,606

(i) Pilar reached commercial operation as of October 2014. Costs were capitalized to property, plant and equipment during pre-commercial operations.

13. EMPLOYEE COMPENSATION AND BENEFIT EXPENSES

	For the years ended December 31,		
(In thousands of United States Dollars)	**2015**	**2014**	**2013**
Wages and salaries	**$ 19,960**	$ 12,001	$ 11,888
Social security, pension, bonus and government-mandated programs	**15,016**	10,532	7,323
Other benefits	**155**	208	1,493
Total employee compensation and benefits expenses	**$ 35,131**	$ 22,741	$ 20,704
Less: expensed within general and administrative expenses	**(5,748)**	(795)	(690)
Less: expensed within exploration and evaluation expenses	**(718)**	(168)	—
Employee compensation and benefit expenses included in cost of sales *(Note 12)*	**$ 28,665**	$ 21,778	$ 20,014

14. OTHER OPERATING EXPENSES

	For the years ended December 31,		
(In thousands of United States Dollars)	**2015**	**2014**	**2013**
Legal provisions *(i)*	**$ 18,999**	$ 14,079	$ 6,334
Provisions for indirect tax credits	**(6,966)**	6,847	21,475
Demobilization Cost for C1 Santa Luz	**—**	9,196	—
Care and maintenance	**3,149**	—	—
Write-off and loss (gains) on sale of assets	**9,372**	(167)	(18)
Other expense	**286**	5,778	3,042
Other operating expenses	**$ 24,840**	$ 35,733	$ 30,833

(i) Provisions for legal disputes with vendors during the construction phase and other labour disputes.

15. IMPAIRMENTS

In accordance with the Business accounting policies and processes, each asset or cash generating unit ("CGU") is evaluated at the end of each reporting period as to whether there are any indicators, from external and internal sources of information, that an asset or CGU may be impaired requiring an adjustment to the carrying value.

In assessing whether an impairment charge is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs to sell ("FVLCS") and value in use. The recoverable amount was determined as the FVLCS for each CGU. FVLCS was determined based on the net present value of the future estimated cash flows expected to be generated from the continued use of the CGUs, using assumptions a market participant may take into account. The determination of FVLCS for each CGU uses Level 3 valuation techniques.

During the year ended December 31, 2015, the Business recorded impairment charges as follows:

(In millions)	2015		2014	
CGU	**Total Impairment**	**Net Book Value after impairment - as at Dec. 31, 2015**	**Total Impairment**	**Net Book Value after impairment - as at Dec. 31, 2014**
Pilar	—	**335.6**	207.6	339.5
Fazenda Brasileiro	**12.7**	**59.3**	—	111.3
C1 Santa Luz	**7.4**	**33.2**	360.8	27.7
Total impairments in respect of these projects	**20.1**	**428.1**	568.4	478.5

During the fourth quarter, the Business performed its annual impairment test based on updated life of mine after-tax cash flow projections which were revised for updated estimates of future metal prices, production based on current estimates of recoverable mineral reserves and mineral resources, recent operating and exploration results, exploration potential, future operating costs, capital expenditures and long-term foreign exchange rates. The Business examined future cash flows, the intrinsic value beyond proven and probable mineral reserves, value of land holdings, as well as other factors, which are determinants of commercial viability of each mining property in its portfolio. Despite the fact that the main drivers for the impairment were the decrease in value of exploration land and value of potential ounces, the impairments of mineral properties are allocated to depletable and non-depletable assets on a proportional basis, consistent with IFRS.

Impairment Testing: Key Assumptions and Sensitivities

The determination of FVLCS includes the following key applicable assumptions:

- *Production volumes:* In calculating the FVLCS, the production volumes incorporated into the cash flow models based on detailed life-of-mine plans and take into account development plans for the mines agreed by management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted. As each producing mine has specific reserve characteristics and economic circumstances, the cash flows of the mines are computed using appropriate individual economic models and key assumptions established by management. The production profiles used were consistent with the reserves and resource volumes approved as part of the Business process for the estimation of proved and probable reserves, resource estimates and in certain circumstances, include expansion projects. These are then assessed to ensure they are consistent with what a market participant would estimate
- *Commodity prices:* Forecast commodity prices are based on management's estimates and are derived from forward price curves and long-term views of global supply and demand, building on past experience of the industry and

consistent with external sources. Estimated long-term gold prices of $1,250 per ounce (2014 - $1,300 per ounce) was used to estimate future revenues

- *Discount rates:* In calculating the FVLCS, a real post-tax discount rate of 4.75% (2014: 4.9%) based on a market participant's weighted average cost of capital ("WACC"). The WACC used in the models is in real terms, consistent with the other assumptions in the models.
- *Exchange rates:* Foreign exchange rates are estimated with reference to external market forecasts and based on observable market data including spot and forward values.

Sensitivity Analysis

The Business has performed a sensitivity analysis to identify the impact of changes in long-term metal prices and operating costs which are key assumptions that impact the impairment calculations. The Business assumed a 1% change in the metal price assumptions and a 1% change in certain cost inputs while holding all other assumptions constant. Based on the results of the impairment testing performed during the quarter, the CGU's sensitivity to changes in these key assumptions appear below. Generally there is a direct correlation between metal prices and industry cost levels as a significant decline in metal prices will often be mitigated by a corresponding decline in industry operating input cost levels. The Business believes that adverse changes in metal price assumptions would impact certain other inputs in the life of mine plans which may offset, to a certain extent, the impact of these adverse metal price changes.

A 1% change in gold price and operating costs will change the recoverable value by approximately $8 million and $4.5 million, respectively.

The model used to determine impairment is based on management's best assumptions using material and practicable data which may generate results that are not necessarily indicative of future performance. In addition, in deriving this analysis, the Business has made assumptions based on the structure and relationships of variables as at the balance sheet date which may differ due to fluctuations throughout future years with all other variables assumed to remain constant. Actual changes in one variable may contribute to changes in another variable, which may amplify or offset the individual effect of each assumption.

Although these estimates are based on management's best knowledge of the amounts, events or actions, the actual results may differ from these estimates as they will only be resolved on the occurrence of one or more future events.

16. FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

The Business's financial instruments include cash, option agreements, trade and other payables, and loan payable to Yamana. The carrying values of cash, advances and deposits, trade and other payables approximate their fair values due to the relatively short-term nature of these instruments.

There were no material differences between the carrying value and fair value of non-current assets and liabilities.

The Business assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Business's policy. As at December 31, 2015, December 31, 2014 and December 31, 2013, there were no embedded derivatives requiring separate accounting.

(b) Currency Risk

The Business's sales are predominantly denominated in United States Dollars. The Business is primarily exposed to currency fluctuations relative to the United States Dollar as a portion of the Business's operating costs and capital expenditures are denominated in foreign currencies; predominately the Brazilian Real. Monetary assets denominated in foreign currencies are also exposed to foreign currency fluctuations. These potential currency fluctuations could have a significant impact on production costs and thereby the profitability of the Business.

(On 10% change in United States Dollars exchange rate)	December 31, 2015 Effect on net earnings before tax	December 31, 2015 Effect on other comprehensive income, before tax	December 31, 2014 Effect on net earnings before tax	December 31, 2014 Effect on other comprehensive income, before tax	December 31, 2013 Effect on net earnings before tax	December 31, 2013 Effect on other comprehensive income, before tax
Brazilian Reais	**$ 2,675**	**$ —**	$ 4,854	$ —	$ 5,683	$ —

(c) Commodity Price Risk

Gold and silver prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the political and economic conditions of major gold and silver-producing countries. The profitability of the Business is directly related to the market price of gold and silver. A decline in the market prices for these precious metals could negatively impact the Business's future operations. The Business has not hedged any of its gold or silver sales.

(d) Credit Risk

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial instrument. The Business limits credit risk by entering into business arrangements with high credit-quality counterparties, limiting the amount of exposure to each counterparty and monitoring the financial condition of counterparties whilst also establishing policies to ensure liquidity of available funds. In addition, credit risk is further mitigated in specific cases by maintaining the ability to novate contracts from lower quality credit counterparties to those with higher credit ratings.

For cash, credit risk is represented by the carrying amount on the balance sheet. Cash is deposited in highly rated corporations and the credit risk associated with these deposits is low. The Business does not have any assets pledged as collateral.

The Business's maximum credit exposure to credit risk is as follows:

As at,	As at December 31, 2015	As at December 31, 2014	As at December 31, 2013
Cash	**$ 3,966**	$ —	$ —

(e) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Under the terms of our trading agreements, counterparties cannot require the Business to immediately settle outstanding financial instruments except upon the occurrence of customary events of default. The Business mitigates liquidity risk by managing its capital expenditures and operating cash flows. Contractual maturities relating to contractual commitments are included in *Note 20.*

17. INCOME TAXES

(a) Income Tax Expense

	For the years ended December 31,		
	2015	**2014**	**2013**
Current tax expense (recovery)			
Current tax expense in respect of the current year	**$ 2,415**	$ (38)	$ (2)
Adjustment for prior periods	**—**	—	117
Impact of foreign exchange	**247**	162	153
Penalties and interest	**3**	—	—
	$ 2,665	$ 124	$ 268
Deferred tax expense (recovery)			
Deferred tax expense (recovery) recognized in the current year	**$ (48,898)**	$ (21,008)	$ 37,348
Adjustment for prior periods	**—**	(6,052)	—
Impact of foreign exchange	**82,620**	(3,815)	(1,265)
	$ 33,722	$ (30,875)	$ 36,083
Total income tax expense	**$ 36,387**	$ (30,751)	$ 36,351

The provision for income taxes was recorded at statutory rates based on (loss) income before income taxes and calculated as though each legal entity or division of the Business was a separate tax paying entity. The provision for income taxes differs from the expense that would be obtained by applying the Canadian statutory income tax rate as a result of the following:

	For the years ended December 31,		
(In thousands of United States Dollars)	**2015**	**2014**	**2013**
Loss before income taxes	**$ (34,898)**	$ (621,528)	$ (57,279)
Canadian statutory tax rate	**26.5%**	26.5%	26.5%
Expected income tax expense (recovery)	**$ (9,248)**	$ (164,705)	$ (15,179)
Impact of lower (higher) foreign tax rates	**121,172**	(46,460)	(3,921)
Interest and penalties	**3**	—	—
Permanent differences	**(47,614)**	37,757	3,015
Unrecognized deferred tax assets	**48,602**	69,446	—
Tax effect of translation in foreign operations	**(156,585)**	24,184	52,644
Unrealized foreign exchange on non-monetary assets	**82,868**	48,626	412
True-up of tax provisions in respect of prior years	**—**	(6,052)	117
Withholding Taxes	**181**	—	—
Other	**(2,992)**	6,453	(737)
Income tax (recovery) expense	**$ 36,387**	$ (30,751)	$ 36,351
Income tax expense is represented by:			
Current income tax expense	**2,665**	124	268
Deferred income tax (recovery) expense	**33,722**	(30,875)	36,083
Total income tax (recovery) expense	**36,387**	(30,751)	36,351

(i) The Business operates in multiple foreign tax jurisdictions that have tax rates that differ from the statutory rate.

(b) Deferred Income Taxes

The following is the analysis of the deferred tax assets (liabilities) presented in the Consolidated Balance Sheets:

(In thousands of United States Dollars)		As at December 31, 2015		As at December 31, 2014
The net deferred income tax assets (liabilities) are classified as follows:				
Deferred income tax assets	**$**	**—**	$	—
Deferred income tax liabilities		**(34,249)**		(5,044)
	$	**(34,249)**	$	(5,044)

As at December 31, 2015		Opening balance		Recognized in profit or loss		Others		Closing balance
Deductible temporary differences	**$**	**1,969**	**$**	**3,262**	**$**	**—**	**$**	**5,231**
Amounts related to tax losses		**2,175**		**(2,175)**		**—**		**—**
Decommissioning, restoration and similar liabilities		**2,471**		**3,202**		**—**		**5,673**
Derivative liability		**—**		**—**		**—**		**—**
Property, plant and equipment		**27,777**		**(33,553)**		**2,064**		**(3,712)**
Unrealized foreign exchange losses		**(35,714)**		**671**		**—**		**(35,043)**
Inventory		**—**		**(392)**		**—**		**(392)**
Other		**(3,722)**		**(4,737)**		**2,453**		**(6,006)**
Net deferred income tax liabilities	**$**	**(5,044)**	**$**	**(33,722)**	**$**	**4,517**	**$**	**(34,249)**

As at December 31, 2014		Opening balance		Recognized in profit or loss		Closing balance
Deductible temporary differences	$	5,250	$	(3,281)	$	1,969
Amounts related to tax losses		1,577		598		2,175
Decommissioning, restoration and similar liabilities		2,852		(381)		2,471
Property, plant and equipment		(4,124)		31,901		27,777
Unrealized foreign exchange losses		(35,845)		131		(35,714)
Other		(5,629)		1,907		(3,722)
Net deferred income tax liabilities	$	(35,919)	$	30,875	$	(5,044)

(c) Unrecognized Deductible Temporary Differences and Unused Tax Losses

Deferred tax assets have not been recognized in respect of the following items:

(In thousands of United States Dollars)		As at December 30, 2015		As at December 31, 2014
Deductible temporary differences (no expiry)	**$**	**138,456**	$	7,450
Tax losses		**8,294**		9
	$	**146,750**	$	7,459

Loss carry forwards at December 31, 2015 will expire as follows:

(In thousands of United States Dollars)		Canada		U.S.		Brazil		Other		Total
2021 and onwards		**1,936**		**1,558**		**—**		**163**		**3,657**
Unlimited		**—**		**—**		**4,637**		**—**		**4,637**
	$	**1,936**	**$**	**1,558**	**$**	**4,637**	**$**	**163**	**$**	**8,294**

18. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Net Change in Non-Cash Operating Working Capital

(In thousands of United States Dollars)	For the years ended December 31, 2015	2014	2013
Net decrease (increase) in:			
Inventories	**$ 5,690**	$ (1,361)	$ (22,411)
Other assets	**1,160**	(3,561)	(380)
Net (decrease) increase in:			
Trade payable and other payables	**(32,714)**	(6,649)	28,470
Other current liabilities	**(952)**	(50)	(631)
Net change in non-cash working capital	**$ (26,816)**	$ (11,621)	$ 5,048

(b) Other Non-Cash Operating Expenses

(In thousands of United States Dollars)	For the years ended December 31, 2015	2014	2013
Provision for indirect taxes	**$ (6,966)**	$ 6,847	$ 8,176
Write-off of assets and (gain) loss on sale of assets	**9,372**	—	—
Legal provisions	**18,999**	14,079	6,334
Demobilization costs for C1 Santa Luz	**—**	9,625	—
Share based payments	**4,645**	—	—
Others	**369**	(875)	795
Other non-cash operating expenses	**$ 26,419**	$ 29,676	$ 15,305

19. OPERATING SEGMENTS

The Business which produces primarily gold, and to a lesser extent silver, bases its operating segments on the way information is reported and used by the Chief Operating Decision Makers ("CODM"). The Business has three core reportable operating segments as shown below. Property, plant and equipment referred to below consist of land, buildings, equipment and mining properties subject to depletion and mining properties not subject to depletion which include assets under construction and exploration and evaluation costs.

As at December 31, 2015	**Mineração Fazenda Brasileiro**	**C1 Santa Luz**	**Pilar**	**Corporate and Others**	**Total**
Property, plant and equipment	**$ 59,274**	**$ 33,219**	**$ 335,636**	**$ —**	**$ 428,129**
Non-current assets	**$ 59,721**	**$ 33,219**	**$ 339,095**	**$ 6,462**	**$ 438,497**
Total assets	**$ 73,837**	**$ 42,920**	**$ 349,792**	**$ 7,028**	**$ 473,577**
Total liabilities	**$ (25,402)**	**$ (19,971)**	**$ (59,116)**	**$ (210)**	**$ (104,699)**

As at December 31, 2014	**Mineração Fazenda Brasileiro**	**C1 Santa Luz**	**Pilar**	**Corporate and Others**	**Total**
Property, plant and equipment	$ 111,216	$ 27,723	$ 339,540	$ —	$ 478,479
Non-current assets	$ 111,728	$ 27,987	$ 340,049	$ —	$ 479,764
Total assets	$ 123,854	$ 38,545	$ 354,481	$ —	$ 516,880
Total liabilities	$ (34,410)	$ (38,890)	$ (22,442)	$ —	$ (95,742)

Segment Operating Earnings

For the year ended December 31, 2015	Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	Corporate and Others	Total
Total segment revenue	**$ 69,156**	**$ —**	**$ 94,450**	**$ —**	**$ 163,606**
Cost of sales	**(46,427)**	**—**	**(60,389)**	**—**	**(106,816)**
Depletion, depreciation and amortization	**(29,853)**	**—**	**(20,489)**	**—**	**(50,342)**
Impairment of mining properties	**(12,717)**	**—**	**—**	**—**	**(12,717)**
Mine operating (loss)/earnings	**$ (19,841)**	**$ —**	**$ 13,572**	**$ —**	**$ (6,269)**
Other expenses *(i)*					**(28,629)**
Loss before income taxes					**(34,898)**
Capital expenditures	$ 14,684	$ 1,088	$ 16,661	$ —	**$ 32,433**

For the year ended December 31, 2014	Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	Corporate and Others	Total
Total segment revenue	$ 80,086	$ —	$ 26,000	$ —	$ 106,086
Cost of sales	(61,492)	—	(21,361)	—	(82,853)
Depletion, depreciation and amortization	(20,734)	—	(1,619)	—	(22,353)
Impairment of mining properties	—	—	(207,626)	—	(207,626)
Mine operating (loss)/earnings	$ (2,140)	$ —	$ (204,606)	$ —	$ (206,746)
Other expenses *(i)*					(414,782)
Loss before income taxes					(621,528)
Capital expenditures	$ 15,243	$ 55,790	$ 59,198	$ —	$ 130,231

For the year ended December 31, 2013	Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	Corporate and Others	Total
Total segment revenue	$ 96,119	$ —	$ —	$ —	$ 96,119
Cost of sales	(59,525)	—	(81)	—	(59,606)
Depletion, depreciation and amortization	(14,653)	—	—	—	(14,653)
Mine operating earnings/(loss)	$ 21,941	$ —	$ (81)	$ —	$ 21,860
Other expenses *(i)*					(79,139)
Loss before income taxes					(57,279)
Capital expenditures	$ 18,701	$ 90,395	$ 186,174	$ —	$ 295,270

(i) Other expenses is comprised of general and administrative expense of $19.3 million (2014 - $23.1 million, 2013 - $23.8 million), exploration and evaluation expense of $0.6 million (2014 - $0.005 million, 2013 - $2.4 million), foreign exchange gain (loss) of $26.7 million (2014 - $6.0 million, 2013 - $(20.8) million), finance expense of $3.3 million (2014 - $1.2 million, 2013 - $1.3 million), other operating expense of $24.8 million (2014 - $35.7 million, 2013 - $30.8 million) and charges related to impairment of non-operating mineral properties of $7.4 million (2014 - $360.8 million, 2013 - nil).

20. CONTRACTUAL COMMITMENTS

Construction and Service Contracts

	As at December 31, 2015	As at December 31, 2014
Within 1 year	**$ 46,313**	$ 88,204
Between 1 to 3 years	**19,887**	102,558
Between 3 to 5 years	**581**	13,071
After 5 years	**37**	1,802
	$ 66,818	$ 205,635

21. CONTINGENCIES

Due to the size, complexity and nature of the Business's operations, various legal and tax matters arise in the ordinary course of business. The Business accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the carve out combined financial statements of the Business.

22. RELATED PARTIES

Compensation of Key Management Personnel

During the period ended December 31, 2015 key management personnel were recruited to provide senior management oversight in association with operational management, optimization and improvement of its assets. Remuneration paid to key management during the period to December 31, 2015 includes cash payment of $1.3 million, and stock based compensation expense of $4.6 million.

23. SUBSEQUENT EVENTS

MRDM Acquisition

On February 17, 2016, the Business entered into an Assignment and Assumption Agreement and a Restructuring Agreement pursuant to which it would ultimately acquire all right, title and interests in Mineração Riacho dos Machados Ltda (“MRDM”), a wholly-owned subsidiary of Carpathian Gold Inc. (“Carpathian”), from Macquarie Bank Limited, holder of rights and interests in a loan facility extended to MRDM, and Carpathian. MRDM owns and operates the Riacho Dos Machados ("RDM") mine which is an open-pit heap-leach gold mine located in Minas Gerais State, Brazil. RDM increases the production profile of the Business division in a mining-friendly jurisdiction and is expected to increase the sustainable production level, contribute to cash flow and provide mineral reserve growth and a mineral resource base with growth potential.

On April 29, 2016, the Business closed on the restructuring procedures and concurrently attained control of MRDM for approximately $53.9 million in total cash consideration and incurred acquisition related costs of $3.0 million.

The Business has recognized its interest in the MRDM assets, liabilities, revenues and expenses in accordance with the Business’s rights and obligations prescribed by the transaction, as a business combination. In accordance with the Business’s accounting policy, the Business has recognized the acquired identifiable assets and liabilities.

As of the date of these carve out combined financial statements, the determination of the fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalized. The Business is currently in the process of determining the fair values of the net assets acquired, assessing and measuring the associated deferred income tax assets and liabilities on the acquisition. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed in the fair value below and are subject to change.

Total consideration paid by the Business was as follows:

Cash	**$**	**53,862**

The following table summarizes the total fair values of assets and liabilities acquired:

Cash	**$**	**258**
Net working capital acquired (i)		**2,323**
Property, plant and equipment (including mineral interests)		**57,415**
Non-current liabilities		**(6,134)**
Net identifiable assets	**$**	**53,862**

(i) Included in net working capital acquired is accounts receivables of $2.6 million at fair value which were collected subsequent to the period ended June 30, 2016.

Collar Contracts

On November 3rd and 4th, 2016, the Business entered into (a) zero-cost collar foreign exchange contracts of $28.0 million Reais ("R$") per month for two years (January 2017 through December 2018), totaling R$672 million, with average call and put strike prices of US$1 = R$3.30 and US$1 = $3.8971 respectively, and (b) forward contracts of R$28 million per month for two years (January 2017 through December 2018) totaling R$672 million, at a fixed exchange rate averaging 1US$ = R$3.5535.

Credit Facility

On November 3, 2016, the Business entered into a Commitment Letter, with National Bank of Canada and CIBC (the "Co-Lead Arrangers" and each a "Co-Lead Arranger") for a revolving term senior secured credit facility in the amount of US$75,000,000 (the "Credit Facility") upon the terms and conditions set out in a term sheet appended to the Commitment Letter. Subject to the terms and conditions of the Commitment Letter, each of the Co-Lead Arrangers has committed US$25,000,000 to the Credit Facility. Such terms and conditions include a successful syndication of at least US$25,000,000 in additional commitments from one or more other financial institutions. The Credit Facility may be increased to US$100,000,000 upon meeting certain performance conditions. The term of the Credit Facility is three years, with a reduction to US$50,000,000 after two years. The Credit Facility contains representations and warranties, conditions precedent, covenants, and events of default typical for a facility of this type. Interest rate margins are tied to a grid based on LIBOR that varies with the leverage ratio of the Business.

Share Issuance

On September 30, 2016, the Business settled the outstanding loan facilities with Yamana Gold Inc. ("Yamana") totaling $60.1 million through the issuance to Yamana of 89,027,429 common shares in Brio Gold Inc.

On October 17, 2016, the Business announced that it had filed a preliminary prospectus with the securities regulatory authorities in each of the provinces and territories of Canada in connection with qualifying a secondary offering of common shares held by Yamana Gold Inc., which Brio Shares will be transferred to purchasers through the exercise of purchase rights. Each purchase right shall provide Yamana Shareholders with an opportunity to purchase from Yamana its Brio Shares at an exercise price to be determined in the context of the market.

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Mineração Riacho dos Machados Ltda.

Financial Statements
December 31, 2015 and Independent Auditor's Report

Independent auditor's report

To the Board of Directors and Quotaholders
Mineração Riacho dos Machados Ltda.

We have audited the accompanying financial statements of Mineração Riacho dos Machados Ltda. ("Company"), which comprise the balance sheet as at December 31, 2015 and 2014 and the statements of operations, changes in net capital deficiency, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

PricewaterhouseCoopers, Rua dos Inconfidentes 911, 17º e 18º, Belo Horizonte, MG, Brasil 30140-128, Caixa Postal 289
T: (31) 3269-1500, F: (31) 3261-6950, www.pwc.com/br

Mineração Riacho dos Machados Ltda.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Mineração Riacho dos Machados Ltda. as at December 31, 2015 and 2014 and their financial performance and cash flows for the years then ended, in accordance with IFRS issued by IASB.

Emphasis of matter

We draw attention to Note 1 to these financial statements, which states that Mineração Riacho dos Machados Ltda. has incurred recurring losses, and that the Company's current liabilities exceeded its current assets by US$ 295,074,298 at December 31, 2015. This, together with the other matters described in Note 1, raises a significant doubt about the ability of Mineração Riacho dos Machados Ltda. to continue as a going concern. No adjustments arising from these uncertainties were included in the financial statements. Our opinion is not qualified in respect of this matter.

Belo Horizonte, October 4, 2016

PricewaterhouseCoopers
PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" MG

Myrian Buenos Aires Moutinho
Contador CRC 1MG070919/O-8

Mineração Riacho dos Machados Ltda.

Balance Sheet as at December 31

All amounts in United States Dollars

	Note	2015	2014
Assets			
Current assets			
Cash and cash equivalents	5	72,335	98,501
Financial investments	6	344,107	17
Trade accounts receivable	7	2,926,768	1,913,749
Inventories	8	7,073,018	5,714,400
Receivables from related party		189,757	189,757
Derivative financial instruments	9 and 10		5,221,708
Other current assets		721,161	1,012,321
		11,327,146	14,150,453
Non-current assets			
Long-term receivables			
Inventories	8	35,785,713	19,557,191
Recoverable taxes	11	4,931,673	2,726,941
Derivative financial instruments	9 and 10		5,557,391
		40,717,386	27,841,523
Property, plant and equipment	12	7,019,654	27,956,400
Intangible assets	13	527,358	688,883
		7,547,012	28,645,283
Total assets		59,591,544	70,637,259

	Note	2015	2014
Liabilities and net capital deficiency			
Current liabilities			
Trade accounts payable	14	5,666,144	10,583,194
Project Loan Facility	16	271,114,216	194,017,771
Payables from Gold Stream transaction	17	27,549,600	27,549,600
Other current liabilities	14	2,071,484	3,966,127
		306,401,444	236,116,692
Non-current liabilities			
Provisions	15	1,368,797	728,483
Derivative financial instruments	9 and 10		4,759,237
Related party loans	28	4,301,738	12,086,890
Rehabilitation provisions	18	5,656,025	5,787,969
Advance for future capital increase		42,711	42,711
Deferred revenue			785,040
		11,369,271	24,190,330
Total liabilities		317,770,715	260,307,022
Net capital deficiency			
Capital	20	79,443,359	79,443,359
Accumulated deficit		(337,622,530)	(269,113,122)
Net capital deficiency		(258,179,171)	(189,669,763)
Total liabilities and net capital deficiency		59,591,544	70,637,259

The accompanying notes are an integral part of these financial statements.

Mineração Riacho dos Machados Ltda.

Statement of operations
Years ended December 31
All amount in United States Dollars

	Note	2015	2014
Revenue	21	47,915,768	17,932,069
Cost of sales	22	(26,097,637)	(9,829,276)
Operational expenses			
General and administrative expenses	22	(9,485,654)	(10,926,982)
Impairment charge	4	(25,268,163)	(107,866,858)
Financial expenses			
Realized gain (loss) on derivative financial instruments, net	9	(16,779,495)	2,559,068
Unrealized gain (loss) on derivative financial instruments, net	9		(8,018,415)
Loss on gold stream transaction	17		(27,549,600)
Financial income (expenses), net	23	(38,794,227)	(8,021,807)
Loss for the year		(68,509,408)	(151,721,801)

The accompanying notes are an integral part of these financial statements.

Mineração Riacho dos Machados Ltda.

Statement of changes in net capital deficiency

All amounts in United States Dollars

	Capital	Accumulated deficit	Net capital deficiency
At December 31, 2013	78,389,950	(117,388,486)	(38,998,536)
Capital increase	1,053,409		1,053,409
Loss for the year		(151,721,801)	(151,721,801)
Prior year adjustments		(2,835)	(2,835)
At December 31, 2014	79,443,359	(269,113,122)	(189,669,763)
Loss for the year		(68,509,408)	(68,509,408)
At December 31, 2015	79,443,359	(337,622,530)	(258,179,171)

The accompanying notes are an integral part of these financial statements.

Mineração Riacho dos Machados Ltda.

Statement of cash flows
Years ended December 31
All amounts In United States Dollars

	2015	2014
Cash flows from operating activities		
Loss for the year	(68,509,408)	(151,721,801)
Adjustments for:		
Depreciation and amortization	913,766	5,740,732
Unrealized foreign exchange (gain) losses, net	(286,341)	834,004
Impairment charge	25,268,163	107,866,858
Disposals of property, plant and equipment	12,544	21,089
Other provisions		27,549,600
Contingency provision	651,420	(258,213)
Losses on derivative contracts	16,779,496	8,018,416
Changes in assets and liabilities		
Trade accounts receivable	(1,013,019)	(1,913,798)
Inventories	(17,587,140)	(19,444,048)
Derivative contracts	(10,759,637)	
Recoverable taxes	(1,643,110)	(162.318)
Other assets	458,493	(532,328)
Trade accounts payables and other labilities	(6,163,669)	(7,448,455)
Contingencies paid	(11,106)	(13,673)
Deferred revenues	(785,040)	785,040
Cash used in operating activities	(62,674,588)	(30,678,895)
Cash flows from investing activities		
Financial investments	(344,090)	2,431,504
Acquisitions of property, plant and equipment	(7,122,731)	(24,379,370)
Acquisitions of software licenses	(21,503)	(91,138)
Costs of exploration and mine development assets	(1,412,918)	(9,880,481)
Cash used in investing activities	(8,901,242)	(31,919,485)
Cash flows from financing activities		
Capital increase		1,053,409
Proceeds from Project Loan Facility (net of costs)	77,096,445	71,279,316
Related party loan	(7,785,152)	(11,648,110)
Advance for future capital increase		(53,408)
Cash provided by financing activities	69,311,293	60,631,207
Effect of exchange rate changes on cash and cash equivalents	2,238,371	(552,690)
Net decrease in cash and cash equivalents	(26,166)	(2,519,863)
Cash and cash equivalents at beginning of year	98,501	2,618,364
Cash and cash equivalents at end of year	72,335	98,501
Supplementary information:		
Interest paid	37,017,617	19,643,712

The accompanying notes are an integral part of these financial statements.

1 Nature of operations and going concern

Mineração Riacho dos Machados Ltda. ("Company" or "MRDM") is a production as well as an exploration and development Company focused primarily on gold production of the Riacho dos Machados gold project (the "RDM Project"). The Company is domiciled in Brazil, located in the north of the Minas Gerais State, and has 17 exploration licenses and a mining concession covering an area of approximately 28,000 hectares.

As of December 31, 2015, the Company was a 100% indirect subsidiary of Carpathian Gold Inc. ("Carpathian" or "CPN"), a Toronto, Canada based Company. As mentioned bellow and in Note 29, Yamana Gold Inc's Brio Gold Division has acquired all CPN's interest in MRDM.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of business for the foreseeable future. For the year ended December 31, 2015, the Company incurred a net loss of $68,509,408 and as at December 31, 2015 reported an accumulated deficit of $337,622,530 and an excess of current liabilities over current assets of $295,074,298.

As a result of delays in the completion of construction at the RDM Project in 2013, the Company, as borrower, and Carpathian, as guarantor, defaulted in 2013 on certain covenants under the Project Loan Facility (the "Project Facility") arrangement with Macquarie Bank Limited ("Macquarie Bank"). These covenant defaults related to financial and operational difficulties experienced by the Company, including delays in commencement of production and unplanned cost overruns. As a result, on October 18, 2013, MRDM and Carpathian entered into a Forbearance and Amendment Agreement, as amended, (the "Forbearance Agreement") with Macquarie Bank, under which the lenders agreed to continue forbearing from exercising their rights under the Project Facility through April 01, 2016. Under the terms of the Forbearance Agreement, Macquarie Bank agreed, at its discretion, to provide an additional Tranche 3 financing under the Project Facility (Note 16), the availability of which shall be at the absolute discretion of the Macquarie Bank. The events of default have resulted in the Company reclassifying all borrowings under the Project Facility as current liabilities as at December 31, 2015 and December 31, 2014 and recording an impairment charge as outlined in Note 4. In addition, Macquarie Bank is not obliged to deliver or make payments in respect of the derivative contracts per the agreements. On September 22, 2015, Macquarie Bank settled all of the Company's derivative contracts (Note 9).

The RDM Project is situated in a semi-arid region of Brazil and is heavily dependent on the annual rainy season for its supply of water. However, the amount of rain during the most recent season has, like in many other parts of Brazil, fallen considerably short of annual averages. Consequently, the restriction on the availability of water, which is required for operations at MRDM, has caused a temporary reduction in the levels of mining and processing activities at MRDM from April 2015. During this time, the RDM Project moved toward minimal production levels, depending on the availability of water. Subsequent to the year end, normal production has resumed. On November 20, 2015, CPN announced that it has entered into an agrreement for the disposal of MRDM.

On November 20, 2015, CPN also announced that, as a result of an agreement (the "Option Agreement") entered into between Macquarie Bank and Brio Gold Inc. ("Brio"), Brio has been granted an option to (i) acquire all of Macquarie Bank's rights and interests in the Project Facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie Bank and CPN, MRDM and certain other subsidiaries of CPN (collectively, the "Obligors") and (ii) receive from Macquarie Bank an assignment of Macquarie Bank's security in respect of the foregoing agreements (all of the foregoing agreements and the security are collectively referred to as the "Financial Assets").

On February 17, 2016, Macquarie Bank and Brio entered into a definitive assignment and assumption agreement (the "Assignment and Assumption Agreement") in respect of the Financial Assets.

Pursuant to the Assignment and Assumption Agreement, Macquarie Bank agreed to forbear from exercising any default-related rights, remedies, powers or privileges, or from instituting any enforcement or collection actions against the Obligors under the Financial Assets until the earlier of (i) the assignment of the Financial Assets to Brio and (ii) April 1, 2016. Under the Assignment and Assumption Agreement, to the extent that cash flows from MRDM and its RDM project are insufficient to meet ongoing costs and expenses, Macquarie Bank has agreed with Brio to continue to provide funding to MRDM, subject to the terms and conditions set out in the Assignment and Assumption Agreement. Any drawdowns requested by MRDM under the Facility remain subject to the discretion of Macquarie Bank.

Furthermore, Carpathian has entered into an agreement with Brio and Macquarie Bank (the "Restructuring Agreement") whereby Carpathian and Brio have agreed that, in the event Brio acquires the Financial Assets from Macquarie Bank, Carpathian will work with Brio with respect to a restructuring procedure to be initiated by Brio with the objective of transferring 100% ownership of the RDM project to Brio (the "Restructuring"). Pursuant to the Restructuring Agreement, Brio will deliver to CPN and its directors a full release and discharge with respect to any liability under the Financial Assets, including CPN's guarantee thereof. Following the restructuring, CPN shall have no ownership or interest in, or liabilities in respect of, MRDM or the RDM project.

On March 31, 2016, the Company announced that the assignment of the Financial Assets from Macquarie Bank to Brio was completed (see Note 29).

The Company had $72,335 in cash and cash equivalents at December 31, 2015. These available funds resources are not sufficient to fund the completion of the working capital requirements of the RDM Project or administration costs. The Company will need to secure significant additional financing in the immediate term in order to meet its requirements for the funding of construction operations and Project Facility repayments on an ongoing basis. Nevertheless, there is no assurance that the Company's initiatives in this respect will be successful or sufficient. These circumstances lead to significant doubts as to the ability of the Company to meet its obligations as they become due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern (see Note 29).

These financial statements do not reflect adjustments to the carrying value of assets and liabilities or reported expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

These financial statements were approved by MRDM management on September 15, 2016.

2 Significant accounting practices

The significant accounting practices used in the preparation of these financial statements are described below. These polices have been consistently adopted in the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the measurement of certain financial assets and financial liabilities measured at fair value, including derivative instruments up until their settlement.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties.

Changes in accounting policies and disclosures

No policies, interpretations or revised policies in effect for the annual period beginning January 1, 2015 with a material impact on the Company were issued.

2.2 Foreign currency translation

(a) Functional and presentation currency

These financial statements are presented in U.S. dollars, which is the Company's functional and presentation currency.

A substantial portion of the Company's sales will be destined to export markets and a significant level of financing capital expenditure and other costs are denominated in U.S. dollars and therefore, this is considered the primary currency in which the Company operates.

(b) Transactions and balances

Items included in the financial statements of MRDM are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency are recognized in the statement of operations.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments, such as guaranteed investment certificates and deposit accounts with Brazilian banks, redeemable within 90 days of the date of original issue.

2.4 Trade receivables

Trade receivables are amounts due from customers in the ordinary course of MRDM's business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment of trade receivables.

2.5 Financial instruments

Classification and measurement

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is recorded in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss

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

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations. Gains and losses arising from changes in fair value are presented in the statement of operations in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid twelve months after the balance sheet date, which is classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The Company's loans and receivables comprise cash and cash equivalents and trade receivables, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Financial liabilities at amortized cost

Financial liabilities at amortized cost include trade payables, payables from the Gold Stream transaction and the Project Loan Facility. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

2.6 Derivative financial instruments

The Company may enter into derivative instruments to mitigate economic exposures to commodity price and currency exchange rate fluctuations. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as fair value through profit or loss and recorded at their fair value with realized gains or losses arising from changes in the fair value recorded in the statement of operations in the period they occur. Fair values for derivative instruments classified as fair value through profit or loss are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date.

Embedded derivatives identified in non-derivative instrument contracts are recognized separately unless closely related to the host contract. All derivative instruments, including certain embedded derivatives that are separated from their host contracts, are recorded in the balance sheet at fair value and mark-to-market adjustments on these instruments are included in the statement of operations.

2.7 Gold Stream transaction

The Company has entered into an agreement with Macquarie Bank Limited ("Macquarie") which has resulted in the receipt of upfront payments of cash from Macquarie.

The transaction has been accounted for as a sale of a partial mineral property interest and the upfront payments are accounted for as a recovery of exploration and development costs upon receipt. On delivering the gold to Macquarie under the agreement, the Company will recognize revenue for services provided based on the cash received as defined in the Gold Stream agreement.

2.8 Inventories

Gold production inventories, concentrate inventory and ore stockpiles are measured at the lower of weighted average production cost and net realizable value. Mine supplies are measured at the lower of average purchase cost and net realizable value. Net realizable value is calculated as the difference between the estimated selling price and estimated costs to complete processing of the product into a saleable form and variable selling expenses. Mine supplies are measured at the lower of average purchase cost and net realizable value.

Production costs include the cost of materials, labor, mine site production overheads and depreciation to the applicable stage of processing.

The cost of ore stockpiles is increased based on the related current cost of production for the period, and decreases in stockpiles are charged to cost of sales using the weighted average cost per tonne.

Provisions are recorded to reduce the carrying amount of inventory to net realizable value to reflect changes in grades, quantity or other economic factors and to reflect current intentions for the use of redundant or slow-moving items. Provisions for redundant and slow-moving items are made by reference to specific items of inventory. The Company reverses write-downs where there is a subsequent increase in net realizable value and where the inventory is still on hand.

Spare parts, stand-by and servicing equipment and consumable materials held are generally classified as inventories. Major capital spare parts are classified as a component of property, plant and equipment.

2.9 Production Stage

A mine that is under construction is determined to enter the production stage when the project is in the location and condition necessary for it to be capable of operating in the manner intended by management. The Company uses the following factors to assess whether these criteria have been met:

- The level of capital expenditures compared to construction cost estimates.
- The completion of a reasonable period of testing of mine plant and equipment.
- The ability to produce minerals in saleable form (within specifications).
- The ability to sustain ongoing production of minerals.
- The mine has reached a pre-determined percentage of design capacity.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for capitalizable costs related to property, plant and equipment additions or improvements, open pit stripping activities that provide a future benefit or expenditures that meet the criteria for capitalization in accordance with IAS 16 and CPC 27 Property, Plant and Equipment.

Pre-production stripping costs are capitalized until an "other than *de minimis*" level of mineral is extracted, after which time such costs are either expensed, capitalized to inventory or, if the costs qualify as an open pit stripping activity that provides a future benefit, to property, plant and equipment. Various relevant criteria are considered to assess when an "other than *de minimis*" level of mineral is produced. Some of the criteria considered would include, but not be limited to, the following:

- The amount of minerals mined versus total ounces in the life of the mine.
- The amount of ore tons mined versus the total life of mine expected ore tons to be mined.

All amounts in United States Dollars unless otherwise indicated

- The current stripping ratio versus the life of mine ratio.
- The ore grade versus the life of mine grade.

Stripping costs incurred during the production phase of a pit are accounted for as costs of inventory produced during the period that the stripping costs are incurred, unless these costs are expected to provide future economic benefits to the identifiable component of the ore body. Components of the ore body are based on the distinct development phases identified by the mine planning engineers when determining the optimal development plan for the open pit. Production phase stripping costs generate a future economic benefit when the related stripping activity:

- Improves access to a component of the ore body to be mined in the future.
- Increases the fair value of the mine (or pit) as access to future mineral reserves becomes less costly.
- Increases the production capacity or extends stripping costs that are expected to generate a future economic benefit which are capitalized as open pit mine development costs.

Mine development costs are depreciated on a unit of production basis whereby the denominator is the estimated ounces of gold in proven and probable reserves and the portion of resources considered probable of economic extraction, based on the current life of mine plan in respect of the current component of the ore body that has been made more accessible through the strip activity and all future components in the current plan that benefit from the particular stripping activity. Mine development assets are depreciated once the open pit has entered production and the economic benefit is being derived.

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of operations during the period in which they are incurred.

During the year, the Company depreciated property, plant and equipment on the straight line depreciation method considering the assets' useful lives. The depreciation rates are as follows:

	Annual depreciation rates (%)
Buildings	4 to 10
Improvements	10 to 100
Machinery and equipment	10 to 25
Office equipment	10 to 25
Furniture and fixtures	10 to 25
Information Technology equipment	10 to 20
Vehicles	20 to 25

2.11 Intangible assets

(a) Software licensing costs

Software licensing costs are stated at cost less accumulated depreciation and accumulated impairment losses. The costs of assets are amortized over their useful life which is 2-10 years.

(b) Exploration and evaluation assets

Exploration and evaluation activities involve the search for mineral resources/reserves, the assessment of technical and operational feasibility and the determination of an identified mineral reserve's commercial viability. Once the legal right to explore has been acquired, exploration and evaluation expenditures less recoveries are capitalized by property.

Exploration properties that contain estimated proven and probable ore reserves, but for which a development decision has not yet been made, are subject to a periodic review for impairment when events or changes in circumstances indicate that the project's carrying value may not be recoverable.

Exploration and evaluation assets are reclassified to mine development costs when the technical feasibility and commercial viability of extracting a mineral reserve are demonstrable. Exploration and evaluation assets are assessed for impairment, and an impairment loss, if any, is recognized before reclassification to mine development costs.

(c) Mine development assets

Mine development assets are accumulated separately for each area of interest in which economically recoverable reserves have been identified. These costs comprise expenditures directly attributable to the construction of a mine and the related infrastructure.

General and administration costs are allocated to a development asset only to the extent that those costs can be related directly to development activities in the relevant areas of interest.

No amortization is recognized in respect of development properties until they are at end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

2.12 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units (CGU's)). Non-financial assets that were adjusted due to impairment are subsequently reviewed for possible reversal of the impairment at the balance sheet date.

2.13 Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expenses in the statement of operations in the period in which they are incurred.

2.14 Deferred costs

Costs incurred on debt financings are offset against the carrying value of the loans and charged to the statement of operations over the term of the related loans.

2.15 Provisions

Provisions for environmental restoration, restructuring costs and legal claims (labor, civil and tax) are recognized when: (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

2.16 Rehabilitation provisions

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The liability incorporates consideration of risk and is discounted using a risk adjusted discount rate that reflects management's estimate of risks associated with the obligation. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The obligation is generally considered to have been incurred when the mine assets are constructed or the environment is disturbed by the Company's operations. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased based on the unwind of the discount rate.

The periodic unwinding of the discount is recognized in the statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs attributable to development are recognized as changes to the corresponding assets and rehabilitation liability when they occur.

Where a closure and environmental obligation arises from production activities, the costs are expensed as incurred because there are no associated economic benefits.

2.17 Current and deferred income tax and social contribution

The income tax and social contribution benefit or expense for the period comprises current and deferred taxes. Taxes on profit are recognized in the statement of operations.

The current and deferred income tax and social contribution charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken by the Company in income tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The current income tax and social contribution are presented net, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total amount due on the reporting date.

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is provided on temporary differences, except if the timing of the reversal of the temporary difference is not controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them upon the calculation of current taxes, generally when related to the same legal entity and the same tax authority.

2.18 Revenue recognition

Revenues include sales of refined gold and silver and ore, which are generally physically delivered to the buyer in the period in which they are produced, with their sales price based on prevailing spot market metal prices. Revenue from metal sales is recognized when all of the following conditions have been satisfied:

- The significant risks and rewards of ownership of the product have been transferred to the buyer.
- Neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the products sold, has been retained.
- The amount of revenue can be reliably measured.
- It is probable that the economic benefits associated with the sale will flow to the Company.
- The costs incurred or to be incurred in respect of the sales can be reliably measured.

These conditions are generally satisfied when title passes to the customer.

Pre-production sales of refined gold and silver and ore are recognized as on offset to Mine Development assets.

2.19 New standards and interpretations to existing standards that are not yet effective

The following new standards were issued by IASB but are not effective for 2015. The early adoption of standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

IFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective as from January 1, 2018. It replaces the orientation included in IAS 39 related to the classification and measurement of financial instruments. The main amendments brought by IFRS 9 are: (i) new criteria for the classification of financial assets; (ii) new impairment model for financial assets, which is hybrid of expected and incurred losses, replacing the current model of incurred losses; and (iii) relaxation of the requirements for adoption of the hedge accounting. Management is yet to assess IFRS 9's full impact.

IFRS 15, "Revenue from Contracts with Customers", replaces IAS 11, "Construction Contracts", IAS 18, "Revenue" and related interpretations and introduces the principles to be applied by an entity to determine the measure and recognition of revenue. Effective date is January 1, 2018. Management is yet to assess IFRS 15's full impact.

IFRS 16 – "Leases" - the new standard requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. The criteria for recognition and measurement of leases in the financial statements of the lessors are substantially maintained. IFRS 16 is effective for years beginning on or after January 1, 2019 and replaces IAS 17 – "Leases" and corresponding interpretations. Management is yet to assess IFRS 16's full impact.

There are no other standards/amendments or interpretations that are expected to have a significant effect on the consolidated financial statements of the Company.

3 Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Property, plant and equipment

Estimated useful lives

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for the depreciation or amortization of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at each reporting date and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors could cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future.

(ii) Financial instruments

Fair value of derivatives

Management estimates the fair values of derivatives using valuation techniques, which determine their present values based on available market data including future gold prices and future exchange and interest rates.

(iii) Rehabilitation provisions

The Company records management's best estimate of the present value of the future cash requirements for any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at the end of each fiscal period to reflect the passage of time and changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used.

The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different from actual results or if there are significant changes in environmental and/or regulatory requirements.

(iv) Carrying value of mineral properties and exploration and development properties

The Company carries its mineral properties at cost less any impairment losses. Exploration costs, which are related to specific projects, are capitalized until the commercial feasibility of the project is determinable or the project is determined to be impaired. The costs of each property and related capitalized exploration and development expenditures are amortized over the economic life of the property on a units-of-production basis. Costs are charged to operations when a property is abandoned or when impairment in value that is other than temporary has been determined.

The Company reviews the carrying values of mining properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may not be recoverable. In undertaking this review, management is required to make significant estimates of, amongst others, future production and sale values, unit sales prices, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties, which could ultimately have an effect on the expected recoverability of the carrying values of the mining properties and related expenditures.

The Company realizes impairment testing when an indicator of impairment is considered to exist. As at December 31, 2015 and 2014, there were a number of indicators of potential impairment of the carrying amounts of the Company's net assets (Note 4). For the purposes of completing the Company's impairment tests, assets are grouped at the lowest levels for which there are independent cash flows. The Company identified only one cash-generating unit (CGU) denominated MRDM, which is considered an individual operating mine and development project.

The fair value less costs of disposal ("FVLCD") method was used to determine the recoverable amount since it was higher than value in use. FVLCD was calculated using a market approach.

(v) Commencement of commercial production

Management considered several factors in determining when MRDM attained the levels of operating capacity intended, including:

- When the mine was substantially complete and ready for its intended use.
- The ability to produce a saleable product.
- The ability to sustain ongoing production at a steady or increasing level.
- When the mine had reached a level of pre-determined percentage of design capacity.
- When the mineral recoveries were at or near the expected production level.
- The completion of a reasonable period of testing of the mine plant and equipment.

The results of operations of the Company during the periods presented in these financial statements were impacted by management's determination that the MRDM mine had reached the commercial production phase on October 1, 2014. When a mine development project moves into the production phase, the capitalization of certain mine development and construction costs ceases. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate.

(vi) Reserves and resources

Estimates of the quantities of proven and probable mineral resources and ore reserves, form the basis of the Company's life of mine plan, which is used for a number of important business and accounting purposes, including: the calculation of depreciation expense, the capitalization of production phase stripping costs and forecasting and timing of the payments related to the environmental rehabilitation provision. The Company estimates its ore reserves and mineral resources based on information compiled by qualified persons as defined in accordance with the Canadian Securities Administrators' National Instrument 43-101 Standards of Disclosure for Mineral Projects Requirements.

(vii) Current and deferred income tax and social contribution

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset future tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior tax losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilization of the losses.

All amounts in United States Dollars unless otherwise indicated

4 Impairment

For the impairment test at December 31, 2015, fair value less costs of disposal ("FVLCD") was utilized to determine the recoverable amount of assets as this was expected to be higher than a value in use model. The Company identified only one cash-generating unit (CGU) denominated MRDM, which is considered an individual operating mine and development project.

During 2015, the key impairment indicators noted for MRDM were the delays of the Company in achieving production levels in accordance with its initial life of mine plan, negative cash flows from operating activities, and a significant debt facility with Macquarie repayable on demand due to the Company's defaulting on covenants. Subsequent to the year-end, further indicators of impairment were identified because of a forecast significant reduction in planned production capacity due to a shortfall in the availability of water required for the production process.

FVLCD was utilized to determine the recoverable amount as this was determined to be higher than a value in use model. The recoverable amount determined for MRDM was $47,420,482.

For the MRDM, impairment charges included in the loss for the year in the statement of operations totaled $25,268,163 for the year ended December 31, 2015 (December 31, 2014 - $107,866,858), in respect of which property, plant and equipment were written down by $19,499,623 (December 31, 2014 - $82,114,736), exploration and evaluation assets were written down by $Nil (December 31, 2014 - $2,029,243),mine development assets were written down by $1,361,172 (December 31, 2014 - $23,722,879) and the ARO impairment amounted to $4,407,368 (December 31, 2014 - $Nil).

The fair value was measured using a weighted probability method based on market approach and Level 3 inputs.

5 Cash and cash equivalents

	2015	2014
Cash	2,002	4,554
Cash equivalents (a)	70,333	93,947
	72,335	98,501

(a) Investment Fund that can be redeemed at any time without constraints, which carries a floating interest rate of 54.98% of SELIC Basic Brazilian Central Bank interest rate (2014 – 102% of CDI).

6 Financial investments

At December 31, 2015 the financial investments totaled $344,107 (December 31, 2014 - $17), representing currency held in US$ which will be available to fund the operations of MRDM once it is converted to Brazilian reais through the execution of an exchange contract.

All amounts in United States Dollars unless otherwise indicated

7 Trade accounts receivable

The trade accounts receivable balance refers to amounts maintained with Macquarie Bank, with an average collection period of 24 days. At December 31, 2015, there were no past due trade accounts receivable.

8 Inventories

	2015	2014
Finished products	2,523,093	1,242,867
Work-in-process (i)	35,785,713	19,557,191
Stockpiles	1,042,930	925,703
Mine supplies	3,506,995	3,545,830
	42,858,731	25,271,591
Current	7,073,018	5,714,400
Non current	35,785,713	19,557,191

(i) This substantially consists of low-grade ore stack that will be used throughout the life of the mine.

9 Derivative financial instruments

Currency and Commodity gold contracts

In conjunction with the Project Loan Facility (Note 16), the Company, through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the RDM Project's capital expenditures ("CAPEX") (R$1.90 to US$1.00) and estimated operating expenditures ("OPEX") (R$1.983 to US$1.00) as well as a gold price protection program ("Gold Contracts") comprised of 216,600 ounces of gold at a price from $1,177 to $1,600 per ounce. The fair value of the Gold Contracts was a liability of $92,727,754 prior to settlement on September 22, 2015.

The CAPEX currency swap was arranged to mitigate the risk associated with fluctuations in the Brazilian Reais (R$) relative to the US$ during the mine construction period. The OPEX currency swaps were contracted to cover R$/US$ currency fluctuations during the initial years of the mine operations for a notional amount of R$317,202,176. The fair value of the OPEX currency swaps represented an asset of $78,815,543 prior to settlement on September 22, 2015.

Derivatives arising from the currency swaps and gold contracts are intended to manage the Company's risk management objectives associated with changing market values, but they do not meet the strict hedge effectiveness criteria designated in a hedge accounting relationship. Accordingly, these derivatives have been classified as "non-hedge derivatives".

Gold options

The fair value of the Gold Options granted to Macquarie Bank in 2013 and the additional Gold Options B (Note 16) was $162,934 prior to settlement on September 22, 2015.

All amounts in United States Dollars unless otherwise indicated

Summary of derivatives at December 31, 2014

	Notional amount by term to maturity ($)				Fair value $
	Within 1 year	**2 to 3 years**	**4 to 5 years**	**Total**	**Total**
Currency contracts:					
OPEX contract	31,992,151	85,312,402	63,984,302	181,288,855	(66,104,760)
Commodity contracts:					
Gold contract	68,525,970	145,920,000	109,440,000	323,885,970	72,584,622
Gold options		32,000,000		32,000,000	(460,000)

Fair value of derivative instruments

	Balance sheet classification	Fair value as at December 31, 2014	Balance sheet classification	Fair value as at December 31, 2014
Currency contracts:				
OPEX contract			Current liabilities	9,212,007
OPEX contract			Non-current Liabilities	56,892,753
Commodity contracts:				
Gold contract	Current assets	14,433,715	Current liabilities	
Gold contract	Non-current assets	58,150,907	Non-current liabilities	
Gold options			Non-current liabilities	460,000

Changes in the fair value of the contracts for Gold options derivatives and the Currency and Commodity derivatives are recognized in the statement of operations as gains or losses on non-hedge derivatives.

Realized gains or losses arising from the settlement of currency and commodity contract derivatives for the year ended December 31, 2015 amounted to a loss of $16,779,496 (December 31, 2014 - gain of $2,559,068). Unrealized gains or losses arising from the changes in the fair value of the contracts for Gold options derivatives and Currency and Commodity derivatives for the year ended December 31, 2014 amounted to a loss of $8,018,415. These realized and unrealized gains and losses are recognized in the statement of operations as net gains or losses on derivative contracts.

Net realized and unrealized (gains) losses on derivatives instruments

	2015	**2014**
Currency contracts:		
OPEX contract	26,623,005	5,139,616
Commodity contracts:		
Gold Stream	(9,546,443)	1,409,731
Gold contract	(297,066)	(1,090,000)
	16,779,496	5,459,347

All amounts in United States Dollars unless otherwise indicated

10 Offsetting financial assets and financial liabilities

The Company is subject to enforceable ISDA (International Swap Derivative Association) requirements for Multiple Payment Netting with the derivative counterparty. Under the terms of this agreement, offsetting of the derivative contracts is permitted in respect of two or more transactions and a net amount and payment obligation is determined in respect of all amounts payable on the same date in the same currency in respect of those transactions, regardless of whether such amounts are payable in respect of the same transaction.

The Company has Gold and OPEX contracts, the majority of which have the same maturity dates and are therefore subject to this netting arrangement. Gold Options A and B are not subject to this netting arrangement as they do not have the same maturity date.

The following table presents the financial instruments that were offset as at December 31, 2014, the financial instruments that could not be offset and the total amount recognized in the Company's statement of cash flows:

Financial Assets	Gross assets	Gross liabilities offset	Amounts subject to offsetting	Amounts not subject to offsetting - Financial assets	Total amount recognized in the statement of cash flows
December 31, 2014					
Derivative assets (Current)[1]	14,130,058	9,212,007	4,918,051	303,657	5,221,708
Derivative assets (Non- current)[2]	54,206,200	52,593,516	1,612,684	3,944,707	5,557,391

Financial Liabilities	Gross assets	Gross liabilities offset	Amounts subject to offsetting	Amounts not subject to offsetting - Financial liabilities	Total amount recognized in the statement of cash flows
December 31, 2014					
Derivative liabilities (Non- current)[3]				4,759,237	4,759,237

[1] Includes current Gold contracts of $14,433,715 and current OPEX contracts of $9,212,007 (Note 9).
[2] Includes non- current Gold contracts of $58,150,907 (Note 9)
[3] Includes non-current OPEX contracts of $56,892,753 (Note 9).

11 Recoverable taxes

Refers to credits of Value-added tax on sales (ICMS), Social integration program tax on revenue (PIS) and Social contribution on revenue (COFINS).

	2015	2014
PIS	116,872	171,809
COFINS	541,524	796,078
ICMS	4,622,871	1,759,054
Loss provision – ICMS	(349,594)	
	4,931,673	2,726,941

All amounts in United States Dollars unless otherwise indicated

12 Property, plant and equipment

Cost

	Land	Plant and other constructions	Buildings	Leasehold improvements	Office equipment	Computer equipment	Vehicles	Machinery and equipment	Total
Balance at December 31, 2013	388,401	77,123,071	67,853	129,366	716,744	481,136	546,690	18,811,590	98,264,851
Additions		25,894,536		316	35,103	21,933		68,956	26,020,844
Asset retirement obligation		596,869							596,869
Advances to suppliers		(1,575,670)							(1,575,670)
Disposals					(30,239)		(44,624)		(74,863)
Reclassification		(125,390)			25,933	9,044		78,577	(11,836)
Impairment		(82,114,736)							(82,114,736)
Balance at December 31, 2014	388,401	19,798,680	67,853	129,682	747,541	512,113	502,066	18,959,123	41,105,459
Additions		5,920,039				1,101		2,503	5,923,643
Advances to suppliers		106,045							106,045
Disposals							(158,568)	(12,839)	(171,407)
Reclassification		(294,407)			12,307	37,090		241,121	(3,889)
Impairment	(300,243)	(15,835,931)	(34,465)	(35,284)	(387,910)	(163,910)	(81,877)	(7,067,371)	(23,906,991)
Balance at December 31, 2015	88,158	9,694,426	33,388	94,398	371,938	386,394	261,621	12,122,537	23,052,860

All amounts in United States Dollars unless otherwise indicated

Accumulated depreciation

	Land	Plant and other constructions	Buildings	Leasehold Improvements	Office equipment	Computer equipment	Vehicles	Machinery and equipment	Total
Balance at December 31, 2013			(19,625)	(38,710)	(153,608)	(224,154)	(311,766)	(4,102,380)	(4,850,243)
Depreciation		(3,850,669)	(2,472)	(32,561)	(75,924)	(79,975)	(86,423)	(4,224,566)	(8,352,590)
Disposals					9,150		44,624		53,774
Balance at December 31, 2014		(3,850,669)	(22,097)	(71,271)	(220,382)	(304,129)	(353,565)	(8,326,946)	(13,149,059)
Depreciation		(1,193,936)	(1,171)	(12,767)	(37,657)	(34,138)	(37,850)	(1,725,491)	(3,043,010)
Disposals							153,835	5,028	158,863
Balance at December 31, 2015		(5,044,605)	(23,268)	(84,038)	(258,039)	(338,267)	(237,580)	(10,047,409)	(16,033,206)

Net book value

	Land	Plant and other constructions	Buildings	Leasehold improvements	Office equipment	Computer equipment	Vehicles	Machinery and equipment	Total
Balance at December 31, 2014	388,401	15,948,011	45,756	58,411	527,159	207,984	148,501	10,632,177	27,956,400
Balance at December 31, 2015	88,158	4,649,821	10,120	10,360	113,899	48,127	24,041	2,075,128	7,019,654

All amounts in United States Dollars unless otherwise indicated

13 Intangible assets

(a) Composition

	2015	2014
Software license costs (i)	508,606	571,857
Exploration and evaluation and mine development assets (ii)	18,752	117,026
	527,358	688,883

(i) Software license costs

	Cost	Accumulated amortization	Net book value
Balance at December 31, 2013	660,442	(110,137)	550,305
Additions	91.138	(77,537)	13,601
Reclassification	7,951		7,951
Balance at December 31, 2014	759,531	(187,674)	571,857
Additions	21,.503	(88,643)	(67,140)
Reclassification	3,889		3,889
Balance at December 31, 2015	784,923	(276,317)	508,606

(ii) Exploration and evaluation and mine development assets

Exploration and evaluation assets

Balance at December 31, 2013	1,484,399
Additions	544,844
Impairment	(2,029,243)
Balance at December 31, 2014	

Mine development assets

Balance at December 31, 2013	11,810,988
Additions[1]	13,649,579
Advances to suppliers	(10,479)
Reclassification	3,885
Amortization	(1,614,068)
Impairment	(23,722,879)
Balance at December 31, 2014	117,026
Additions	1,412,918
Amortization	(150,020)
Impairment	(1,361,172)
Balance at December 31, 2015	18,752

[1] $18,226,963 in borrowing costs were capitalized in Development Assets during the year ended December 31, 2014, of which $15,728,136 related to interest on the Project Facility and $2,498,827 to facility fees related to the Project Facility (Note 16). Furthermore, ($4,577,384) pre-production revenues and associated costs have been capitalized in Development Assets.

All amounts in United States Dollars unless otherwise indicated

14 Trade accounts payable and other payables

	2015	2014
Trade accounts payables	5,666,144	10,583,194
Other current liabilities	2,071,484	3,966,127
	7,737,628	14,549,321

In the total of trade accounts payable and other payables presented above, $1,093,042 (2014 - $4,536,447) relates to capital expenditure for property, plant and equipment, mine development and exploration and evaluation assets.

15 Provisions

The Company is party to labor litigations which provisions for probable losses arising from these matters are estimated and periodically adjusted by management, supported by the opinion of its external legal advisors. Labor and social security contingencies correspond to $1,368,797 at December 31, 2015 (December 31, 2014 - $728,483) and consist mainly of employees' claims linked to disputes about the amount of indemnities paid on dismissals due to the Company' s recent restructuring.

	Labor
At January 1, 2014	1,000,370
Included in the statement of income	
Additions	508,541
Unused amounts reversed	(669,234)
Used during year	(13,673)
Exchange differences	(97,521)
At December 31, 2014	728,483
Included in the statement of income	
Additions	1,798,861
Unused amounts reversed	(504,011)
Used during year	(11,106)
Exchange differences	(643,430)
At December 31, 2015	1,368,797

(b) Possible losses, not provided for in the balance sheet

The Company has $ 148,712 (December 31, 2014 - $ 135,720) of civil and $1,054,433 (December 31, 2014 - $2,164,411) of labor litigation involving risks of loss classified by management as possible, based on the evaluation of the legal advisors, for which no provision for estimated possible losses was recognized.

It is not anticipated that any material losses will arise from the contingent liabilities, other than those provided for.

16 Project Loan Facility

As at December 31, 2015, the principal balance outstanding on the Facility was $271,114,216 (December 31, 2014 - $194,017,771). Interest accrued during the year ended December 31, 2015 amounted to $31,371,631 (December 31, 2014 - $22,515,951). Facility fees and interest for the year ended December 31, 2015 amounted to $3,880,124 (December 31, 2014 - $3,418,418) and $37,037,617 (December 31, 2014 - $19,643,712), respectively, and were rolled over to the outstanding debt during the year.

The Company entered into a Forbearance Agreement on October 18, 2013, whereby Macquarie Bank agreed to forebear exercising its rights and remedies under this facility agreement with respect to the defaults during the forbearance period from October 18, 2013 to October 31, 2013 (Note 1). This period was amended periodically, with the last amendment providing for a forbearance period to April 1, 2016.

This Project Facility carried interest at LIBOR plus a margin of 5.5% for Tranche 2 and 5.0% for Tranche 1 prior to entering into the Forbearance Agreement on October 18, 2013. These were to be reduced to LIBOR plus 5.0% and 4.5%, respectively, on the commencement of production.

Under the terms of the Forbearance Agreement, as amended periodically, Macquarie Bank has agreed to provide up to $184 million, at its discretion, of additional financing under a “Tranche 3” of the Project Facility, which is repayable on April 1, 2016 and carries interest at 20% per annum. In addition, facility fees of 5% are payable on each drawdown against Tranche 3. As a result of the defaults under the terms of the Project Facility (Note 1), the interest rate payable for the $90 million drawn under Tranche 1 and 2 has been increased to LIBOR plus margins of 9.0% and 9.5%, respectively until such defaults are remedied.

On March 31, 2016, Brio acquired from Macquarie all of Macquarie’s rights and interests in the Project Facility (see Note 29).

All amounts in United States Dollars unless otherwise indicated

As at December 31, 2015, the Company had drawn an aggregate of $271,114,216 against the Facility as follows:

Draw down date	Tranche 1	Tranche 2	Tranche 3	Total
February 2, 2013		25,000,000		25,000,000
March 20, 2013	10,000,000			10,000,000
April 22, 2013	10,000,000			10,000,000
May18, 2013	10,000,000			10,000,000
May 31, 2013	7,500,000			7,500,000
June 19, 2013	16,000,000			16,000,000
July 17, 2013	10,000,000			10,000,000
July 31, 2013	1,500,000			1,500,000
October 23, 2013			4,000,000	4,000,000
October 31, 2013			3,000,000	3,000,000
November 4, 2013			1,000,000	1,000,000
November 7, 2013			3,000,000	3,000,000
November 13, 2013			3,000,000	3,000,000
November 20, 2013			2,000,000	2,000,000
November 27, 2013			1,000,000	1,000,000
November 29, 2013			2,000,000	2,000,000
December 4, 2013			3,000,000	3,000,000
December 11, 2013			3,250,000	3,250,000
December 20, 2013			2,250,000	2,250,000
December 31, 2013			2,500,000	2,500,000
January 27, 2014			2,800,000	2,800,000
January 31, 2014			387,822	387,822
February 6, 2014			1,310,400	1,310,400
February 7, 2014			3,860,853	3,860,853
February 18, 2014			7,475,308	7,475,308
February 25, 2014			486,473	486,473
February 28, 2014			614,249	614,249
March 4, 2014			1,970,578	1,970,578
March 11, 2014			2,344,186	2,344,186
March 18, 2014			2,011,889	2,011,889
March 25, 2014			1,918,397	1,918,397
March 28, 2014			1,138,982	1,138,982
April 2, 2014			2,272,465	2,272,465
April 8, 2014			1,471,886	1,471,886
April 15, 2014			2,440,928	2,440,928
April 22, 2014			283,720	283,720
April 23, 2014			1,564,565	1,564,565
April 30, 2014			535,392	535,392
May 15, 2014			3,114,359	3,114,359
May 22, 2014			1,625,146	1,625,146
May 28, 2014			747,500	747,500
June 3, 2014			933,076	933,076
June 11, 2014			95,327	95,327
June 19, 2014			1,547,770	1,547,770
June 26, 2014			1,554,493	1,554,493
July 7, 2014			3,641,339	3,641,339
July 18, 2014			613,473	613,473
July 31, 2014			60,298	60,298
August 8, 2014			210,072	210,072
August 13, 2014			458,122	458,122
August 21, 2014			241,310	241,310
August 28, 2014			269,623	269,623
October 2, 2014			1,473,684	1,473,684
October 22, 2014			9,010,170	9,010,170
October 31, 2014			735,068	735,068
November 7, 2014			358,006	358,006
November 28, 2014			3,000,000	3,000,000

All amounts in United States Dollars unless otherwise indicated

Draw down date	Tranche 1	Tranche 2	Tranche 3	Total
December 3, 2014			1,106,303	1,106,303
December 12, 2014			1,417,515	1,417,515
December 19, 2014			851,083	851,083
December 24, 2014			440,000	440,000
January 9, 2015			1,067,686	1,067,686
January 30, 2015			803,979	803,979
February 20, 2015			619,132	619,132
February 27, 2015			717,378	717,378
March 6, 2015			12,812,869	12,812,869
March 31, 2015			800,000	800,000
April 9, 2015			2,526,018	2,526,018
April 10, 2015			205,000	205,000
April 22, 2015			241,053	241,053
April 28, 2015			952,632	952,632
May 5, 2015			1,700,000	1,700,000
May 12, 2015			1,132,647	1,132,647
May 26, 2015			1,051,883	1,051,883
June 1, 2015			7,183,261	7,183,261
June 9, 2015			494,637	494,637
June 15, 2015			529,865	529,865
June 22, 2015			899,695	899,695
July 6, 2015			4,014,124	4,014,124
July 28, 2015			551,525	551,525
August 4, 2015			640,667	640,667
August 10, 2015			4,999,694	4,999,694
August 17, 2015			147,000	147,000
August 31, 2015			724,047	724,047
September 8, 2015			3,219,204	3,219,204
September 14, 2015			1,737,502	1,737,502
September 21, 2015			876,783	876,783
September 21, 2015			777,838	777,838
September 28, 2015			15,747,388	15,747,388
September 28, 2015			344,024	344,024
October 6, 2015			2,050,990	2,050,990
October 13, 2015			669,459	669,459
October 19, 2015			2,475,239	2,475,239
October 26, 2015			610,526	610,526
October 27, 2015			573,480	573,480
November 3, 2015			1,978,034	1,978,034
November 10, 2015			991,270	991,270
November 18, 2015			1,080,000	1,080,000
November 24, 2015			1,057,475	1,057,475
December 22, 2015			3,394,062	3,394,062
December 29, 2015			324,320	324,320
	65,000,000	25,000,000	181,114,216	271,114,216

17 Payables from Gold Stream Transaction

On May 20, 2010, the Company formalized the gold stream transaction for $30 million with Macquarie Bank for the RDM Project. Under the terms of the purchase and sale agreement (the "Agreement"), Macquarie made upfront cash payments (the "Upfront Payments") totaling $30 million in return for which it will have the right to purchase 12.5% of the gold produced from the Project at a price of $400 per ounce of gold delivered ("Delivered Gold Ounce"). The price per Delivered Gold Ounce to the Company will be subject to an inflation escalator. Macquarie also has the right to extend its participation to purchase 12.5% of the additional gold produced from any underground operation within the mining concession and five contiguous exploration licenses, as well as any open pit and/or underground operation on the balance of the property outside of the existing mining concession and five contiguous exploration licenses referred to above (the "Expanded Production"), by contributing 12.5% of the capital required to develop the Expanded Production and paying $450 per Delivered Gold Ounce. This price per ounce will also be subject to adjustment by the price escalation and inflation factors mentioned above. The transaction has been recorded as a sale of a partial mineral property interest and the Upfront Payments are being accounted for as a recovery of exploration and development costs. Accordingly, no immediate gain or loss has been recognized on the transaction. The full $30 million of Upfront Payments had been received up until 2014.

In addition, the Agreement provides that if during the period from July 1, 2013 to June 30, 2014, MRDM has not produced a minimum of 80,000 ounces of refined gold (of which 10,000 ounces would be deliverable to Macquarie Bank), then Macquarie Bank shall have the right to require MRDM and CPN, jointly and severally, to refund (the "Production Shortfall Payment") the percentage of the Upfront Payments which is equal to the percentage of the underproduction of refined gold over such 12-month period compared with that which was projected for the period, as defined in the life of mine plan agreed at the time of the formalization of these transactions. MRDM and CPN have received notice from Macquarie Bank for the settlement of the Production Shortfall Payment. During the above mentioned 12-month period, MRDM produced a total of 8,168 ounces of refined gold, compared to the 100,000 ounces of refined gold that was projected to be produced under the life of mine plan that was agreed to at the time of the closing of the gold stream transactions. Considering the foregoing, the underproduction of refined gold during the 12-month period ending June 30, 2014 was equivalent to 91.8% and, therefore, a Production Shortfall Payment of $27,549,600 is owed to Macquarie in respect of the gold stream transaction. The Company has recorded a liability in the same amount.

Notwithstanding the foregoing, if any Production Shortfall Payment becomes due to Macquarie Bank under the Agreement, and at such time both CPN and MRDM are in violation or default of any debt covenant under the credit, debt or loan facility for the Project, or if the payment of the Production Shortfall by CPN and/or MRDM would constitute a default under such credit, debt or loan facility, then MRDM and CPN shall have the right to defer payment of the Production Shortfall to Macquarie Bank until the later of the date on which the violation or default of such credit, debt or loan facility has been remedied and the date on which the amount owing to Macquarie Bank can be paid by CPN and/or MRDM without constituting a default under the credit, debt or loan facility. Consequently, MRDM and CPN have elected to defer payment of the Production Shortfall. Until paid in full to Macquarie Bank, the Production Shortfall Payment shall bear interest at the Default Rate (as defined in the Agreement). In respect of MRDM, Macquarie Bank has agreed to waive its right to charge or accrue interest on the refund amount or exercise any such right with respect to interest until April 1, 2016. On March 31, 2016, Brio acquired from Macquarie all of Macquarie's rights and interests in the Project Facility (see Note 29).

Carpathian acts as a guarantor of MRDM's obligations under the Agreement.

All amounts in United States Dollars unless otherwise indicated

18 Rehabilitation provisions

The Company's asset retirement obligation (rehabilitation provision) arises from its obligations to undertake site reclamation and remediation in connection with its mining activities. The following table summarizes the movements in the provisions:

	2015	2014
Balance at January 1	5,787,969	5,125,296
Provision		320,195
Increase	263,220	65,804
Change in estimate	(395,164)	276,674
Balance at December 31	5,656,025	5,787,969

As at December 31, 2015, the Company estimated the total undiscounted amount of the estimated cash flows required to settle the decommissioning and other rehabilitation obligations to be approximately $8,200,000, with the most significant expected outflows commencing in approximately 7 years. As at December 31, 2015 the total rehabilitation provision has been discounted using a discount rate of 5.65%. A 1% increase in the discount rate would result in a decrease in the rehabilitation provision by $348,552 and a 1% decrease in the discount rate would result in an increase in the rehabilitation provision by $375,076, considering the other assumptions to be constant.

19 Income taxes

The following table summarizes the components of deferred income tax.

	2015	2014
Deferred tax assets		
Accrued expenses and other		2,307,000
Deferred tax liabilities		
Derivative contracts		(2,307,000)

All amounts in United States Dollars unless otherwise indicated

Deferred tax assets and liabilities were offset in 2014 as where they related to income taxes levied by the same taxation authority and the Company had a legal right and intent to offset.

In view of the cumulative losses in recent years and taking into consideration the expectations for the foreseeable future, management has not recorded deferred income tax and social contribution asset in the amount of $44,530,820, (2014 - $24,196,208) on tax losses and on temporary differences due to the uncertainty of their realization.

20 Capital

As of December 31, 2015 and 2014, the capital was as follows:

	Number of quotas
OLC Holding B.V.	158,993,211
OLV Cooperative U.A.	1
	158,993,212

	Capital
OLC Holding B.V.	79,443,359
OLV Cooperative U.A.	
	79,443,359

21 Revenue

	2015	2014
Gross sales revenue	47,915,768	17,932,069
	47,915,768	17,932,069

All amounts in United States Dollars unless otherwise indicated

22 Expenses by nature

(a) Cost of sales

	2015	2014
Fuel	10,357,762	3,687,718
Salaries and benefits	4,193,428	1,450,412
Materials	806,452	1,383,921
Maintenance	1,116,386	1,130,789
Office and general	6,589,592	1,167,372
Outsourcing	2,824,482	959,878
Agents	209,535	49,186
	26,097,637	9,829,276

(b) General and administrative expenses

	2015	2014
Depreciation and amortization	913,766	5,740,732
Professional fees	1,152,628	1,056,856
Salaries and benefits	2,440,974	2,283,375
Business and development	258,555	124,251
Office and general	3,199,366	1,423,187
Insurance expenses	725,379	
Security and maintenance	794,986	298,581
	9,485,654	10,926,982

23 Financial income (expenses), net

	2015	2014
Foreign exchange (gains)	(315,039,334)	(188,143,893)
Foreign exchange losses	314,752,993	188,226,459
Interest income	8,164	17,189
Interest expense	(32,715,288)	(7,501,755)
Finance expense	(6,373,444)	(454,676)
	(38,794,227)	(8,021,807)

24 Capital disclosures

The Company manages its capital structure, defined cash and cash equivalents, financial investments, share capital to ensure that sufficient funds are available to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company has cash and cash equivalents held with large Brazilian banks.

The Company's properties are in the production, exploration or development stage and, as such, the Company is dependent on external financing to fund its activities.

All amounts in United States Dollars unless otherwise indicated

The Company's capital items comprise the following:

	2015	2014
Cash and cash equivalents	72,335	98,501
Financial investments	344,107	17
Project Loan facility	271,114,216	194,017,771
Capital	79,443,359	79,443,359

In accordance with the terms of the Project Facility (Note 16), the Company is required to comply with certain covenants relating to financial and operational factors and unplanned cost overruns. Due to the delays in the completion of the construction at the RDM Project, the Company has defaulted on these covenants. As a result, on October 18, 2013, MRDM and Carpathian entered into a Forbearance Agreement, as detailed in Note 16.

25 Financial instruments and fair values

Measurement categories

According to the Company's accounting policy described in Note 2, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, changes in fair value are recognized in the statement of operations. The following table shows the carrying amounts and fair values of assets and liabilities for each of the categories at December 31, 2015 and 2014.

	2015		2014	
	Carrying amount	**Estimated fair value**	**Carrying amount**	**Estimated fair value**
Financial assets				
Loans and receivables				
Cash and cash equivalents[1]	72,335	72,335	98,501	98,501
Financial investments[1]	344,107	344,107	17	17
Trade accounts receivable[1]	2,926,768	2,926,768	1,913,749	1,913,749
Receivables from related party[1]	189,757	189,757	189,757	189,757
Fair value through profit and loss				
Derivative financial instruments			10,779,099	10,779,099
Financial liabilities				
Other liabilities				
Trade and other payables[1]	7,737,628	7,737,628	14,549,321	14,549,321
Project Loan Facility[2]	271,114,216	271,114,216	194,017,771	194,017,771
Fair value through profit and loss				
Derivative financial instruments			4,759,237	4,759,237

1 Fair value approximates the carrying amount due to the short-term nature.
2 Fair value represents the aggregate of face value of the loan facility and accrued interest.

All amounts in United States Dollars unless otherwise indicated

Assets measured at fair value on non-recurring basis

Assets	**Significant unobservable inputs (Level 3)**
Property, plant and equipment [1]	7,019,654
Exploration and evaluation assets [2]	18,752

[1] Property, plant equipment were written down by $23,906,991, which was included in losses in 2015, to their fair value of $7,019,654.

[2] Exploration and evaluation and mining development assets were written down by $1,361,172, which was included in losses in 2015, to their fair value less costs of disposal of $18,752.

Fair value hierarchy

The fair value hierarchy establishes three levels to classify inputs in respect of valuation techniques utilized to measure fair value. Level 1 inputs comprise quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs comprise other than quoted prices assets or liabilities in active markets that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices). Level 3 inputs for the asset or liability comprise inputs that are not based on observable market data (that is, unobservable inputs). The fair value of property, plant and equipment, exploration and evaluation and mine development assets are determined primarily using an income approach based on unobservable cash flows and market multiples, where applicable, and as a result is classified within Level 3 of the fair value hierarchy.

Valuation techniques

The fair value of derivative instruments is determined using either present value techniques or option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. Currency contracts and commodity forward contracts were in a net asset position and, therefore, the Company used the credit default swap (the "CDS") spread of Macquarie Bank to value these instruments. The fair value of currency swap contracts was determined by discounting contracted cash flows using a discount rate derived from observed LIBOR and swap rate curves and CDS rates. In the case of currency contracts, the Company converted non-U.S. dollar cash flows into U.S. dollars using an exchange rate derived from currency swap curves and CDS rates. The fair value of commodity forward contracts was determined by discounting contractual cash flows using a discount rate derived from observed LIBOR and swap rate curves and CDS rates. Contractual cash flows were calculated utilizing a forward pricing curve derived from observed forward prices for each commodity. Prior to the settlement of the Gold Options on September 22, 2015, Gold options are valued based on valuations obtained from the CME group gold options quote site utilizing American options for a strike range of $1,600 and expiry date of December 2016. Derivative instruments are classified within Level 2 of the fair value hierarchy.

26 Financial risk factors

The Company's financial instruments are comprised of financial liabilities and financial assets. Financial liabilities include trade accounts payable, the Project Loan Facility, payables from the Gold Stream transaction and derivative financial instruments arising from currency and price protection facilities. The Company's main financial assets are cash and cash equivalents, financial investments and derivative financial instruments (prior to settlement). The main risks that could adversely affect MRDM's financial assets, liabilities or future cash flows are as follows:

(a) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, financial investments, restricted deposits and derivative assets on its various currency swap and gold contracts. Cash and cash equivalents consist of deposit accounts held at various Brazilian banks, in respect of which management believes the risk of loss to be remote. For derivatives with a positive fair value (prior to their settlement in September 2015), the Company is exposed to credit risk equal to the carrying value. The Company mitigates credit risk on these derivatives by entering into contracts with high credit-quality counterparties and monitoring the financial condition of the counterparties on a regular basis.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at December 31, 2015, the Company faced liquidity risk to the extent that it will be unable to settle current liabilities of $306,401,444 with cash and cash equivalents and financial investments. Current liabilities consist of trade and other payables, Project Loan Facility, payables from the Gold Stream transaction. Commitments, consisting of construction contracts and supply contracts for fuel and other materials, are disclosed in Note 27.

In order to manage this risk, management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows and expenditures.

(c) Market risk

Market risk is the risk that changes in market factors, such as interest rates, foreign exchange rates or commodity prices, will affect the value of the Company's financial instruments. Management has endeavored to mitigate market risk through the use of currency and gold derivatives prior to their settlement in September 2015.

(i) Interest rate risk

The Company's short term investments comprise floating interest rate investment fund at a Brazilian bank. The Company regularly monitors its investments and is satisfied with the credit ratings of the banks are satisfactory. The Company is also exposed to interest rate risk with regard to the Project Loan Facility.

As of December 31, 2015, management estimates that if interest rates on financial assets had changed by 5% the impact on investment income and net loss for the period would have been approximately $10,527. If interest rates on the Project Loan Facility had changed by 5% the impact interest expenses and net loss for the period would have been approximately $9,818,872.

(ii) Foreign currency risk

The Company's functional currency is the U.S. dollar and it is affected by currency transaction and translation risk. The Company's liabilities incurred in Brazil are primarily payable in Brazilian Reais. Fluctuations in the U.S. dollar currency against other currencies directly affect the cost of certain assets and liabilities and operating expenditures. Management closely monitors variations in the exchange rates of the currencies in which it transacts business. Prior to the settlement of the currency swaps in September 2015, the Company had entered into certain currency swap arrangements effective December 15, 2011, which were amended as of December 24, 2013, covering a substantial portion of its OPEX on the RDM Project in Brazil to mitigate the inherent risks (Note 9).

As of December 31, 2015, management estimates that if foreign exchange rates had changed by 10% against the U.S. dollar, the impact on the net loss for the period would have been approximately $948,565.

(iii) Commodity price risk

The Company is exposed to price risk with respect to commodity pricing, primarily for gold. The Company had previously entered into a gold price protection contracts to mitigate a portion of the downside risk of changes in the market price of gold which were settled during 2015. The Company has not entered into any other gold protection contract subsequent to the settlement (Note 9).

27 Commitments

As at December 31, 2015, the Company had finalized and signed contracts for the construction and development and operating activities in Brazil as follows:

	Within 1 year	2 to 3 years	Total
Construction and supply contracts	2,902,736		2,902,736
Office lease	75,811	6,318	82,129

In addition, the Company has signed agreements for services and supplies to be used during the operations of the RDM Project, including for the supply of diesel fuel.

28 Balances and transactions with related parties

The related party loan from Carpathian Gold Inc. was received to finance the project until MRDM's facility was approved by Macquarie. No interest rate was charged and all repayments are planned to be made on a long term basis (more than one year).

All amounts in United States Dollars unless otherwise indicated

Key management remuneration disclosure

Remuneration awarded to key management included:

	2015	**2014**
Salaries and short term employee benefits	300,718	349,160
	300,718	349,160

Key management includes the executive officers.

29 Subsequent events

(a) Subsequent to December 31, 2015, Macquarie Bank agreed to increase the additional financing under Tranche 3 of the Project Facility to $184 million, resulting in a total Project Facility of $274 million and to extend the repayment date for any funds drawn under Tranche 3 of the Facility to April 1, 2016.

(b) As at April 21, 2016, the Company drew $182.84 million against the Project Facility's Tranche 3, resulting in a total Project Facility of $272.84 million, as amended by the Forbearance Agreement.

(c) On March 31, 2016, CPN announced that Brio had (i) acquired from Macquarie all of Macquarie's rights and interests in the project loan facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie and the Company, CPN and certain other subsidiaries of CPN, and (ii) received from Macquarie an assignment of Macquarie's security in respect of the foregoing agreements. Pursuant to an agreement entered to by CPN with Brio and Macquarie Bank (the "Restructuring Agreement"), CPN is working with Brio with respect to a restructuring procedure to be initiated by Brio with the objective of transferring 100% ownership of the RDM project to Brio. Pursuant to the restructuring agreement, Brio will deliver to CPN and its directors a full release and discharge with respect to any liability under the Financial Assets, including CPN's guarantee thereof. Following the Restructuring, CPN shall have no ownership or interest in, or liabilities in respect of, MRDM or the RDM project. Upon closing of the Restructuring, Brio has agreed to a $1 million subscription of common shares of CPN the whole at a price to be mutually agreed and subject to the requirements of the Canadian Securities Exchange.

(d) On April 29, 2016, Yamana Gold, through its Brio Gold Division, concluded the aforementioned acquisition of MRDM. In Brazil, the finalization of the acquisition was confirmed on May 2, 2016.

* * *

Mineração Riacho dos Machados Ltda.

Financial Statements
December 31, 2014 and Independent Auditor's Report

Independent auditor's report

To the Board of Directors and Quotaholders
Mineração Riacho dos Machados Ltda.

We have audited the accompanying financial statements of Mineração Riacho dos Machados Ltda. ("Company"), which comprise the balance sheet as at December 31, 2014 and 2013 and the statements of operations, changes in net capital deficiency, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

PricewaterhouseCoopers, Rua dos Inconfidentes 911, 17º e 18º, Belo Horizonte, MG, Brasil 30140-128, Caixa Postal 289
T: (31) 3269-1500, F: (31) 3261-6950, www.pwc.com/br

Mineração Riacho dos Machados Ltda.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Mineração Riacho dos Machados Ltda. as at December 31, 2014 and 2013 and their financial performance and cash flows for the years then ended, in accordance with IFRS issued by IASB.

Emphasis of matter

We draw attention to Note 1 to these financial statements, which state that Mineração Riacho dos Machados Ltda. has incurred recurring losses, and that the Company's current liabilities exceeded its current assets by US$ 221,966,239 at December 31, 2014. This, together with the other matters described in Note 1, raises a significant doubt about the ability of Mineração Riacho dos Machados Ltda. to continue as a going concern. No adjustments arising from these uncertainties were included in the financial statements. Our opinion is not qualified in respect of this matter.

Belo Horizonte, October 4, 2016

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" MG

Guilherme Campos e Silva
Contador CRC 1SP218254/O-1 "S" MG

Mineração Riacho dos Machados Ltda.

Balance Sheet as at December 31

All amounts in United States Dollars

	Note	2014	2013
Assets			
Current assets			
Cash and cash equivalents	5	98,501	2,618,364
Financial investments	6	17	2,431,521
Trade accounts receivable	7	1,913,749	
Inventories	8	5,714,400	5,827,543
Receivables from related party		189,757	189,757
Derivative financial instruments	9 and 10	5,221,708	18,010,646
Other current assets		1,012,321	529,388
		14,150,453	29,607,219
Non-current assets			
Long-term receivables			
Inventories	8	19,557,191	
Recoverable taxes		2,726,941	2,837,168
Derivative financial instruments	9 and 10	5,557,391	58,542,775
		27,841,523	61,379,943
Property, plant and equipment	11	27,956,400	93,414,608
Intangible assets	12	688,883	13,845,692
		28,645,283	107,260,300
Total assets		70,637,259	198,247,462

	Note	2014	2013
Liabilities			
Current liabilities			
Trade accounts payable	13	10,583,194	13,560,337
Project Loan Facility	14	194,017,771	122,738,455
Payables from Gold Stream transaction	15	27,549,600	
Derivative financial instruments	9 and 10		8,613,628
Other current liabilities	13	3,966,127	8,475,277
		236,116,692	153,387,697
Non-current liabilities			
Provisions		728,483	1,000,370
Derivative financial instruments	9 and 10	4,759,237	53,901,516
Related party loan	26	12,086,890	23,735,000
Rehabilitation provisions	16	5,787,969	5,125,296
Advance for future capital increase		42,711	96,119
Deferred revenue		785,040	
		24,190,330	83,858,301
Total liabilities		260,307,022	237,245,998
Net capital deficiency	18		
Share capital		79,443,359	78,389,950
Accumulated deficit		(269,113,122)	(117,388,486)
Net capital deficiency		(189,669,763)	(38,998,536)
Total liabilities and net capital deficiency		70,637,259	198,247,462

The accompanying notes are an integral part of these financial statements.

Mineração Riacho dos Machados Ltda.

Statement of operations
Years ended December 31
All amount in United States Dollars

	Note	2014	2013
Revenue	19	17,932,069	
Cost of sales	20	(9,829,276)	
Expenses			
General and administrative expenses	20	(10,926,982)	(3,791,716)
Impairment charge	4	(107,866,858)	(116,177,638)
Realized loss on derivative financial instruments, net	9	2,559,068	(3,699,900)
Unrealized gain (loss) on derivative financial instruments, net	9	(8,018,415)	72,039,014
Financial income (expenses), net	21	(8,021,807)	(614,291)
Loss on gold stream transaction	15	(27,549,600)	
Loss for the year		(151,721,801)	(52,244,531)

The accompanying notes are an integral part of these financial statements.

Mineração Riacho dos Machados Ltda.

Statement of changes in net capital deficiency
All amounts in United States Dollars

	Share capital	Accumulated deficit	Net capital deficiency
At December 31, 2012	60,643,232	(65,143,955)	(4,500,723)
Capital increase	17,746,718		17,746,718
Loss for the year		(52,244,531)	(52,244,531)
At December 31, 2013	78,389,950	(117,388,486)	(38,998,536)
Capital increase	1,053,409		1,053,409
Loss for the year		(151,721,801)	(151,721,801)
Prior year adjustments		(2,835)	(2,835)
At December 31, 2014	79,443,359	(269,113,122)	(189,669,763)

The accompanying notes are an integral part of these financial statements.

Mineração Riacho dos Machados Ltda.

Statement of cash flows
Years ended December 31
All amounts In United States Dollars

	2014	2013
Cash flows from operating activities		
Loss for the year	(151,721,801)	(52,244,531)
Adjustments for:		
Depreciation and amortization	5,740,732	307,220
Unrealized foreign exchange (gain) losses, net	834,004	1,680,735
Impairment charge	107,866,858	116,177,638
Disposals of property, plant and equipment	21,089	26,148
Other provisions	27,549,600	
Contingency provision	(258,213)	
Losses (gains) on derivative contracts	8,018,416	(72,039,015)
Changes in assets and liabilities		
Trade accounts receivable	(1,913,798)	
Inventories	(19,444,048)	(5,513,727)
Recoverable taxes	(162.318)	(1,678,345)
Other assets	(532,328)	(463,447)
Trade accounts payables and other labilities	(7,448,455)	
Contingencies paid	(13,673)	
Deferred revenues	785,040	
Other liabilities		17,827,638
Cash used in operating activities	(30,678,895)	4,080,314
Cash flows from investing activities		
Financial investments	2,431,504	(1,149,353)
Acquisitions of property, plant and equipment	(24,379,370)	(110,793,639)
Acquisitions of software licenses	(91,138)	(417,581)
Costs of exploration and mine development assets	(9,880,481)	(32,781,495)
Cash used in investing activities	(31,919,485)	(145,142,068)
Cash flows from financing activities		
Capital increase	1,053,409	17,746,718
Proceeds from Project Loan Facility (net of costs)	71,279,316	117,871,784
Related party loan	(11,648,110)	1,500,000
Advance for future capital increase	(53,408)	(900,599)
Cash provided by financing activities	60,631,207	136,217,903
Effect of exchange rate changes on cash and cash equivalents	(552,690)	(2,020,871)
Net decrease in cash and cash equivalents	(2,519,863)	(6,864,722)
Cash and cash equivalents at beginning of year	2,618,364	9,483,086
Cash and cash equivalents at end of year	98,501	2,618,364
Supplementary information:		
Interest paid	19,643,712	1,961,032

The accompanying notes are an integral part of these financial statements.

1 Nature of operations and going concern

Mineração Riacho dos Machados Ltda. ("Company" or "MRDM") is a producing as well as an exploration, and development company focused primarily on gold production of the Riacho dos Machados gold project (the "RDM Project"). The Company is domiciled in Brazil, located in the north of the Minas Gerais State, and has 17 exploration licenses and a mining concession covering an area of approximately 28,000 hectares.

The Company is a 100% indirect subsidiary of Carpathian Gold Inc. ("Carpathian" or "CPN"), a Toronto, Canada based company.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of business for the foreseeable future. For the year ended December 31, 2014, the Company incurred a net loss $151,721,801 and as at December 31, 2014 reported an accumulated deficit of $269,113,122 and an excess of current liabilities over current assets of $221,966,239.

As a result of delays in the completion of the construction at the RDM Project in 2013, the Company, as borrower, and Carpathian, as guarantor, defaulted in 2013 on certain covenants under the Project Loan Facility (the "Project Facility") arrangement with Macquarie Bank Limited ("Macquarie Bank"). These covenant defaults relate to financial and operational difficulties experienced by the Company, including delays in commencement of production and unplanned cost overruns. As a result, on October 18, 2013, MRDM and Carpathian entered into a Forbearance and Amendment Agreement, as amended, (the "Forbearance Agreement") with Macquarie Bank, under which the lenders agreed to continue forbearing from exercising their rights under the Project Facility through February 15, 2016. Under the terms of the Forbearance Agreement, Macquarie Bank agreed, at its discretion, to provide an additional Tranche 3 under the Project Facility (Note 14), the availability of which shall be in the absolute discretion of the Macquarie Bank. The events of default have resulted in the Company reclassifying all borrowings under the Project Facility as current liabilities as at December 31, 2014 and recording an impairment charge as outlined in Note 4. In addition, Macquarie Bank is not obligated to deliver or make payments in respect of the derivative contracts per the agreements. This has resulted in the Company not being able to settle its derivative contracts.

Subsequent to year-end 2014, the amount of rain during the first quarter of 2015 has to date fallen considerably short of annual averages. Consequently, due to the restriction on the availability of water, which is required for the operations at RDM Project, the Company, in consultation with Macquarie Bank, is assessing a temporary reduction in its levels of mining and processing activities for the next several months.

The Company has $98,514 in cash and cash equivalents. These available funds are not sufficient to fund the completion of the working capital requirements of the RDM Project or administration costs. The Company will need to secure significant additional financing in the immediate term in order to meet its requirements for the funding of construction operations and Project Facility repayments on an ongoing basis. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These circumstances lead to significant doubts as to the ability of the Company to meet its obligations as they become due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

Carpathian continues to pursue strategic alternatives, including a possible sale or financial restructuring. In November, 2015, Macquarie and Brio Gold Inc. ("Brio") have entered into an Option Agreement, pursuant to which Brio has been granted the option of acquiring all Macquarie's Financial Assets of RDM project. The agreement expires on February 15, 2016.

These financial statements do not reflect adjustments to the carrying value of assets and liabilities or reported expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

These financial statements were approved by MRDM management on September 15, 2016.

2 Significant accounting practices

The significant accounting practices used in the preparation of these financial statements are described below. These polices have been consistently adopted in the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities measured at fair value, including derivative instruments.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Changes in accounting policies and disclosures

The following pronouncements and amendment were adopted for the first time in the financial year starting on January 1, 2014:

- AS 36 – Impairment of Assets clarifies the disclosure requirements of IAS 36, requiring disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs to disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed.

- IAS 32 – Financial Instruments: Presentation clarifies the right of set off and disclosure requirements for offsetting of financial assets and financial liabilities.

- IFRIC 21 – Levies sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligation event is that gives rise to pay a levy and when should a liability be recognized. Based on the Company's review, there was no material impact on the Company's financial statements upon the adoption of IFRIC 21.

2.2 Foreign currency translation

(a) Functional and presentation currency

These financial statements are presented in U.S. dollars, which is the Company's functional and presentation currency.

A substantial portion of the Company's sales will be destined to export markets and a significant level of financing capital expenditure and other costs are denominated in U.S. dollars and therefore, this is considered the primary currency in which the Company operates.

(b) Transactions and balances

Items included in the financial statements of MRDM are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the statement of operations.

2.3 Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments, such as guaranteed investment certificates and deposit accounts with Brazilian banks, cashable within 30 days of the date of original issue.

2.4 Trade receivables

Trade receivables are amounts due from customers in the ordinary course of MRDM's business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment of trade receivables.

2.5 Financial instruments

Classification and measurement

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is recorded in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss

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

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations. Gains and losses arising from changes in fair value are presented in the statement of operations in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid twelve months after the balance sheet date, which is classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The Company's loans and receivables comprise cash and cash equivalents and trade receivables, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Financial liabilities at amortized cost

Financial liabilities at amortized cost include trade payables, payables from the Gold Stream transaction and the Project Loan Facility. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

2.6 Derivative financial instruments

The Company may enter into derivative instruments to mitigate economic exposures to commodity price and currency exchange rate fluctuations. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as fair value through profit or loss and recorded at their fair value with realized gains or losses arising from changes in the fair value recorded in the statement of operations in the period they occur. Fair values for derivative instruments classified as fair value through profit or loss are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date.

Embedded derivatives identified in non-derivative instrument contracts are recognized separately unless closely related to the host contract. All derivative instruments, including certain embedded derivatives that are separated from their host contracts, are recorded in the balance sheet at fair value and mark-to-market adjustments on these instruments are included in the statement of operations.

2.7 Gold Stream transaction

The Company has entered into an agreement with Macquarie Bank Limited ("Macquarie") which has resulted in the receipt of upfront payments of cash from Macquarie.

The transaction has been accounted for as a sale of a partial mineral property interest and the upfront payments are accounted for as a recovery of exploration and development costs upon receipt. Upon delivering the gold to Macquarie under the agreement, the Company will recognize revenue for services provided based on the cash received as defined in the Gold Stream agreement.

2.8 Inventories

Gold production inventories, concentrate inventory and ore stockpiles are measured at the lower of weighted average production cost and net realizable value. Mine supplies are measured at the lower of average purchase cost and net realizable value. Net realizable value is calculated as the difference between the estimated selling price and estimated costs to complete processing into a saleable form and variable selling expenses.

Production costs include the cost of materials, labor, mine site production overheads and depreciation to the applicable stage of processing.

The cost of ore stockpiles is increased based on the related current cost of production for the period, and decreases in stockpiles are charged to cost of sales using the weighted average cost per tonne.

Provisions are recorded to reduce the carrying amount of inventory to net realizable value to reflect changes in grades, quantity or other economic factors and to reflect current intentions for the use of redundant or slow-moving items. Provisions for redundant and slow-moving items are made by reference to specific items of inventory. The Company reverses write-downs where there is a subsequent increase in net realizable value and where the inventory is still on hand.

Spare parts, stand-by and servicing equipment and consumable materials held are generally classified as inventories. Major capital spare parts are classified as a component of property, plant and equipment.

2.9 Production Stage

A mine that is under construction is determined to enter the production stage when the project is in the location and condition necessary for it to be capable of operating in the manner intended by management. The Company uses the following factors to assess whether these criteria have been met:

- The level of capital expenditures compared to construction cost estimates;
- The completion of a reasonable period of testing of mine plant and equipment;
- The ability to produce minerals in saleable form (within specifications);
- The ability to sustain ongoing production of minerals; and
- The mine has reached a pre-determined percentage of design capacity.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for capitalizable costs related to property, plant and equipment additions or improvements, open pit stripping activities that provide a future benefit or expenditures that meet the criteria for capitalization in accordance with IAS 16 Property, Plant and Equipment.

Pre-production stripping costs are capitalized until an "other than *de minimis*" level of mineral is extracted, after which time such costs are either expenses, capitalized to inventory or, if it qualifies as an open pit stripping activity that provides a future benefit, to property, plant and equipment. Various relevant criteria are considered to assess when an "other than *de minimis*" level of mineral is produced. Some of the criteria considered would include, but not be limited to, the following:

- The amount of minerals mined versus total ounces in the life of the mine;
- The amount of ore tons mined versus the total life of mine expected ore tons to be mined;
- The current stripping ratio versus the life of mine ratio; and
- The ore grade versus the life of mine grade.

Stripping costs incurred during the production phase of a pit are accounted for as costs of inventory produced during the period that the stripping costs are incurred, unless these costs are expected to provide future economic benefits to the identifiable component of the ore body. Components of the ore body are based on the distinct development phases identified by the mine planning engineers when determining the optimal development plan for the open pit. Production phase stripping costs generate a future economic benefit when the related stripping activity:

- Improves access to a component of the ore body to be mined in the future;
- Increases the fair value of the mine (or pit) as access to future mineral reserves becomes less costly; and
- Increases the production capacity or extends stripping costs that are expected to generate a future economic benefit which are capitalized as open pit mine development costs.

Mine development costs are depreciated on a unit of production basis whereby the denominator is the estimated ounces of gold in proven and probable reserves and the portion of resources considered probable of economic extraction, based on the current life of mine plan in respect of the current component of the ore body that has been made more accessible through the strip activity and all future components in the current plan that benefit from the particular stripping activity. Mine development assets are depreciated once the open pit has entered production and the economic benefit is being derived.

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of operations during the period in which they are incurred.

All amounts in United States Dollars unless otherwise indicated

During the year, the Company depreciated property, plant and equipment on the straight line depreciation method over the assets' useful lives. The depreciation rates are as follows:

	Annual depreciation rates (%)
Buildings	4 to 10
Improvements	10 to 100
Machinery and equipment	10 to 25
Furniture and fixtures	10 to 25
Information Technology equipment	10 to 20
Vehicles	20 to 25

2.11 Intangible assets

(a) Software licensing costs

Software licensing costs are stated at cost less accumulated depreciation and accumulated impairment losses. The costs of assets are amortized over their useful life which is 2-10 years.

(b) Exploration and evaluation assets

Exploration and evaluation activities involve the search for mineral resources/reserves, the assessment of technical and operational feasibility and the determination of an identified mineral reserve's commercial viability. Once the legal right to explore has been acquired, exploration and evaluation expenditures less recoveries are capitalized by property.

Exploration properties that contain estimated proven and probable ore reserves, but for which a development decision has not yet been made, are subject to a periodic review for impairment when events or changes in circumstances indicate the project's carrying value may not be recoverable.

Exploration and evaluation assets are reclassified to mine development costs when the technical feasibility and commercial viability of extracting a mineral reserve are demonstrable. Exploration and evaluation assets are assessed for impairment, and an impairment loss, if any, is recognized before reclassification to mine development costs.

(c) Mine development assets

Mine development assets are accumulated separately for each area of interest in which economically recoverable reserves have been identified. These costs comprise expenditures directly attributable to the construction of a mine and the related infrastructure.

General and administration costs are allocated to a development asset only to the extent that those costs can be related directly to development activities in the relevant areas of interest.

No amortization is recognized in respect of development properties until they are at end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

2.12 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units (CGU's)). Non-financial assets that were adjusted due to impairment are subsequently reviewed for possible reversal of the impairment at the balance sheet date.

2.13 Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expenses in the statement of operations in the period in which they are incurred.

2.14 Deferred costs

Costs incurred on debt financings are netted against the carrying value of the loans and charged to the statement of operations over the term of the related loans.

2.15 Provisions

Provisions for environmental restoration, restructuring costs and legal claims (labor, civil and tax) are recognized when: (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions do not include future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

2.16 Rehabilitation provisions

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The liability incorporates consideration of risk and is discounted using a risk adjusted discount rate that reflects management's estimate of risks associated with the obligation. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The obligation is generally considered to have been incurred when the mine assets are constructed or the environment is disturbed at the Company's operations. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased based on the unwind of the discount rate.

The periodic unwinding of the discount is recognized in the statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs attributable to development are recognized as changes to the corresponding assets and rehabilitation liability when they occur.

Where a closure and environmental obligation arises from production activities, the costs are expensed as incurred because there are no associated economic benefits.

2.17 Current and deferred income tax and social contribution

The income tax and social contribution benefit or expense for the period comprises current and deferred taxes. Taxes on profit are recognized in the statement of operations.
The current and deferred income tax and social contribution charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken by the Company in income tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The current income tax and social contribution are presented net, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total amount due on the reporting date.

In general, deferred tax is recognized in respect of tax losses and temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is provided on temporary differences, except if the timing of the reversal of the temporary difference is not controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them upon the calculation of current taxes, generally when related to the same legal entity and the same tax authority.

2.18 Revenue recognition

Revenues include sales of refined gold and silver and ore, which are generally physically delivered to the buyer in the period in which they are produced, with their sales price based on prevailing spot market metal prices. Revenue from metal sale is recognized when all of the following conditions have been satisfied:

- The significant risks and reward of ownership of the product have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
- The amount of revenue can be reliably measured;
- It is probable that the economic benefits associated with the sale will flow to the Company; and
- The costs incurred or to be incurred in respect of the sales can be reliably measured.

These conditions are generally satisfied when title passes to the customer.

Pre-production sales of refined gold and silver and ore are recognized as on offset to Mine Development assets.

2.19 Reclassification

For comparative purposes the Company reclassified certain figures of the statements of cash flows.

2.20 New standards and interpretations to existing standards that are not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these financial statements, as follows:

IFRS 9 – Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting this standard on the financial statements.

IFRS 15 – Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount and timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2017, with earlier application permitted. The Company is currently assessing the impact of adopting this standard on the financial statements.

IAS 24 – Related Party Transactions - In December 2013, the IASB issued amendments to IAS 24 Related Party Transactions, which (i) revised definition of “related party” to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarified related disclosure requirements. The mandatory effective date of IAS 24 would be annual periods beginning on or after July 1, 2014. The Company is currently assessing the impact of adopting this standard on the financial statements.

3 Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Property, plant and equipment

Estimated useful lives

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for the depreciation or amortization of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at each reporting date and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future.

(ii) Financial instruments

Fair value of derivatives

Management estimates the fair values of its derivatives using valuation techniques which determine their present values based on available market data including future gold prices, future exchange and interest rates.

(iii) Rehabilitation provisions

The Company records management's best estimate of the present value of the future cash requirements of any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at the end of each fiscal period to reflect the passage of time and changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements.

(iv) Carrying value of mineral properties and exploration and development properties

The Company carries its mineral properties at cost less any impairment losses. The Company capitalizes exploration costs, which are related to specific projects, until the commercial feasibility of the project is determinable or the project is determined to be impaired. The costs of each property and related capitalized exploration and development expenditures are amortized over the economic life of the property on a units-of-production basis. Costs are charged to operations when a property is abandoned or when impairment in value that is other than temporary has been determined.

The Company reviews the carrying values of mining properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may not be recoverable. In undertaking this review, management is required to make significant estimates of, amongst others, future production and sale values, unit sales prices, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties, which could ultimately have an effect on the expected recoverability of the carrying values of the mining properties and related expenditures.

The Company performs impairment testing when an indicator of impairment is considered to exist. As at December 31, 2014, there were a number of indicators of potential impairment of the carrying amount of the Company's net assets (Note 4). For the purposes of completing the Company's impairment tests, assets are grouped at the lowest levels for which there are independent cash flows. The Company identified only one cash generating unit (CGU) denominated MRDM. MRDM is considered an individual operating mine and development project.

The fair value less costs of disposal ("FVLCD") method was used to determine the recoverable amount since it was higher than value in use. FVLCD was calculated using a market approach.

(v) Commencement of commercial production

Management considered several factors in determining when MRDM attained levels of operating capacity intended by management, including:

- When the mine was substantially complete and ready for its intended use;
- The ability to produce a saleable product;
- The ability to sustain ongoing production at a steady or increasing level;
- When the mine had reached a level of pre-determined percentage of design capacity;
- When the mineral recoveries were at or near the expected production level, and;
- The completion of a reasonable period of testing of the mine plant and equipment.

The results of operations of Company during the periods presented in these financial statements have been impacted by management's determination that the MRDM mine had reached the commercial production phase on October 1, 2014. When a mine development project moves into the production phase, the capitalization of certain mine development and construction costs ceases. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate.

(vi) Reserves and resources

Estimates of the quantities of proven and probable mineral resources and ore reserves, form the basis of the Company's life of mine plan, which is used for a number of important business and accounting purposes, including: the calculation of depreciation expense, the capitalization of production phase stripping costs and forecasting and timing of the payments related to the environmental rehabilitation provision. The Company estimate its ore reserves and mineral resources based on information compiled by qualified persons as defined in accordance with the Canadian Securities Administrators' National Instrument 43-101 Standards of Disclosure for Mineral Projects requirements.

(vii) Current and deferred income tax and social contribution

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Company to utilize loss carry-forwards to offset deferred tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

4 Impairment

As at December 31, 2014, for the impairment test, fair value less costs of disposal ("FVLCD") was used to determine the recoverable amount as this was expected to be higher than a value in use model. The Company identified only one cash generating unit (CGU) denominated MRDM. MRDM is considered an individual operating mine and development project.

During 2014, the key impairment indicators noted for MRDM were the delays of the Company to achieve production levels in accordance with its initial life of mine plan, negative cash flows from operating activities, and a significant debt facility with Macquarie repayable on demand due to the Company defaulting on covenants. Subsequent to the year-end, further indicators of impairment were identified because of a forecast significant reduction in planned production capacity due to a shortfall in the availability of water required for the production process.

FVLCD was used to determine the recoverable amount as this was determined to be higher than a value in use model. The recoverable amount determined for MRDM was $57,510,816.

For the MRDM, impairment charges totaled $107,866,858 for the year ended December 31, 2014, (December 31, 2013 - $116,177,638), in respect of which property, plant and equipment were written down by $82,114,736 (December 31, 2013: $84,043,979) exploration and evaluation assets were written down by $2,029,243 (December 31, 2013: $3,086,629) and mine development assets were written down by $23,722,879 (December 31, 2013: $29,047,030). These impairment charges were included in the loss for the year in the statement of operations.

All amounts in United States Dollars unless otherwise indicated

The fair value of the Company was measured using a weighted probability method based on market approach and Level 3 inputs. At December 31, 2013, the fair value of MRDM was measured utilizing discounted after-tax cash flows based on cash flow projections in the Company's current life of mine plans. There has been a change in the valuation technique as the Company expects to realize the value of MRDM from a sale rather than through continued operations of the Company. Accordingly in 2014, the a market approach was utilized a to value MRDM.

The key assumptions and estimates utilized in determining the FVLCD were indicative offers received by CPN for the purchase of MRDM and forecast cash flows associated with the plan of operating the mine at a lower planned production capacity due to the identified forecasted water shortfall. The projected cash flows cover a 12 month period based on the latest expectation of future metal prices, future capital expenditures, production cost estimates and exchange rates. Based on observable market or publicly available data, including spot and forward metal prices, an assumption on future gold prices was made to estimate future revenues. The key assumptions utilized by the Company in the projected cash flows for impairment testing were: a future gold price of $1,200 per ounce; a Brazilian Reais to US$ exchange rate of 3.2:1; and on ore grade of 1.8 g Au/t.

As mentioned above, the key assumptions that impact the forecasted cash flows are commodity price, exchange rate and ore grade. A 10% decrease in the gold price, assuming all other assumptions to be constant, would result in a decrease in the fair value of MRDM from $57,510,816 to $56,694,955 as at December 31, 2014. A 10% decrease in the exchange rate, assuming all other assumptions to be constant, would result in a decrease in the fair value of MRDM from $57,510,816 to $56,056,783 as at December 31, 2014. A negative 30% change in the ore grade, assuming other variables to be constant, would reduce the fair value of MRDM to $55,766,927. Should there be a significant decline in the commodity price, exchange rate or ore grade, the Company would take actions to assess the implications on the carrying value of the assets, production plan and cost structure of MRDM.

5 Cash and cash equivalents

	2014	2013
Cash	4,554	721,576
Cash equivalents (a)	93,947	1,896,788
	98,501	2,618,364

(a) Certificate of deposit that can be redeemed at any time without time constraints. Fixed interest rate of 102% of the CDI (Interbank Certificate of Deposit) interest rate.

6 Financial investments

At December 31, 2014 the financial investments totaled $17 (December 31, 2013 - $2,431,521), representing currency held in US$ which will be available to fund the operations of MRDM once it is converted to Brazilian reais through the execution of an exchange contract.

All amounts in United States Dollars unless otherwise indicated

7 Trade accounts receivable

Trade accounts receivable balance refers to amounts kept with Macquarie Bank, with average collection period of 24 days. At December 31, 2014, there were no trade accounts receivable past due.

8 Inventories

	2014	2013
Finished products	1,242,867	344,197
Work-in-process (i)	19,557,191	2,522,592
Stockpiles	925,703	2,937,679
Mine supplies	3,545,830	23,075
	25,271,591	5,827,543
Current	5,714,400	5,827,543
Non current	19,557,191	

(i) This substantially consists of low-grade ore stack that will be used throughout the life of the mine.

9 Derivative financial instruments

Currency and Commodity gold contracts

In conjunction with the Project Loan Facility (Note 14), the Company, through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the RDM Project's capital expenditures ("CAPEX") (R$1.90 to US$1.00) and estimated operating expenditures ("OPEX") (R$1.983 to US$1.00) as well as a gold price protection program ("Gold Contracts") comprised of 193,800 ounces of gold at a price of $1,600 per ounce and 11,400 ounces of gold at a price of $1,211 per ounce.

The CAPEX currency swap was arranged to mitigate the risk associated with fluctuations in the Brazilian Reais (R$) during the mine construction period relative to the US$. The OPEX currency swaps were arranged to cover R$/US$ currency fluctuations during the initial years of the mine operations for a notional amount of R$359,495,800. The gold contracts were arranged to mitigate the risk of fluctuations in the price of gold and have a notional amount of $323,885,970.

The Company is subject to an enforceable master netting arrangement in the form of an ISDA Master Agreement with the derivative counterparty. Under the terms of this agreement, offsetting of the derivative contracts is permitted in certain circumstances (Note 10).

Macquarie Bank is not obliged to deliver or make payments in respect of the derivative contracts per the agreements, which has resulted in the Company not being able to settle its derivative contracts.

Derivatives arising from the currency swaps and gold contracts are intended to manage the Company's risk management objectives associated with changing market values, but they do not meet the strict hedge effectiveness criteria designated in a hedge accounting relationship. Accordingly, these derivatives have been classified as "non-hedge derivatives".

All amounts in United States Dollars unless otherwise indicated

Gold options

The fair value of the Gold Options granted to Macquarie Bank in 2013 and the additional Gold Options was estimated at $460,000 at December 31, 2014 and is included in the long-term derivative liability.

Summary of derivatives at December 31, 2014

	Notional amount by term to maturity ($)				Fair value $
	Within 1 year	**2 to 3 years**	**4 to 5 years**	**Total**	
Currency contracts:					
OPEX contract	31,992,151	85,312,402	63,984,302	181,288,855	(66,104,760)
Commodity contracts:					
Gold contract	68,525,970	145,920,000	109,440,000	323,885,970	72,584,622
Gold options		32,000,000		32,000,000	(460,000)

Summary of Derivatives at December 31, 2013

	Notional amount by term to maturity ($)				Fair value $
	Within 1 year	**2 to 3 years**	**4 to 5 years**	**Total**	
Currency contracts:					
OPEX contract	42,656,201	85,312,402	74,648,352	202,616,955	(60,965,144)
Commodity contracts:					
Gold contract	72,960,000	145,920,000	127,680,000	346,560,000	76,553,422
Gold options		32,000,000		32,000,000	(1,550,000)

Fair value of derivative instruments

	Balance sheet classification	**Fair value as at December 31, 2014**	**Fair value as at December 31, 2013**	**Balance sheet classification**	**Fair value as at December 31, 2014**	**Fair value as at December 31, 2013**
Currency contracts:						
OPEX contract				Current liabilities	9,212,007	8,613,628
OPEX contract				Non-current Liabilities	56,892,753	52,351,516
Commodity contracts:						
Gold contract	Current assets	14,433,715	18,010,647	Current liabilities		
Gold contract	Non-current assets	58,150,907	58,542,775	Non-current liabilities		
Gold options				Non-current liabilities	460,000	1,550,000

Changes in the fair value of the Gold Options derivative in the Agreement and the Currency and Commodity derivatives are recognized in the statement of operations as gains or losses on non-hedge derivatives.

All amounts in United States Dollars unless otherwise indicated

Unrealized gains or losses arising from the changes in fair value of the Gold options derivatives and Currency and Commodity contracts derivatives for the year ended December 31, 2014 amounted to a loss of $8,018,415 (December 31, 2013 - gain of $72,039,014). Realized gains or losses arising from the settlement of currency and commodity contract derivatives for the year ended December 31, 2014 amounted to a gain of $2,559,068 (December 31, 2013 - loss of $3,699,900). These realized and unrealized gains and losses are recognized in the statement of operations net gains or losses on derivative contracts.

Net realized and unrealized (gains) losses on derivatives instruments

	2014	2013
Currency contracts:		
CAPEX contract		(2,630,470)
OPEX contract	6,962,969	34,244,487
Commodity contracts:		
Gold Stream	(413,622)	(97,773,131)
Gold contract	(1,090,000)	(2,180,000)
	5,459,347	(68,339,114)

10 Offsetting financial assets and financial liabilities

The Company is subject to enforceable ISDA (International Swap Derivative Association) for Multiple Payment Netting with the derivative counterparty. Under the terms of this agreement, offsetting of the derivative contracts is permitted in respect of two or more transactions and a net amount and payment obligation is determined in respect of all amounts payable on the same date in the same currency in respect of those transactions, regardless of whether such amounts are payable in respect of the same transaction.

The Company has Gold and OPEX contracts, the majority of which have the same maturity dates and are therefore subject to this netting arrangement. Gold Options A and B are not subject to this netting arrangement as they do not have the same maturity date.

All amounts in United States Dollars unless otherwise indicated

In 2013, the Company and Macquarie Bank did not intend to effect a net settlement and therefore they did not meet the offsetting criteria. The following table presents the financial instruments that were offset as at December 31, 2014, financial instruments that cannot be offset and the total amount recognized in the Company's statement of financial position:

Financial Assets	Gross assets	Gross liabilities offset	Amounts subject to offsetting	Amounts not subject to offsetting - Financial assets	Total amount recognized in the statement of financial position
December 31, 2014					
Derivative assets (Current)[1]	14,130,058	9,212,007	4,918,051	303,657	5,221,708
Derivative assets (Non- current)[2]	54,206,200	52,593,516	1,612,684	3,944,707	5,557,391
December 31, 2013					
Derivative assets (Current)[1]				18,010,646	18,010,646
Derivative assets (Non- current)[2]				58,542,775	58,542,775

Financial Liabilities	Gross assets	Gross liabilities offset	Amounts subject to offsetting	Amounts not subject to offsetting - Financial liabilities	Total amount recognized in the statement of financial position
December 31, 2014					
Derivative liabilities (Current)					
Derivative liabilities (Non- current)[3]				4,759,237	4,759,237
December 31, 2013					
Derivative liabilities (Current)[1]				8,613,628	8,613,628
Derivative liabilities (Non- current)[4]				53,901,516	53,901,516

[1] Includes current Gold contracts of $14,433,715 (December 31, 2013 - $18,010,646) and current OPEX contracts of $9,212,007 (December 31, 2013 $8,613,628). (Note 9).
[2] Includes non- current Gold contracts of $58,150,907 (December 31, 2013 - $58,542,775). (Note 9)
[3] Includes non-current OPEX contracts of $56,892,753 and non-current Gold Options of $460,000. (Note 9).
[4] Includes non-current OPEX contracts of $52,351,516 and non-current Gold Options of $1,550,000 as at December 31, 2013. (Note 9)

All amounts in United States Dollars unless otherwise indicated

11 Property, plant and equipment

Cost

	Land	Plant and other constructions	Buildings	Leasehold improvements	Office equipment	Computer equipment	Vehicles	Machinery and equipment	Total
Balance at December 31, 2012	388,401	49,805,712	67,853	97,077	511,715	392,256	427,517	14,057,120	65,747,651
Additions		125,936,854		87,963	44,158	60,687		718,138	126,847,800
Asset retirement obligation		2,159,682							2,159,682
Advances to suppliers		(9,822,532)							(9,822,532)
Disposals		(2,546,740)		(75,167)	(15,574)	(1,301)			(2,638,782)
Reclassification		(4,365,926)		19,493	176,445	29,494	119,173	4,036,332	15,011
Impairment		(84,043,979)							(84,043,979)
Balance at December 31, 2013	388,401	77,123,071	67,853	129,366	716,744	481,136	546,690	18,811,590	98,264,851
Additions		25,894,536		316	35,103	21,933		68,956	26,020,844
Asset retirement obligation		596,869							596,869
Advances to suppliers		(1,575,670)							(1,575,670)
Disposals					(30,239)		(44,624)		(74,863)
Reclassification		(125,390)			25,933	9,044		78,577	(11,836)
Impairment		(82,114,736)							(82,114,736)
Balance at December 31, 2014	388,401	19,798,680	67,853	129,682	747,541	512,113	502,066	18,959,123	41,105,459

All amounts in United States Dollars unless otherwise indicated

Accumulated depreciation

	Land	Plant and other constructions	Buildings	Leasehold Improvements	Office equipment	Computer equipment	Vehicles	Machinery and equipment	Total
Balance at December 31, 2012			(17,152)	(75,891)	(93,720)	(140,157)	(228,127)	(53,678)	(608,725)
Depreciation			(2,473)	(25,427)	(62,990)	(84,181)	(83,639)	(4,048,702)	(4,307,412)
Disposals				62,608	3,102	184			65,894
Balance at December 31, 2013			(19,625)	(38,710)	(153,608)	(224,154)	(311,766)	(4,102,380)	(4,850,243)
Depreciation		(3,850,669)	(2,472)	(32,561)	(75,924)	(79,975)	(86,423)	(4,224,566)	(8,352,590)
Disposals					9,150		44,624		53,774
Balance at December 31, 2014		(3,850,669)	(22,097)	(71,271)	(220,382)	(304,129)	(353,565)	(8,326,946)	(13,149,059)

Net book value

	Land	Plant and other constructions	Buildings	Leasehold improvements	Office equipment	Computer equipment	Vehicles	Machinery and equipment	Total
Balance at December 31, 2012	388,401	49,805,712	50,701	21,186	417,995	252,099	199,390	14,003,442	65,138,926
Balance at December 31, 2013	388,401	77,123,071	48,228	90,656	563,136	256,982	234,924	14,709,210	93,414,608
Balance at December 31, 2014	388,401	15,948,011	45,756	58,411	527,159	207,984	148,501	10,632,177	27,956,400

All amounts in United States Dollars unless otherwise indicated

12 Intangible assets

(a) Composition

	2014	2013
Software license costs (i)	571,857	550,305
Exploration and evaluation and mine development assets (ii)	117,026	13,295,387
	688,883	13,845,692

(i) Software license costs

	Cost	Accumulated amortization	Net book value
Balance at December 31, 2012	242,861	(57,136)	185,725
Additions	417,581	(53,001)	364,580
Balance at December 31, 2013	660,442	(110,137)	550,305
Additions	91,138	(77,537)	13,601
Reclassification	7,951		7,951
Balance at December 31, 2014	759,531	(187,674)	571,857

(ii) Exploration and evaluation and mine development assets

Balance at December 31, 2012	3,487,259
Additions	1,083,504
Reclassification	265
Impairment	(3,086,629)
Balance at December 31, 2013	1,484,399
Additions	544,844
Impairment	(2,029,243)
Balance at December 31, 2014	

Mine development assets

Balance at December 31, 2012	240,428
Additions[1]	40,959,616
Advances to suppliers	(378,766)
Reclassification	36,740
Impairment	(29,047,030)
Balance at December 31, 2013	11,810,988
Additions[2]	13,649,579
Advances to suppliers	(10,479)
Reclassification	3,885
Amortization	(1,614,068)
Impairment	(23,722,879)
Balance at December 31, 2014	117,026

[1] $10,033,137 in borrowing costs were capitalized in Development assets during the year ended December 31, 2013, of which $4,699,483 related to interest on the Project Facility, $305,438 for commitment fees, $1,500,000 facility fees and $3,528,216 for the financing costs related to the Project Facility (Note 14).

All amounts in United States Dollars unless otherwise indicated

[2] $18,226,963 in borrowing costs were capitalized in Development assets during the year ended December 31, 2014, of which $15,728,136 related to interest on the Project Facility and $2,498,827 facility fees related to the Project Facility (Note 14). Furthermore, ($4,577,384) pre-production revenues and associated costs have been capitalized in Development Assets.

13 Trade accounts payable and other payables

	2014	2013
Trade accounts payables	10,583,194	13,560,337
Other current liabilities	3,966,127	8,475,277
	14,549,321	22,035,614

In the total of trade accounts payable and other payables presented above, $4,536,447 (2013 - $20,414,573) relates to capital expenditure for property, plant and equipment, mine development and exploration and evaluation assets.

14 Project Loan Facility

On January 11, 2013, the Company signed a definitive agreement for a Project Facility loan with Macquarie Bank. The Project Facility agreement is a five year agreement with standard commercial terms as is customary in agreements of this nature. Subject only to interest breakage costs, the Company may repay the Project Facility at any time, with no adverse penalties. Carpathian has granted Macquarie Bank 20 million common share purchase warrants at an exercise price of Cdn$0.40 per warrant for a period of three years. The fair value of these warrants was estimated at $3,256,109 using a Black-Scholes model. In addition, Carpathian granted Macquarie Bank a call option on 10,000 ounces of gold exercisable at $2,000 per ounce for a three year period from the date of commencement of operations (the "Gold Option A"). The Gold Option A liability had a fair value of $1,400,000 on the date of grant (Note 9). The total cost of debt issuance amounted to $7,097,513, which included a fee of $1,800,000 to Macquarie and $641,404 of other costs, and has been netted against the Project Facility balance.

On August 28, 2013, the Company entered into an agreement with Macquarie Bank to amend the Facility as follows:

(a) The Company granted Macquarie Bank options to acquire 10,000 ounces of gold at $1,600 per ounce for a three year period from the date of commencement of operations; and

(b) Amended the strike price of the previously granted options to acquire 10,000 ounces of gold at $2,000 per ounce for a three year period to $1,600 per ounce.

The additional Gold Option B liability had a fair value of $1,525,000 on the date of the amendment and the previously issued Gold Option A had an additional fair value of $805,000 on the date of amendment (Note 9). The total cost of amended debt terms amounted to $2,378,200, which included the increase in fair value of the original 10,000 ounces of gold and the fair value of the options for the additional 10,000 ounces of gold, and $48,200 other costs, and has been netted against the Project Facility balance. The cost of the amendment was offset against the balance of the Project Facility as the extension was determined to be a modification of the existing agreement rather than an extinguishment for accounting purposes. As a result of delays in the completion of the construction at the RDM project, the Company, as borrower, and Carpathian, as guarantor, defaulted on certain covenants under the Project Facility agreement with Macquarie Bank, as detailed in Note 1. Due to the Forbearance Agreement, all deferred debt issuance costs were written off, to Mine Development assets, resulting in financing costs of $9,475,713 for the year ended December 31, 2013.

As at December 31, 2014, the principal balance outstanding on the Facility was $188,391,830 (December 31, 2013 - $120,000,00). Interest accrued as at December 31, 2014 amounted to $5,625,941 (December 31, 2013 - $2,738,455). Facility fees paid for the year ended December 31, 2014 amounted to $3,418,418 (December 31, 2013 - $1,500,000 and $305,438 in commitment fees). Interest paid for the year ended December 31, 2014 amounted to $19,643,712 (December 31, 2013 - $1,961,032).

The Company entered into a Forbearance Agreement on October 18, 2013, whereby Macquarie Bank agreed to forebear exercising their rights and remedies under this facility agreement with respect to the defaults during the forbearance period from October 18, 2013 to October 31, 2013 (Note 1). This period was amended from time to time, with the last amendment providing for a forbearance period to February 15, 2016. Pursuant to the Forbearance Agreement, funds drawn under Tranche 3 of the Project Facility must be repaid by February 15, 2016.

This Project Facility was subject to interest at LIBOR plus a margin of 5.5% for Tranche 2 and 5.0% for Tranche 1 prior to entering into the Forbearance Agreement on October 18, 2013. These were to be reduced to LIBOR plus 5.0% and 4.5%, respectively on the commencement of production.

Under the terms of the Forbearance Agreement, as amended from time to time, Macquarie Bank has agreed to provide up to $121.07 million, at its discretion, of additional financing under a "Tranche 3" of the Project Facility, which is repayable on February 15, 2016 and bears interest at 20% per annum. In addition, facility fees of 5% are payable on each drawdown against Tranche 3. As a result of the defaults under the terms of the Project Facility (Note 1), the interest rate payable for the $90 million drawn under Tranches 1 and 2 has been increased to LIBOR plus margins of 9.0% and 9.5%, respectively, until such defaults are remedied.

All amounts in United States Dollars unless otherwise indicated

As at December 31, 2014, the Company had drawn an aggregate of $188,391,830 against the Facility as follows:

Draw down date	Tranche 1	Tranche 2	Tranche 3	Total
February 2, 2013		25,000,000		25,000,000
March 20, 2013	10,000,000			10,000,000
April 22, 2013	10,000,000			10,000,000
May18, 2013	10,000,000			10,000,000
May 31, 2013	7,500,000			7,500,000
June 19, 2013	16,000,000			16,000,000
July 17, 2013	10,000,000			10,000,000
July 31, 2013	1,500,000			1,500,000
October 23, 2013			4,000,000	4,000,000
October 31, 2013			3,000,000	3,000,000
November 4, 2013			1,000,000	1,000,000
November 7, 2013			3,000,000	3,000,000
November 13, 2013			3,000,000	3,000,000
November 20, 2013			2,000,000	2,000,000
November 27, 2013			1,000,000	1,000,000
November 29, 2013			2,000,000	2,000,000
December 4, 2013			3,000,000	3,000,000
December 11, 2013			3,250,000	3,250,000
December 20, 2013			2,250,000	2,250,000
December 31, 2013			2,500,000	2,500,000
January 27, 2014			2,800,000	2,800,000
January 31, 2014			387,822	387,822
February 6, 2014			1,310,400	1,310,400
February 7, 2014			3,860,853	3,860,853
February 18, 2014			7,475,308	7,475,308
February 25, 2014			486,473	486,473
February 28, 2014			614,249	614,249
March 4, 2014			1,970,578	1,970,578
March 11, 2014			2,344,186	2,344,186
March 18, 2014			2,011,889	2,011,889
March 25, 2014			1,918,397	1,918,397
March 28, 2014			1,138,982	1,138,982
April 2, 2014			2,272,465	2,272,465
April 8, 2014			1,471,886	1,471,886
April 15, 2014			2,440,928	2,440,928
April 22, 2014			283,720	283,720
April 23, 2014			1,564,565	1,564,565
April 30, 2014			535,392	535,392
May 15, 2014			3,114,359	3,114,359
May 22, 2014			1,625,146	1,625,146
May 28, 2014			747,500	747,500
June 3, 2014			933,076	933,076
June 11, 2014			95,327	95,327
June 19, 2014			1,547,770	1,547,770
June 26, 2014			1,554,493	1,554,493
July 7, 2014			3,641,339	3,641,339
July 18, 2014			613,473	613,473
July 31, 2014			60,298	60,298
August 8, 2014			210,072	210,072
August 13, 2014			458,122	458,122
August 21, 2014			241,310	241,310
August 28, 2014			269,623	269,623
October 2, 2014			1,473,684	1,473,684
October 22, 2014			9,010,170	9,010,170
October 31, 2014			735,068	735,068
November 7, 2014			358,006	358,006
November 28, 2014			3,000,000	3,000,000

All amounts in United States Dollars unless otherwise indicated

Draw down date	Tranche 1	Tranche 2	Tranche 3	Total
December 3, 2014			1,106,303	1,106,303
December 12, 2014			1,417,515	1,417,515
December 19, 2014			851,083	851,083
December 24, 2014			440,000	440,000
	65,000,000	25,000,000	98,391,830	188,391,830

15 Payables from Gold Stream Transaction

On May 20, 2010, the Company closed the gold stream transaction for $30 million with Macquarie Bank for the RDM Project. Under the terms of the purchase and sale agreement (the "Agreement"), Macquarie made upfront cash payments (the "Upfront Payments") totaling $30 million in return for which it will have the right to purchase 12.5% of the gold produced from the Project at a price of $400 per ounce of payable gold delivered ("Delivered Gold Ounce"). The price per Delivered Gold Ounce to the Company will be subject to an inflation escalator. Macquarie also has the right to extend its participation to purchase 12.5% of the additional gold produced from any underground operation within the mining concession and five contiguous exploration licenses, as well as any open pit and/or underground operation on the balance of the property outside of the existing mining concession and five contiguous exploration licenses referred to above (the "Expanded Production"), by contributing 12.5% of the capital required to develop the Expanded Production and paying $450 per Delivered Gold Ounce. This price per ounce will also be subject to adjustment by the price escalation and inflation factors described above. The transaction has been recorded as a sale of a partial mineral property interest and the Upfront Payments are being accounted for as a recovery of exploration and development costs. Accordingly, no immediate gain or loss has been recognized on the transaction. As of December 31, 2013, the full $30 million of Upfront Payments had been received.

In addition, the Agreement provides that if during the period from July 1, 2013 to June 30, 2014, MRDM has not produced a minimum of 80,000 ounces of refined gold (of which 10,000 ounces would be deliverable to Macquarie Bank), then Macquarie Bank shall have the right to require MRDM and CPN, jointly and severally, to refund to Macquarie Bank an amount (the "Production Shortfall Payment") equal to that percentage of the Upfront Payments which is equal to the percentage of the underproduction of refined gold over such 12-month period compared with that which was projected for the period, as set out in the life of mine plan agreed at the time of the closing of these transactions. MRDM and CPN have received notice from Macquarie Bank for the settlement of the Production Shortfall Payment. During the above mentioned 12-month period, MRDM produced a total of 8,168 ounces of refined gold, compared to the 100,000 ounces of refined gold that was projected to be produced under the life of mine plan that was agreed to at the time of the closing of the gold stream transactions. Considering the foregoing, the underproduction of refined gold during the 12-month period ending June 30, 2014 was equal to 91.8% and, therefore, a Production Shortfall Payment of $27,549,600 is owed to Macquarie in respect of the gold stream transaction. The Company has recorded a liability in the same amount.

All amounts in United States Dollars unless otherwise indicated

Notwithstanding the foregoing, if any Production Shortfall Payment becomes due to Macquarie Bank under the Agreement, and at such time both CPN and MRDM are in violation or default of any debt covenant under the credit, debt or loan facility for the Project, or the payment of the Production Shortfall by CPN and/or MRDM would constitute a default under such credit, debt or loan facility, then MRDM and CPN shall have the right to defer payment of the Production Shortfall to Macquarie Bank until the later of the date on which the violation or default of such credit, debt or loan facility has been remedied and the date on which the amount owing to Macquarie Bank can be paid by CPN and/or MRDM without constituting a default under the credit, debt or loan facility. Consequently, MRDM and CPN have elected to defer payment of the Production Shortfall. Until paid in full to Macquarie Bank, the Production Shortfall Payment shall bear interest at the Default Rate (as defined in the Agreement). In respect of MRDM, Macquarie Bank has agreed to waive its right to charge or accrue interest on the refund amount or exercise any such right with respect to interest until February 15, 2016.

Carpathian acts as a guarantor of MRDM's obligations under the Agreement.

16 Rehabilitation provisions

The Company's asset retirement obligation (rehabilitation provision) arises from its obligations to undertake site reclamation and remediation in connection with its mining activities. The following table summarizes the movements in the provisions:

	2014	**2013**
Balance at January 1	5,125,296	2,965,614
Provision	320,195	
Increase	65,804	
Change in estimate	276,674	2,159,682
Balance at December 31	5,787,969	5,125,296

As at December 31, 2014, the Company estimated the total undiscounted amount of the estimated cash flows required to settle the decommissioning and other rehabilitation obligations to be approximately $8,200,000, with the most significant expected outflows commencing in approximately 8 years. As at December 31, 2014 the rehabilitation provision has been discounted using a discount rate of 4.6%. A 1% increase in the discount rate would result in a decrease in the rehabilitation provision by $410,965 and a 1% increase in the discount rate would result in an increase in the rehabilitation provision by $446,894, considering the other assumptions to be constant.

All amounts in United States Dollars unless otherwise indicated

17 Income taxes

The following table summarizes the components of deferred income tax. All are expected to be recovered after more than 12 months.

	2014	2013
Deferred tax assets		
Accrued expenses and other	2,307,000	2,616,000
Deferred tax liabilities		
Derivative contracts	(2,307,000)	(2,616,000)

Deferred tax assets and liabilities were offset in 2014 as where they related to income taxes levied by the same taxation authority and the Company had a legal right and intent to offset.

In view of the cumulative losses in recent years and taking in account the weight of evidence for the foreseeable future, management has not recorded deferred income tax and social contribution asset in the amount of $24,196,208 (2013 - $15,881,000) on taxes losses and on temporary differences due to the uncertainty of their realization.

18 Share capital

	Number of quotas at 2014	Number of quotas at 2013
OLC Holding B.V.	158,993,211	158,872,080
OLV Cooperative U.A.	1	1
	158,993,212	158,872,081

	Share capital 2014	Share capital 2013
OLC Holding B.V.	79,443,359	78,389,950
OLV Cooperative U.A.		
	79,443,359	78,389,950

All amounts in United States Dollars unless otherwise indicated

	Number of quotas
At December 31, 2013	158,872,081
Capital increase on March 31, 2014	121,131
At December 31, 2014	158,993,212

19 Revenue

	2014
Gross sales	17,932,069
	17,932,069

20 Expenses by nature

(a) Costs of sales

	2014
Fuel	3,687,718
Salaries and benefits	1,450,412
Materials	1,383,921
Maintenance	1,130,789
Office and general	1,167,372
Outsourcing	959,878
Reagents	49,186
	9,829,276

(b) General and administrative expenses

	2014	2013
Depreciation and amortization	(5,740,732)	(307,220)
Professional fees	(1,056,856)	(367,987)
Salaries and benefits	(2,283,375)	(1,392,574)
Business and development	(124,251)	(199,170)
Office and general	(1,721,768)	(1,524,765)
	(10,926,982)	(3,791,716)

All amounts in United States Dollars unless otherwise indicated

21 Financial income (expense), net

	2014	2013
Foreign exchange (gains)	(188,143,893)	(125,231,586)
Foreign exchange losses	188,226,459	125,426,319
Interest income	17,189	242,323
Interest expense	(7,501,755)	(36,898)
Finance expense	(454,676)	(624,983)
	(8,021,807)	(614,291)

22 Capital disclosures

The Company manages its capital structure, defined as shareholders' equity (net capital deficiency) and cash and cash equivalents, to ensure that sufficient funds are available to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company has cash and cash equivalents held with large Brazilian banks.

The Company's properties are in the production, exploration or development stage and, as such, the Company is dependent on external financing to fund its activities.

The Company's capital items comprise the following:

	2014	2013
Cash and cash equivalents	98,501	2,618,364
Financial investments	17	2,431,521
Project Loan facility	194,017,771	122,738,455
Share capital	79,443,359	78,389,950

In accordance with the terms of the Project Facility (Note 14), the Company is required to comply with certain covenants, most of which will become effective on commencement of production. These covenants relate to financial and operational factors, including delays in the commencement of production and unplanned cost overruns. Due to the delays in the completion of the construction at the RDM Project, the Company has defaulted on these covenants. As a result, on October 18, 2013, MRDM and Carpathian entered into a Forbearance Agreement, as outlined in Note 14.

23 Financial instruments and fair values

Measurement categories

According to the Company's accounting policy described in Note 2, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, changes in fair value are recognized in the statement of operations loss. The following table shows the carrying amounts and fair values of assets and liabilities for each of the categories at December 31, 2014 and 2013.

All amounts in United States Dollars unless otherwise indicated

	2014		2013	
	Carrying amount	**Estimated fair value**	**Carrying amount**	**Estimated fair value**
Financial assets				
Loans and receivables				
Cash and cash equivalents[1]	98,501	98,501	2,618,364	2,618,364
Financial investments[1]	17	17	2,431,521	2,431,521
Trade accounts receivable[1]	1,913,749	1,913,749		
Receivables from related party[1]	189,757	189,757	189,757	189,757
Fair value through profit and loss				
Derivative financial instruments	10,779,099	10,779,099	76,553,421	76,553,421
Financial liabilities				
Other liabilities				
Trade and other payables[1]	15,277,804	15,277,804	23,035,984	23,035,984
Project Loan Facility[2]	194,017,771	194,017,771	122,738,455	122,738,455
Deferred revenues[1]	785,040	785,040		
Fair value through profit and loss				
Derivative financial instruments	4,759,237	4,759,237	62,515,144	62,515,144

1 Fair value approximates the carrying amount due to the short-term nature.
2 Fair value represents the aggregate of face value of the loan facility and accrued interest.

Assets measured at fair value on non-recurring basis

Financial assets	**Quoted price in active markets for Identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Aggregate fair value**
Property, plant and equipment [1]			27,956,400	27,956,400
Exploration and evaluation assets [2]			117,026	117,026

[1] Property, plant equipment were written down by $82,114,736, which was included in losses in this period, to their fair value of $27,956,400.

[2] Exploration and evaluation and mining development assets were written down by $25,752,122, which was included in losses in this period, to their fair value less costs of disposal of $117,026.

Fair value hierarchy

The fair value hierarchy establishes three levels to classify inputs to valuation techniques used to measure fair value. Level 1 inputs comprise quoted prices in active markets for identical assets or liabilities. Level 2 inputs comprise quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data or other means. The fair value of property, plant and equipment, exploration and evaluation and mine development assets are determined primarily using an income approach based on unobservable cash flows and market multiples, where applicable, and as a result is classified within Level 3 of the fair value hierarchy.

Valuation techniques

The fair value of derivative instruments is determined using either present value techniques or option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. Currency contracts and commodity forward contracts were in a net asset position and, therefore, the Company used the credit default swap (the "CDS") spread of Macquarie Bank. The fair value of currency swap contracts is determined by discounting contracted cash flows using a discount rate derived from observed LIBOR and swap rate curves and CDS rates. In the case of currency contracts, the Company converts non-U.S. dollar cash flows into U.S. dollars using an exchange rate derived from currency swap curves and CDS rates. The fair value of commodity forward contracts is determined by discounting contractual cash flows using a discount rate derived from observed LIBOR and swap rate curves and CDS rates. Contractual cash flows are calculated using a forward pricing curve derived from observed forward prices for each commodity. Gold options are valued based on valuations taken from the CME group gold options quote site using American options for a strike range of $1,600 and expiry date of December 2016. Derivative instruments are classified within Level 2 of the fair value hierarchy.

24 Financial risk factors

The Company's financial instruments are comprised of financial liabilities and financial assets. Financial liabilities include trade accounts payable, the Project Loan Facility, payables form the Gold Stream transaction and derivative financial instruments arising from its currency and price protection facilities. The Company's main financial assets are cash and cash equivalents, financial investments and derivative financial instruments. The main risks that could adversely affect MRDM's financial assets, liabilities or future cash flows are as follows:

(a) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, financial investments and derivative assets on its various currency swap and gold contracts. Cash and cash equivalents consist of deposit accounts held at various Brazilian banks, in respect of which management believes the risk of loss to be remote. For derivatives with a positive fair value, the Company is exposed to credit risk equal to the carrying value. The Company mitigates credit risk on these derivatives by entering into derivatives with high credit-quality counterparties and monitoring the financial condition of the counterparties on a regular basis.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at December 31, 2014, the Company faced liquidity risk to the extent that it will be unable to settle current liabilities of $236,116,692 with cash and cash equivalents and financial investments deposits totaling $98,518. Current liabilities consist of trade and other payables, Project Loan Facility, payables from the Gold Stream transaction and the fair value of derivative contracts that are predominantly due within three months to not later than a year. Commitments, consisting of construction contracts and supply contracts for fuel and other materials, are disclosed in Note 25.

In order to manage this risk, management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows and expenditures.

Due to the events of default and the Forbearance Agreement, all borrowings under the Project Loan Facility have been reclassified as current liabilities and borrowings under Tranche 3 of the Project Facility due on February 15, 2016 (Note 1).

Carpathian continues to pursue strategic alternatives, including a possible sale or financial restructuring. Negotiations are on-going and Carpathian is also considering potential new equity capital raising initiatives. However, no firm offers have been received, and there can be no assurance that any transaction will result (Note 1).

(c) Market risk

Market risk is the risk that changes in market factors, such as interest rates, foreign exchange rates or commodity prices, will affect the value of the Company's financial instruments. Management endeavors to mitigate market risk through the use of currency and gold derivatives.

(i) Interest rate risk

The Company's short term investments comprise fixed interest rate certificate of deposits held at Brazilian banks. The Company regularly monitors its investments and is satisfied with the credit ratings of its banks. Interest rate fluctuations could also have a significant impact on the valuation of the Company's derivatives. The Company is also exposed to interest rate risk with regard to the Project Loan Facility.

As of December 31, 2014, management estimates that if interest rates had changed by 5% the impact on investment income and net loss for the period would have been approximately $4,925. In addition, if interest rates had changed by 5.0% the impact of the Project Loan Facility interest and net loss for the period would have been approximately $7,936,050.

(ii) Foreign currency risk

The Company's functional currency is the U.S. dollar and it is affected by currency transaction and translation risk. The Company's liabilities incurred in Brazil are primarily payable in Brazilian Reais. As at December 31, 2014, the Company held cash and cash equivalents of $98,514 and financial investments of $4. Consequently, fluctuations in the U.S. dollar currency against other currencies directly affect the cost of our property, plant and equipment assets and operating expenditures. Management closely monitors variations in the exchange rates of the currencies in which it transacts business. To further mitigate these inherent risks, the Company has entered into certain currency swap arrangements effective December 15, 2011, which were amended as of December 24, 2013, covering a substantial portion of its OPEX on the RDM Project in Brazil.

As of December 31, 2014, excluding the effect that fluctuations in the R$/US$ exchange rate would have on the valuation of its currency derivatives, management estimates that if foreign exchange rates had changed by 10% against the U.S. dollar, the impact on net loss for the period would have been approximately $1,037,689.

(iii) Commodity price risk

The Company is exposed to price risk with respect to commodity pricing, primarily for gold and copper, and has entered into a gold price protection program to mitigate the downside risk of changes in the market price of gold (Note 9).

All amounts in United States Dollars unless otherwise indicated

25 Commitments

As at December 31, 2014, the Company had finalized and signed contracts for the construction and development and operating activities in Brazil as follows:

	Within 1 year	2 to 3 years	Total
Construction and supply contracts	5,457,703		5,457,703
Office lease	157,895	157,895	315,790

In addition, the Company has signed agreements for services and supplies to be used during the operations of the RDM Project, including for the supply of diesel fuel.

26 Related parties

Balances and transactions with related parties

The related party loan is repayable to Carpathian Gold Inc. and was received to finance the project until MRDM's facility was approved by Macquarie. No interest rate was charged and all repayments are planned to be made on a long term basis (more than one year).

Key management compensation disclosure

Compensation awarded to key management included:

	2014	2013
Salaries and short term employee benefits	349,160	293,565
	349,160	293,565

Key management includes the executive officers.

27 Subsequent events

(a) Subsequent to December 31, 2014, Macquarie Bank has agreed to increase the additional financing under Tranche 3 of the Project Facility to $176 million, resulting in a total Project Facility of $266 million and to extend the repayment date for any funds drawn under Tranche 3 of the Facility to February 15, 2016.

(b) As of November 17, 2015, the Company drew $174.9 million against the Project Facility's Tranche 3, resulting in a total Project Facility of $264.9 million, as amended by the Forbearance Agreement.

(c) To the knowledge of management, no legal proceedings of a material nature involving the Company are contemplated by any individuals, entities or governmental authorities, other than Daniel Kivari, the Company's former Chief Operating Officer, who has filed a Statement of Claim against the CPN and the Company at the Ontario Superior Court of Justice in respect of the termination of his employment. Mr. Kivari is seeking $1,278,601, plus interest and costs. The Company and CPN intend to defend the action and a Statement of Defence was filed on March 18, 2015.

(d) The amount of rainfall during the most recent season has, like in many other parts of Brazil, been considerably short of annual averages. Consequently, due to the restriction on the availability of water, which is required for the operations, MRDM is assessing a temporary reduction in the levels of its mining and processing activities for the next few months. During this period, MRDM will move toward minimal production levels, depending on the availability of water. It is difficult to predict for how long operations will be reduced, but normal production will not resume until the start of the next rainy season which typically begins in October of each year. MRDM is currently in discussions with all the stakeholders in Brazil to ensure an orderly reduction in operations.

(e) On April 2, June 29, and September 28, 2015, Macquarie Bank settled all outstanding derivative contracts resulting in a total realized loss of $12,489,509 for MRDM. The fair value of the Gold Contracts was a liability of $92,727,754 prior to settlement on September 28, 2015. The fair value of the OPEX currency swaps was an asset of $78,815,543 prior to settlement on September 2, 2015. The fair value of the Gold Option A granted to Macquarie Bank in 2013 and the Gold Option B was a liability of $162,934 prior to settlement on September 28, 2015.

(f) Subsequent to December 31, 2015, Macquarie Bank agreed to increase the additional financing under Tranche 3 of the Project Facility to $184 million, resulting in a total Project Facility of $274 million and to extend the repayment date for any funds drawn under Tranche 3 of the Facility to April 1, 2016.

(g) As at April 21, 2016, the Company drew $182.84 million against the Project Facility's Tranche 3, resulting in a total Project Facility of $272.84 million, as amended by the Forbearance Agreement.

(h) On March 31, 2016, CPN announced that Brio had (i) acquired from Macquarie all of Macquarie's rights and interests in the project loan facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie and the Company, CPN and certain other subsidiaries of CPN, and (ii) received from Macquarie an assignment of Macquarie's security in respect of the foregoing agreements. Pursuant to an agreement entered to by CPN with Brio and Macquarie Bank (the "Restructuring Agreement"), CPN is working with Brio with respect to a restructuring procedure to be initiated by Brio with the objective of transferring 100% ownership of the RDM project to Brio. Pursuant to the restructuring agreement, Brio will deliver to CPN and its directors a full release and discharge with respect to any liability under the Financial Assets, including CPN's guarantee thereof. Following the Restructuring, CPN shall have no ownership or interest in, or liabilities in respect of, MRDM or the RDM project. Upon closing of the Restructuring, Brio has agreed to a $1 million subscription of common shares of CPN the whole at a price to be mutually agreed and subject to the requirements of the Canadian Securities Exchange.

(i) On April 29, 2016, Yamana Gold, through its Brio Gold Division, concluded the aforementioned acquisition of MRDM. In Brazil, the finalization of the acquisition was confirmed on May 2, 2016.

* * *

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015 (UNAUDITED)

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BRIO GOLD INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS

	For the three months ended September 30,		For the nine months ended September 30,	
(In thousands of United States Dollars), (unaudited)	**2016**	**2015**	**2016**	**2015**
Sales to related party ***(Note 16)***	**$ 60,559**	$ 34,872	**$ 172,846**	$ 40,664
Cost of sales excluding depletion, depreciation and amortization	**(39,073)**	(21,976)	**(100,048)**	(26,424)
Gross margin excluding depletion, depreciation and amortization	**21,486**	12,896	**72,798**	14,240
Depletion, depreciation and amortization	**(13,936)**	(12,708)	**(40,494)**	(14,891)
Mine operating earnings/(loss)	**7,550**	188	**32,304**	(651)
Expenses				
General and administrative	**(5,509)**	(7,188)	**(16,426)**	(10,199)
Exploration and evaluation	**(1)**	(278)	**(52)**	(396)
Other operating expenses *(Note 10)*	**(3,858)**	(349)	**(14,071)**	(3,444)
Operating (loss)/earnings	**(1,818)**	(7,627)	**1,755**	(14,690)
Foreign exchange (loss)/gain	**(4,171)**	448	**(7,188)**	(2,776)
Finance expense	**(2,481)**	(470)	**(4,370)**	(631)
Loss before income taxes	**(8,470)**	(7,649)	**(9,803)**	(18,097)
Income tax (expenses)/recoveries	**(7,064)**	(28,180)	**15,058**	(28,180)
Net (loss)/earnings	**(15,534)**	(35,829)	**5,255**	(46,277)
Other comprehensive loss, net of taxes	**—**	—	**—**	—
Total comprehensive (loss)/earnings	**$ (15,534)**	$ (35,829)	**$ 5,255**	$ (46,277)
Net (loss)/earnings per share				
Net (loss)/earnings per share (basic) *(Note 11)*	**$ (0.63)**	$ (1.52)	**$ 0.22**	$ (3.51)
Net (loss)/earnings per share (diluted) *(Note 11)*	**$ (0.63)**	$ (1.52)	**$ 0.21**	$ (3.51)
Weighted average number of shares outstanding ***(Note 11)***				
Basic	**24,467,689**	23,499,999	**23,824,918**	13,180,822
Diluted	**24,467,689**	23,499,999	**25,341,058**	13,180,822

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

BRIO GOLD INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	For the three months ended September 30,		For the nine months ended September 30,	
(In thousands of United States Dollars), (unaudited)	**2016**	**2015**	**2016**	**2015**
Operating activities				
Loss before income tax expense	**$ (8,470)**	$ (7,649)	**$ (9,803)**	$ (18,097)
Adjustments to reconcile loss before income taxes to operating cash flows:				
Depletion, depreciation and amortization	**13,936**	12,708	**40,494**	14,891
Unrealized foreign exchange losses/(gains)	**4,171**	(448)	**7,188**	2,776
Finance expense	**2,481**	470	**4,370**	631
Other non-cash operating expenses *(Note 12 b)*	**4,380**	2,830	**12,256**	6,844
Decommissioning, restoration and similar liabilities paid	**(790)**	—	**(1,441)**	—
Income taxes paid	**(202)**	(112)	**(2,618)**	(112)
Cash flows from operating activities before net change in working capital	**$ 15,506**	$ 7,799	**$ 50,446**	$ 6,933
Net change in working capital *(Note 12 a)*	**(1,508)**	2,183	**(11,586)**	6,089
Cash flows from operating activities	**$ 13,998**	$ 9,982	**$ 38,860**	$ 13,022
Investing activities				
Acquisition of assets and liabilities from Yamana Gold Inc.	**$ —**	$ (232,544)	**$ —**	$ (370,844)
Acquisition of property, plant and equipment	**(16,224)**	(2,644)	**(40,350)**	(4,845)
Acquisition of Mineração Riacho dos Machados Ltda *(Note 3)*	**—**	—	**(50,225)**	—
Cash flows used in investing activities	**$ (16,224)**	$ (235,188)	**$ (90,575)**	$ (375,689)
Financing activities				
Share issuances to Yamana Gold Inc.	**$ —**	$ 229,397	**$ —**	$ 367,749
Related party financing *(Note 9)*	**—**	2,391	**51,361**	2,391
Cash flows from financing activities	**$ —**	$ 231,788	**$ 51,361**	$ 370,140
Effect of foreign exchange on cash	**162**	(1,852)	**919**	(1,323)
(Decrease)/increase in cash	**$ (2,064)**	$ 4,730	**$ 565**	$ 6,150
Cash beginning of period	**$ 6,595**	$ 1,420	**$ 3,966**	$ —
Cash end of period	**$ 4,531**	$ 6,150	**$ 4,531**	$ 6,150

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

BRIO GOLD INC.
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

(In thousands of United States Dollars), (unaudited)		As at September 30, 2016		As at December 31, 2015
Assets				
Current assets:				
Cash	**$**	**4,531**	$	3,966
Trade and other receivables *(Note 4)*		**7,769**		6,921
Inventories *(Note 5)*		**32,628**		24,180
Other current assets *(Note 6)*		**6,913**		6,800
		51,841		41,867
Non-current assets:				
Property, plant and equipment *(Note 7)*		**497,894**		428,129
Deferred tax assets		**5,329**		—
Other non-current asset *(Note 6)*		**2,674**		10,186
Total assets	**$**	**557,738**	$	480,182
Liabilities				
Current liabilities:				
Trade and other payables *(Note 8)*	**$**	**50,108**	$	32,676
Income taxes payable		**16**		2,220
Other provisions and liabilities *(Note 9)*		**4,737**		11,733
		54,861		46,629
Non-current liabilities:				
Decommissioning, restoration and similar liabilities		**32,846**		20,919
Deferred income tax liabilities		**23,715**		39,004
Other non-current provisions and liabilities *(Note 9)*		**3,460**		1,363
Total liabilities		**114,882**		107,915
Equity				
Share capital		**427,858**		367,750
Reserve		**68,625**		63,399
Deficit		**(53,627)**		(58,882)
Total equity		**442,856**		372,267
Total equity and liabilities	**$**	**557,738**	$	480,182

Contractual commitments, contingencies and related parties *(Notes 14, 15 and 16).*

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

BRIO GOLD INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(In thousands of United States Dollars, (unaudited)	Share capital	Reserve	Deficit	Total equity
Balance at January 1, 2015	**$ 1**	**$ —**	**$ (114)**	**$ (113)**
Net loss and total comprehensive loss	—	—	(46,277)	**(46,277)**
Transactions with owners:				
Issued for cash and acquisition of mining assets	367,749	58,754	—	**426,503**
Restricted share units	—	4,226	—	**4,226**
Balance as at September 30, 2015	**$ 367,750**	**$ 62,980**	**$ (46,391)**	**$ 384,339**
Balance at January 1, 2016	**$ 367,750**	**$ 63,399**	**$ (58,882)**	**$ 372,267**
Net earnings and total comprehensive earnings	—	—	5,255	**5,255**
Transactions with owners:				
Issued on settlement of related party loan	60,108	—	—	**60,108**
Restricted share units	—	5,226	—	**5,226**
Balance as at September 30, 2016	**$ 427,858**	**$ 68,625**	**$ (53,627)**	**$ 442,856**

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

(Tabular amounts in thousands of United States Dollars unless otherwise noted)

(Amounts as at September 30, 2016 and for the three and nine months ended September 30, 2016 and 2015 are unaudited)

1. BASIS OF PREPARATION AND PRESENTATION

These Condensed Consolidated Interim Financial Statements of Brio Gold Inc. (the "Company" or "Brio"), including comparative figures, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") using the accounting principles consistent with International Financial Reporting Standards (“IFRS”). These Condensed Consolidated Interim Financial Statements do not include all disclosures required by IFRS for annual consolidated financial statements and accordingly should be read in conjunction with the Company’s Annual Audited Consolidated Financial Statements for the year ended December 31, 2015 prepared in accordance with IFRS. These Condensed Consolidated Interim Financial Statements were authorized for issuance by the Board of Directors of the Company on November 15, 2016.

These Condensed Consolidated Interim Financial Statements have been prepared on the basis of and using the accounting policies, methods of computation and presentation consistent with those applied and disclosed in *Notes 3* and *6* to the Company’s Annual Audited Consolidated Financial Statements for the year ended December 31, 2015.

In preparing the Condensed Consolidated Interim Financial Statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period end. Critical accounting estimates represent estimates that are uncertain and for which changes in those estimates could materially impact the Company's Consolidated Financial Statements. Actual future outcomes may differ from present estimates. Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

The critical judgments and key sources of estimation uncertainties in the application of accounting policies during the three and nine months ended September 30, 2016 are the same as those disclosed in *Note 4* to the Company's Annual Audited Consolidated Financial Statements for the year ended December 31, 2015.

2. RECENT ACCOUNTING PRONOUNCEMENTS

The IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) issue pronouncements that are mandatory for the Company to implement. Pronouncements that are not applicable to the Company have been excluded from this note. The following pronouncements have been issued but are not yet effective:

(a) IFRS 9 *Financial Instruments* - The standard is effective for annual reporting periods beginning January 1, 2018 for public entities. The Company is assessing the impact of this Standard.

(b) IFRS 15 *Revenue from Contracts with Customers* - The final standard on revenue from contracts with customers was issued on May 28, 2014, effective for annual reporting periods beginning on or after January 1, 2017 with early adoption permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. On September 11, 2015 the IASB issued an amendment to the revenue Standard, formalizing the deferral of the effective date by one year to January 1, 2018. The Company is assessing the impact of this Standard.

(c) IFRS 16 *Leases* - The standard is effective for annual reporting periods beginning January 1, 2019. Early application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. The Company is assessing the impact of this Standard.

3. ACQUISITION OF MINERAL INTEREST

On February 17, 2016, Brio entered into an Assignment and Assumption Agreement and a Restructuring Agreement pursuant to which it would ultimately acquire all right, title and interests in Mineração Riacho dos Machados Ltda ("MRDM"), a wholly-owned subsidiary of Carpathian Gold Inc. ("Carpathian"), from Macquarie Bank Limited, holder of rights and interests in a loan facility extended to MRDM, and Carpathian. MRDM owns and operates the Riacho Dos Machados ("RDM") mine which is an open-pit heap-leach gold mine located in Minas Gerais State, Brazil.

On April 29, 2016, the Company closed on the restructuring procedures and concurrently attained control of MRDM for approximately $53.9 million in total cash consideration, excluding acquisition related costs of $3.0 million which have been recognized as an expense and included in other operating expenses in the Condensed Consolidated Interim Statements of Operations for the nine month period ended September 30, 2016.

The Company has recognized its interest in the MRDM assets, liabilities, revenues and expenses in accordance with the Company's rights and obligations prescribed by the transaction, as a business combination. In accordance with the Company's accounting policy, the Company has recognized the acquired identifiable assets and liabilities.

As of the date of these Condensed Consolidated Interim Financial Statements, the determination of the fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalized. The Company is currently in the process of determining the fair values of the net assets acquired, assessing and measuring the associated deferred income tax assets and liabilities on the acquisition. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed in the preliminary fair value below and are subject to change.

Total consideration paid by the Company was as follows:

Cash	**$**	**53,862**

The following table summarizes the total fair values of assets and liabilities acquired:

Cash	$	258
Net working capital acquired *(i)*		2,323
Property, plant and equipment (including mineral interests)		57,415
Non-current liabilities		(6,134)
Net identifiable assets	**$**	**53,862**

(i) Included in net working capital acquired is accounts receivables of $2.6 million at fair value which were collected subsequent to closing of the MRDM acquisition.

MRDM's revenues and net losses are $29.1 million and $3.6 million, respectively, for the nine month period ended September 30, 2016 since the acquisition date. Revenues and net earnings for the Company would have been $181.4 million and $11.1 million, respectively, for the nine month period ended September 30, 2016, if the acquisition had taken place on January 1, 2016.

4. TRADE AND OTHER RECEIVABLES

	As at September 30, 2016	December 31, 2015
Trade receivable	**$ 51**	$ 57
Metal sales receivable from Yamana Gold Inc. (Note 16)	**7,718**	6,864
	$ 7,769	$ 6,921

There is no provision of doubtful accounts in any of the periods presented.

5. INVENTORIES

	As at September 30, 2016	As at December 31, 2015
Product inventories	**$ 2,521**	$ 2,405
Metal in circuit and gold in process	**8,992**	2,678
Ore stockpiles	**1,809**	1,730
Materials and supplies	**19,306**	17,367
	$ 32,628	$ 24,180

The amount of inventories recognized as an expense for the three and nine month periods ended September 30, 2016 was $39.1 million and $100.0 million (2015 - $22.0 million and $26.4 million) and is included in cost of sales excluding depletion, depreciation and amortization. For the three months and nine months ended September 30, 2016, recoveries of $0.3 million and $0.1 million, respectively, were recorded to adjust inventory to net realizable value (2015 - recoveries of $0.1 million and $0.1 million), which are included in cost of sales excluding depletion, depreciation and amortization.

6. OTHER ASSETS

	As at September 30, 2016	As at December 31, 2015
Tax credits receivables *(i)*	**$ 4,069**	$ 4,726
Advances to suppliers	**3,212**	6,256
Option agreement	**—**	6,000
Other long-term advances	**2,306**	4
	$ 9,587	$ 16,986
Current	**$ 6,913**	$ 6,800
Non-current	**2,674**	10,186
	$ 9,587	$ 16,986

(i) Tax credits receivables classified as other assets consist of sales taxes which are recoverable against other taxes payable and value-added taxes.

7. PROPERTY, PLANT AND EQUIPMENT

	Mining property costs subject to depletion	Mining property costs not subject to depletion *(ii)*	Land, building, plant & equipment *(i)(ii)*	Total
Cost, January 1, 2015	$ —	$ —	$ —	$ —
Acquisition cost	229,327	45,846	194,184	469,357
Transfers, reclassification and other non-cash movements	—	(1,222)	—	(1,222)
Capital expenditures	9,099	781	6,665	16,545
Change in decommissioning, restoration & similar liabilities	(3,232)	(3,020)	—	(6,252)
Cost, December 31, 2015	**$ 235,194**	**$ 42,385**	**$ 200,849**	**$ 478,428**
Additions	46,306	29,253	15,016	90,575
Change in decommissioning, restoration & similar liabilities	2,604	3,197	—	5,801
Transfers, reclassifications and other non-cash movements (iii)	5,828	5,434	641	11,903
Disposals	—	(2)	(1,278)	(1,280)
Cost, September 30, 2016	**$ 289,932**	**$ 80,267**	**$ 215,228**	**$ 585,427**
Accumulated depreciation and impairment, January 1, 2015	$ —	$ —	$ —	$ —
Depreciation for the period	$ 22,738	$ —	$ 7,533	$ 30,271
Impairment charges	995	19,033	—	20,028
Accumulated depreciation and impairment, December 31, 2015	**$ 23,733**	**$ 19,033**	**$ 7,533**	**$ 50,299**
Depreciation for the period	27,273	—	9,538	36,811
Transfers, reclassification and other non-cash movements	—	581	—	581
Disposals	—	(2)	(156)	(158)
Accumulated depreciation and impairment, September 30, 2016	**$ 51,006**	**$ 19,612**	**$ 16,915**	**$ 87,533**
Carrying value, December 31, 2015	$ 211,461	$ 23,352	$ 193,316	$ 428,129
Carrying value, September 30, 2016	**$ 238,926**	**$ 60,655**	**$ 198,313**	**$ 497,894**

(i) Included in land, building, plant and equipment is $6.5 million of land which is not subject to depreciation (2015 - $5.9 million*)*.

(ii) Balance includes amounts related to C1 Santa Luz for $31.0 million (2015 - $33.2 million) which are not subject to depreciation as the mine is in care and maintenance.

(iii) Includes transfer from other assets of option payment previously made for the MRDM acquisition and transfer of stockpile inventory not expected to be processed within a year.

8. TRADE AND OTHER PAYABLES

	As at September 30, 2016	As at December 31, 2015
Trade payables *(i)*	**$ 28,000**	$ 21,748
Other payables *(ii)*	**22,108**	10,928
	$ 50,108	$ 32,676

(i) No interest is charged on the trade payables for the first 60 days from the date of invoice. The Company has financial risk management policies in place to ensure that all payables are paid within the credit terms.

(ii) Other payables include related party payable to Yamana Gold Inc. for $10.3 million (2015 - $5.0 million)

9. OTHER PROVISIONS AND LIABILITIES

	As at September 30, 2016	As at December 31, 2015
Loan payable to related party *(i)(ii)*	**$ —**	$ 8,149
Other taxes payable	**2,555**	1,272
Current portion of decommissioning, restoration and similar liabilities	**1,989**	1,989
Other	**3,653**	1,686
	$ 8,197	$ 13,096
Current	**$ 4,737**	$ 11,733
Non-current	**3,460**	1,363
	$ 8,197	$ 13,096

(i) On February 11, 2015, the Company entered into a loan agreement with Yamana Gold Inc. The terms are as follows:

- The loan was due at the earlier of 18 months after the date that the Mines are legally transferred to the Subsidiaries of the Company, a change of control or an equity financing event.
- The loan was interest bearing at LIBOR + 2.75%, payable at the maturity of the loan.

(ii) On March 24, 2016, the Business entered into a loan agreement with Yamana Gold Inc. The terms are as follows:

- The loan was due on demand.
- The loan was interest bearing at LIBOR + 3.3%.

On September 30, 2016, the loans outstanding were settled in exchange for 89,027,429 common shares in the Company.

10. OTHER OPERATING EXPENSES

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Legal provisions *(i)*	**$ 631**	$ —	**$ 921**	$ —
Business transaction costs	**618**	—	**4,481**	—
Loss (gain) on indirect tax credits	**1,117**	(2,959)	**5,452**	(99)
Care and maintenance cost	**948**	682	**2,199**	912
Write-off and loss on sale of assets	**890**	2,732	**657**	2,726
Other (recoveries) expense	**(346)**	(106)	**361**	(95)
Other operating expenses	**$ 3,858**	$ 349	**$ 14,071**	$ 3,444

(i) Provisions for legal disputes with vendors during the construction phase and other labour disputes.

11. EARNINGS/(LOSS) PER SHARE

(In thousands of United States Dollars, except for per share and number of shares are shown in full)	For the three months ended September 30,		For the nine months ended September30,	
	2016	**2015**	**2016**	**2015**
Weighted average number of common shares - basic	**24,467,689**	23,499,999	**23,824,918**	13,180,822
Weighted average number of dilutive Restricted Share Units *(i)*	**—**	—	**1,516,140**	—
Weighted average number of common shares - diluted	**24,467,689**	23,499,999	**25,341,058**	13,180,822
Net loss attributable to Brio Gold equity holders	**$ (15,534)**	$ (35,829)	**$ 5,255**	$ (46,277)
Net loss per share attributable to Brio Gold equity holders - basic	**$ (0.63)**	$ (1.52)	**$ 0.22**	$ (3.51)
Net loss per share attributable to Brio Gold equity holders - diluted	**$ (0.63)**	$ (1.52)	**$ 0.21**	$ (3.51)

*(i) E*ffect of dilutive securities - the potential shares attributable to restrictive share units were anti-dilutive in the three month period ended September 30, 2016 were 5,922,496(three and nine months ended September 30, 2015 were 1,005,495 and 505,525 units respectively).

12. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Net Change in Non-Cash Operating Working Capital

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Net decrease (increase) in:				
Trade and other receivables	**$ 5,841**	$ (518)	**$ 1,775**	$ (1,720)
Inventories	**679**	(6,246)	**(59)**	(949)
Other assets	**3,627**	8,813	**(4,317)**	2,473
Net (decrease) increase in:				
Trade payable and other payables	**(3,005)**	(102)	**5,740**	1,608
Other current liabilities	**(8,650)**	236	**(14,725)**	4,677
Net change in non-cash working capital	**$ (1,508)**	$ 2,183	**$ (11,586)**	$ 6,089

(b) Other non-cash operating expenses

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Provisions (recoveries) for indirect taxes	**$ 1,117**	$ (2,959)	**$ 5,452**	$ (99)
Contingencies	**631**	—	**921**	—
Write-off of assets and loss on sale of assets	**890**	2,732	**657**	2,726
Share based payments	**1,742**	3,065	**5,226**	4,226
Others	**—**	(8)	**—**	(9)
Other non-cash operating expenses	**$ 4,380**	$ 2,830	**$ 12,256**	$ 6,844

(c) Non-Cash Investing and Financing Transactions

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Issue of 89,027,429 common shares on capitalization of related party loan	$ 60,108	$ —	$ 60,108	$ —

13. OPERATING SEGMENTS

The Company which produces primarily gold, and to a lesser extent silver, bases its operating segments on the way information is reported and used by the Chief Operating Decision Makers ("CODM"). The Company has four core reportable operating segments as shown below. Property, plant and equipment referred to below consist of land, buildings, equipment, mining properties subject to depletion and mining properties not subject to depletion which include assets under construction and exploration and evaluation costs.

As at September 30, 2016	Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	Mineração Riacho dos Machados *(i)*	Corporate and Others	Total
Property, plant and equipment	$ 70,653	$ 30,970	$ 333,960	$ 61,058	$ 1,253	$ 497,894
Non-current assets	$ 76,008	$ 30,987	$ 336,325	$ 61,324	$ 1,253	$ 505,897
Total assets	$ 90,485	$ 39,811	$ 349,868	$ 74,751	$ 2,823	$ 557,738
Total liabilities	$ 35,100	$ 21,790	$ 35,278	$ 13,732	$ 8,982	$ 114,882

As at December 31, 2015	Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	Mineração Riacho dos Machados *(i)*	Corporate and Others	Total
Property, plant and equipment	$ 59,274	$ 33,219	$ 335,636	$ —	$ —	$ 428,129
Non-current assets	$ 59,721	$ 33,219	$ 339,095	$ —	$ 6,280	$ 438,315
Total assets	$ 76,994	$ 42,920	$ 353,240	$ —	$ 7,028	$ 480,182
Total liabilities	$ 25,402	$ 19,971	$ 59,116	$ —	$ 3,426	$ 107,915

(i) Mineração Riacho dos Machados was acquired April 29, 2016 and therefore comparative segment financial information has not been included.

Segment Operating Earnings

For the three months ended 30 September 2016	Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	Mineração Riacho dos Machados *(i)*	Corporate and Others	Total
Total segment revenue	$ 21,751	$ —	$ 26,586	$ 12,222	$ —	$ 60,559
Cost of sales	(13,280)	—	(14,492)	(11,301)	—	(39,073)
Depletion, depreciation and amortization	(3,792)	—	(9,295)	(849)	—	(13,936)
Mine operating earnings/(loss)	$ 4,679	$ —	$ 2,799	$ 72	$ —	$ 7,550
Other expenses *(ii)*						(16,020)
Loss before income taxes						$ (8,470)
Capital expenditures	$ (5,918)	$ (222)	$ (7,594)	$ (2,490)	$ —	$ (16,224)

For the three months ended 30 September 2015		Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	Mineração Riacho dos Machados *(i)*	Corporate and Others	Total
Total segment revenue	$	18,534 $	— $	16,338 $	— $	— $	34,872
Cost of sales		(12,143)	—	(9,833)	—	—	(21,976)
Depletion, depreciation and amortization		(8,248)	—	(4,460)	—	—	(12,708)
Mine operating (loss)/earnings	$	(1,857)$	— $	2,045 $	— $	— $	188
Other expenses *(ii)*							(7,837)
Loss before income taxes						$	(7,649)
Capital expenditures	$	(2,000)$	(34)$	(610)$	— $	— $	(2,644)

(i) Mineração Riacho dos Machados was acquired April 29, 2016 and therefore comparative segment financial information has not been included.

(ii) Other expenses is comprised of general and administrative expense of $5.5 million (2015 - $7.2 million), exploration and evaluation expense of $nil (2015 - $0.3 million), other operating expenses of $3.9 million (2015 - $0.3 million), foreign exchange loss of $4.2 million (2015 - gain of $0.4 million) and finance expense of $2.5 million (2015 - $0.5 million).

For the nine months ended 30 September 2016		Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	Mineração Riacho dos Machados	Corporate and Others	Total
Total segment revenue	**$**	**65,452 $**	**— $**	**78,288 $**	**29,106 $**	**— $**	**172,846**
Cost of sales		**(36,176)**	**—**	**(40,132)**	**(23,740)**	**—**	**(100,048)**
Depletion, depreciation and amortization		**(12,822)**	**—**	**(25,605)**	**(2,067)**	**—**	**(40,494)**
Mine operating earnings/(loss)	**$**	**16,454 $**	**— $**	**12,551 $**	**3,299 $**	**— $**	**32,304**
Other expenses *(ii)*							**(42,107)**
Loss before income taxes						**$**	**(9,803)**
Capital expenditures *(iii)*	**$**	**(14,590)$**	**(2,457)$**	**(18,719)$**	**(4,584)$**	**— $**	**(40,350)**

For the nine months ended 30 September 2015		Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	Mineração Riacho dos Machados *(i)*	Corporate and Others	Total
Total segment revenue	$	24,330 $	— $	16,334 $	— $	— $	40,664
Cost of sales		(16,565)	—	(9,859)	—	—	(26,424)
Depletion, depreciation and amortization		(10,431)	—	(4,460)	—	—	(14,891)
Mine operating (loss)/earnings	$	(2,666)$	— $	2,015 $	— $	— $	(651)
Other expenses *(ii)*							(17,446)
Loss before income taxes						$	(18,097)
Capital expenditures	$	(3,933)$	(302)$	(610)$	— $	— $	(4,845)

(i) Mineração Riacho dos Machados was acquired April 29, 2016 and therefore comparative segment financial information has not been included.

(ii) Other expenses is comprised of general and administrative expense of $16.4 million (2015 - $10.2 million), exploration and evaluation expense of $0.1 million (2015 - $0.4 million), other operating expense of $14.1 million (2015 - $3.4 million), foreign exchange loss of $7.2 million (2015 - $2.8 million) and finance expense of $4.4 million (2015 - $0.6 million).

(iii) Excluding capital expenditures related to the acquisition of Mineração Riacho dos Machados in 2016.

14. CONTRACTUAL COMMITMENTS

Construction and Service Contracts

	As at September 30, 2016	As at December 31, 2015
Within 1 year	**$ 62,665**	$ 46,313
Between 1 to 3 years	**34,302**	19,887
Between 3 to 5 years	**11,530**	581
After 5 years	**2,733**	37
	$ 111,230	$ 66,818

15. CONTINGENCIES

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the Condensed Consolidated Interim Financial Statements of the Company.

16. RELATED PARTIES

Sales Arrangements with Yamana Gold Inc.

The Company sells all its production to Yamana. Price per ounce is determined by applying a 2.85% discount on the London Bullion Market Association (LBMA) gold price at the transaction date. The discount is recorded as an offset to revenue. Under the agreement, Yamana is subjected to a penalty calculated at a 3 months LIBOR + 2% of the total payment amount if the funds are not paid within 30 days of the date of bill of sale.

Other Related Party Transactions

Related party payables/receivables and related party expenses/income relate to the purchase and sale of precious metal through related parties agreements and transfers under finance arrangements, are unsecured and are due on demand.

17. SUBSEQUENT EVENTS

Collar Contracts

On November 3rd and 4th, 2016, the Company entered into (a) zero-cost collar foreign exchange contracts of $28.0 million Reais ("R$") per month for two years (January 2017 through December 2018), totaling R$672 million, with average call and put strike prices of US$1 = R$3.30 and US$1 = $3.8971 respectively, and (b) forward contracts of R$28 million per month for two years (January 2017 through December 2018) totaling R$672 million, at a fixed exchange rate averaging 1US$ =R$3.5535.

Credit Facility

On November 3, 2016, the Company entered into a Commitment Letter, with National Bank of Canada and CIBC (the "Co-Lead Arrangers" and each a "Co-Lead Arranger") for a revolving term senior secured credit facility in the amount of US$75,000,000 (the "Credit Facility") upon the terms and conditions set out in a term sheet appended to the Commitment Letter. Subject to the terms and conditions of the Commitment Letter, each of the Co-Lead Arrangers has committed US$25,000,000 to the Credit Facility. Such terms and conditions include a successful syndication of at least US$25,000,000 in additional commitments from one or more other financial institutions. The Credit Facility may be increased to US$100,000,000 upon meeting certain performance conditions. The term of the Credit Facility is three years, with a reduction to US$50,000,000 after two years. The Credit Facility contains representations and warranties, conditions precedent, covenants, and events of default typical for a facility of this type. Interest rate margins are tied to a grid based on LIBOR that varies with the leverage ratio of the Company.

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BrioGold

CONDENSED CARVE OUT COMBINED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015
(UNAUDITED)

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BRIO GOLD INC.
CONDENSED CARVE OUT COMBINED INTERIM STATEMENTS OF OPERATIONS

	For the three months ended September 30,		For the nine months ended September 30,	
(In thousands of United States Dollars), (unaudited)	**2016**	**2015**	**2016**	**2015**
Sales	**$ 61,719**	$ 42,858	**$ 176,791**	$ 121,846
Cost of sales excluding depletion, depreciation and amortization	**(39,025)**	(25,846)	**(99,842)**	(80,681)
Gross margin excluding depletion, depreciation and amortization	**22,694**	17,012	**76,949**	41,165
Depletion, depreciation and amortization	**(13,864)**	(16,752)	**(40,543)**	(36,266)
Mine operating earnings	**8,830**	260	**36,406**	4,899
Expenses				
General and administrative	**(6,815)**	(8,052)	**(20,466)**	(14,304)
Exploration and evaluation	**(1)**	(213)	**(52)**	(394)
Other operating (expenses)/gain *(Note 9)*	**(3,858)**	51	**(14,429)**	(27,768)
Operating (loss)/earnings	**(1,844)**	(7,954)	**1,459**	(37,567)
Foreign exchange (loss)/gain	**(3,977)**	17,489	**(10,389)**	15,340
Finance expense	**(2,166)**	(544)	**(3,512)**	(2,204)
(Loss)/earnings before income taxes	**(7,987)**	8,991	**(12,442)**	(24,431)
Income tax (loss)/recovery	**(7,176)**	(23,943)	**13,758**	(47,869)
Net (loss)/earnings	**$ (15,163)**	$ (14,952)	**$ 1,316**	$ (72,300)
Other comprehensive earnings, net of taxes	**—**	—	**—**	—
Total comprehensive (loss)/earnings	**$ (15,163)**	$ (14,952)	**$ 1,316**	$ (72,300)

The accompanying notes are an integral part of the condensed carve out combined interim financial statements.

BRIO GOLD INC.
CONDENSED CARVE OUT COMBINED INTERIM STATEMENTS OF CASH FLOWS

	For the three months ended September 30,		For the nine months ended September 30,	
(In thousands of United States Dollars), (unaudited)	**2016**	**2015**	**2016**	**2015**
Operating activities				
(Loss)/earnings before income taxes	**$ (7,987)**	$ 8,991	**$ (12,442)**	$ (24,431)
Adjustments to reconcile earnings before taxes to operating cash flows:				
Depletion, depreciation and amortization	**13,864**	16,752	**40,543**	36,266
Unrealized foreign exchange loss/(gain)	**3,977**	(17,489)	**10,389**	(15,340)
Finance expense	**2,166**	544	**3,512**	2,204
Other non-cash operating expenses *(Note 10 (b))*	**2,777**	(4,043)	**12,256**	22,575
Decommissioning, restoration and similar liabilities paid	**(790)**	(2,240)	**(1,441)**	(3,009)
Income taxes paid	**(202)**	(4,534)	**(2,618)**	(4,534)
Cash flows from/(use in) operating activities before net change in working capital	**$ 13,805**	$ (2,019)	**$ 50,199**	$ 13,731
Net change in working capital *(Note 10 (a))*	**3,220**	(12,721)	**6,849**	(31,497)
Cash flows from/(used in) operating activities	**$ 17,025**	$ (14,740)	**$ 57,048**	$ (17,766)
Investing activities				
Acquisition of property, plant and equipment	**$ (16,224)**	$ (7,266)	**$ (40,350)**	$ (22,755)
Acquisition of Mineração Riacho dos Machados Ltda *(Note 3)*	**—**	—	**(50,225)**	—
Cash flows used in investing activities	**$ (16,224)**	$ (7,266)	**$ (90,575)**	$ (22,755)
Financing activities				
(Decrease)/increase in Yamana Gold's net investment	**(3,027)**	25,982	**33,173**	47,994
Cash flows (used in)/from financing activities	**$ (3,027)**	$ 25,982	**$ 33,173**	$ 47,994
Effect of foreign exchange on cash	**162**	(918)	**919**	(1,323)
(Decrease)/Increase in cash	**$ (2,064)**	$ 3,058	**$ 565**	$ 6,150
Cash balance, beginning of period	**$ 6,595**	$ 3,092	**$ 3,966**	$ —
Cash balance, end of period	**$ 4,531**	$ 6,150	**$ 4,531**	$ 6,150

The accompanying notes are an integral part of the condensed carve out combined financial interim statements.

BRIO GOLD INC.
CONDENSED CARVE OUT COMBINED INTERIM BALANCE SHEETS

(In thousands of United States Dollars), (unaudited)		As at September 30, 2016		As at December 31, 2015
Assets				
Current assets:				
Cash	**$**	**4,531**	$	3,966
Inventories *(Note 4)*		**32,628**		24,180
Other current assets *(Note 5)*		**6,913**		6,934
		44,072		35,080
Non-current assets:				
Property, plant and equipment *(Note 6)*		**497,894**		428,129
Deferred income tax assets		**5,329**		—
Other non-current assets *(Note 5)*		**2,674**		10,368
Total assets	**$**	**549,969**	$	473,577
Liabilities				
Current liabilities:				
Trade and other payables *(Note 7)*	**$**	**39,789**	$	28,683
Income taxes payable		**1,386**		7,978
Other provisions and liabilities *(Note 8)*		**4,737**		10,580
		45,912		47,241
Non-current liabilities:				
Decommissioning, restoration and similar liabilities		**32,846**		20,919
Deferred income tax liabilities		**23,715**		34,249
Other non-current provisions and liabilities *(Note 8)*		**3,490**		2,290
Total liabilities	**$**	**105,963**	$	104,699
Equity				
Net Investment by Yamana Gold Inc.		**444,006**		368,878
Total equity and liabilities	**$**	**549,969**	$	473,577

Contractual commitments and contingencies *(Notes 12 and 13).*

The accompanying notes are an integral part of the condensed carve out combined financial interim statements.

BRIO GOLD INC.

CONDENSED CARVE OUT COMBINED INTERIM STATEMENT OF CHANGES IN NET INVESTMENT BY YAMANA GOLD INC.

	As at September 30	As at September 30
(In thousands of United States Dollars), (unaudited)	**2016**	**2015**
Balance, beginning of year	**$ 368,882**	$ 421,138
Net earnings/(loss) and total comprehensive earnings (loss)	**1,316**	(72,300)
Movement in Investment by Yamana Gold Inc.	**73,808**	52,695
Balance, end of period	**$ 444,006**	$ 401,533

The accompanying notes are an integral part of the condensed carve out combined financial interim statements.

1. BASIS OF PREPARATION AND PRESENTATION

These condensed carve out combined interim financial statements of Brio Gold Inc. and the mining operations comprising the Pilar Mine, the Mineracao Fazenda Brasileiro Mine and the C1 Santa Luz Project transferred by Yamana Gold Inc. ("Yamana") to Brio Gold Inc. (collectively the "Business" or "Brio"), including comparative figures, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") using the accounting principles and methodologies consistent with International Financial Reporting Standards ("IFRS"). These condensed carve out combined interim financial statements do not include all disclosures required by IFRS for annual carve out combined financial statements and accordingly should be read in conjunction with the Business' annual carve out combined financial statements for the three year period ended December 31, 2015 prepared in accordance with IFRS. These condensed carve out combined interim financial statements were authorized for issuance by the Board of Directors of Brio Gold Inc. on November 15, 2016.

The condensed carve out combined interim financial statements present the net investment by Yamana in the Business rather than the shareholders' equity. These condensed carve out combined interim financial statements include the operations of the Business and present the historical financial position, financial performance, changes in Yamana`s net investment and cash flows on a carve out combined basis. To give effect to the continuity of Yamana's interest in the assets and liabilities of the Business, all assets and liabilities have been recorded in these condensed carve out combined financial interim statements at Yamana's book values and have been included from the date they were acquired by Yamana. The Business generally maintains their own independent management and infrastructure. To the extent that certain services are centralized by Yamana and shared across entities including those of the Business, such as information technology, fees for access to and use of such services have been charged to the respective operations as a means of allocation across all Yamana entities.

Yamana's net investment comprises the accumulated earnings of the transferred operations, contributions by, less distributions to, Yamana.

Due to the inherent limitations of carving out the assets, liabilities, operations and cash flows from larger entities, these financial statements may not necessarily reflect the financial position, results of operations and cash flow that would have been realized had the Business been a stand-alone entity during the periods presented.

These condensed carve out combined interim financial statements have been prepared on the basis of and using the accounting policies, methods of computation and presentation consistent with those applied and disclosed in Notes 3 and 5 to the Business annual carve out combined financial statements for the year ended December 31, 2015.

In preparing the condensed carve out combined interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period end. Critical accounting estimates represent estimates that are uncertain and for which changes in those estimates could materially impact the Business' condensed carve out combined interim financial Statements. Actual future outcomes may differ from present estimates. Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

The critical judgments and key sources of estimation uncertainties in the application of accounting policies during the three and nine months ended September 30, 2016 are the same as those disclosed in *Note 4* to the Business' annual carve out combined financial statements for the year ended December 31, 2015.

2. RECENT ACCOUNTING PRONOUNCEMENTS

The IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) issue pronouncements that are mandatory for the Business to implement. Pronouncements that are not applicable to the Business have been excluded from this note. The following pronouncements have been issued but are not yet effective:

(a) IFRS 9 *Financial Instruments* - The standard is effective for annual reporting periods beginning January 1, 2018 for public entities. The Business is assessing the impact of this Standard.

(b) IFRS 15 *Revenue from Contracts with Customers* - The final standard on revenue from contracts with customers was issued on May 28, 2014, effective for annual reporting periods beginning on or after January 1, 2017 with early adoption permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. On September 11, 2015 the IASB issued an amendment to the revenue Standard, formalizing the deferral of the effective date by one year to January 1, 2018. The Business is assessing the impact of this Standard.

(c) IFRS 16 *Leases* - The standard is effective for annual reporting periods beginning January 1, 2019. Early application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. The Business is assessing the impact of this Standard.

3. ACQUISITION OF MINERAL INTEREST

On February 17, 2016, the Business entered into an Assignment and Assumption Agreement and a Restructuring Agreement pursuant to which it would ultimately acquire all right, title and interests in Mineração Riacho dos Machados Ltda (“MRDM”), a wholly-owned subsidiary of Carpathian Gold Inc. (“Carpathian”), from Macquarie Bank Limited, holder of rights and interests in a loan facility extended to MRDM, and Carpathian. MRDM owns and operates the Riacho Dos Machados ("RDM") mine which is an open-pit heap-leach gold mine located in Minas Gerais State, Brazil.

On April 29, 2016, the Business closed on the restructuring procedures and concurrently attained control of MRDM for approximately $53.9 million in total cash consideration, excluding acquisition related costs of $3.0 million which have been recognized as an expense and included in other operating expenses in the Condensed Carve Out Combined Interim Statements of Operations for the nine month period ended September 30, 2016.

The Business has recognized its interest in the MRDM assets, liabilities, revenues and expenses in accordance with the Business's rights and obligations prescribed by the transaction, as a business combination. In accordance with the Business accounting policy, the Business has recognized the acquired identifiable assets and liabilities.

As of the date of these Condensed Carve Out Combined Interim Financial Statements, the determination of the fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalized. The Business is currently in the process of determining the fair values of the net assets acquired, assessing and measuring the associated deferred income tax assets and liabilities on the acquisition. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed in the preliminary fair value below and are subject to change.

Total consideration paid by the Business was as follows:

Cash	**$**	**53,862**

The following table summarizes the total fair values of assets and liabilities acquired:

Cash	**$**	**258**
Net working capital acquired *(i)*		**2,323**
Property, plant and equipment (including mineral interests)		**57,415**
Non-current liabilities		**(6,134)**
Net identifiable assets	**$**	**53,862**

(i) Included in net working capital acquired is accounts receivables of $2.6 million at fair value which were collected subsequent to closing of the MRDM acquisition.

MRDM's revenues and net earnings are $28.8 million and $3.2 million, respectively, for the nine months period ended September 30, 2016 since the acquisition date. Revenues and net earnings for the Business would have been $185.3 million and $7.2 million, respectively, for the nine month period ended September 30, 2016, if the acquisition had taken place on January 1, 2016.

4. INVENTORIES

		As at September 30, 2016		As at December 31, 2015
Product inventories	**$**	**2,521**	$	2,405
Metal in circuit and gold in process		**8,992**		2,678
Ore stockpiles		**1,809**		1,730
Materials and supplies		**19,306**		17,367
	$	**32,628**	$	24,180

The amount of inventories recognized as an expense during the three months and nine month periods ended September 30, 2016 was $39.0 million and $99.8 million, respectively (2015 - $25.8 million and $80.7 million) and is included in cost of sales excluding depletion, depreciation and amortization. For the three months and nine months ended September 30, 2016, recoveries of $0.3 million and $0.1 million, respectively, were recorded to adjust inventory to net realizable value (2015 - recoveries of $0.1 million and $0.1 million), which are included in cost of sales excluding depletion, depreciation and amortization.

5. OTHER ASSETS

	As at September 30, 2016	As at December 31, 2015
Tax credits receivable *(i)*	**$ 4,069**	$ 4,726
Advances to suppliers	**3,212**	6,256
Option agreement	**—**	6,000
Other long-term advances	**2,306**	4
Other	**—**	316
	$ 9,587	$ 17,302
Current	**$ 6,913**	$ 6,934
Non-current	**2,674**	10,368
	$ 9,587	$ 17,302

(i) Tax credits receivables classified as other assets consist of sales taxes which are recoverable against other taxes payable and value-added taxes.

6. PROPERTY, PLANT AND EQUIPMENT

	Mining property costs subject to depletion	Mining property costs not subject to depletion *(ii)*	Land, building, plant & equipment *(i) (ii)*	Total
Cost, January 1, 2015	**$ 443,155**	**$ 687,860**	**$ 55,920**	**$ 1,186,935**
Additions	20,282	3,125	9,026	32,433
Transfers, reclassifications and other non-cash movements	(110,999)	(75,965)	186,263	(701)
Change in decommissioning, restoration & similar liabilities	(7,414)	(4,249)	—	(11,663)
Disposals	—	—	(266)	(266)
Cost, December 31, 2015	**$ 345,024**	**$ 610,771**	**$ 250,943**	**$ 1,206,738**
Additions	46,306	29,253	15,016	90,575
Change in decommissioning, restoration & similar liabilities	2,604	3,197	—	5,801
Transfer, reclassifications and other non-cash movements *(iii)*	5,828	5,434	641	11,903
Disposals	—	(2)	(1,278)	(1,280)
Cost, September 30, 2016	**$ 399,762**	**$ 648,653**	**$ 265,322**	**$ 1,313,737**
Accumulated depreciation and impairment, January 1, 2015	**$ 102,508**	**$ 568,386**	**$ 37,562**	**$ 708,456**
Depreciation for the year	30,011	—	20,331	50,342
Impairment charges	1,044	19,033	—	20,077
Disposal	—	—	(266)	(266)
Accumulated depreciation and impairment, December 31, 2015	**$ 133,563**	**$ 587,419**	**$ 57,627**	**$ 778,609**
Depreciation for the period	27,273	—	9,538	36,811
Transfer, reclassifications and other non-cash movements	—	581	—	581
Disposal	—	(2)	(156)	(158)
Accumulated depreciation and impairment, September 30, 2016	**$ 160,836**	**$ 587,998**	**$ 67,009**	**$ 815,843**
Carrying value, December 31, 2015	211,461	23,352	193,316	428,129
Carrying value, September 30, 2016	**$ 238,926**	**$ 60,655**	**$ 198,313**	**$ 497,894**

(i) Included in land, building, plant and equipment is $6.5 million of land which in not subject to depreciation (2015 - $5.9 million).

(ii) Balance includes amounts related to C1 Santa Luz for $31.0 million (2015 - $33.2 million) which are not subject to depreciation as the mine is in care and maintenance

(iii) Includes transfer from other assets of option payment previously made for the MRDM acquisition and transfer of stockpile inventory not expected to be processed within a year.

7. TRADE AND OTHER PAYABLES

	As at September 30, 2016	As at December 31, 2015
Trade payables *(i)*	**$ 28,000**	$ 21,748
Other payables	**11,789**	6,935
	$ 39,789	$ 28,683

(i) No interest is charged on the trade payables for the first 60 days from the date of invoice. The Business has financial risk management policies in place to ensure that all payables are paid within the credit terms.

8. OTHER PROVISIONS AND LIABILITIES

		As at September 30, 2016		As at December 31, 2015
Loan payable to Yamana Gold Inc. (i)(ii)	**$**	**—**	$	8,149
Other taxes payable		**2,555**		1,272
Current portion of decommissioning. restoration and similar liabilities		**1,989**		1,989
Other		**3,683**		1,460
	$	**8,227**	$	12,870
Current	**$**	**4,737**	$	10,580
Non-current		**3,490**		2,290
	$	**8,227**	$	12,870

(i) On February 11, 2015, the Business entered into a loan agreement with Yamana Gold Inc. The terms are as follows:

- The loan was due at the earlier of 18 months after the date that the Mines are legally transferred to the Subsidiaries of the Business, a change of control or an equity financing event.
- The loan was interest bearing at LIBOR + 2.75%.

(ii) On March 24, 2016, the Business entered into a loan agreement with Yamana Gold Inc. The terms are as follows:

- The loan was due on demand.
- The loan was interest bearing at LIBOR + 3.3%.

On September 30, 2016, the loans outstanding were settled in exchange for 89,027,429 common shares in Brio Gold Inc.

9. OTHER OPERATING EXPENSES

	For the three months ended September 30,				For the nine months ended September 30,			
		2016		**2015**		**2016**		**2015**
Legal provisions *(i)*	**$**	**631**	$	52	**$**	**921**	$	10,962
Business transaction costs		**618**		—		**4,481**		—
Loss on indirect tax credits		**1,117**		5,147		**5,452**		6,645
Care and maintenance cost		**948**		686		**2,199**		2,477
Write-off and (gains) loss on sale of assets		**(473)**		(6,306)		**657**		6,852
Other expense		**1,017**		370		**719**		832
Other operating expenses	**$**	**3,858**	$	(51)	**$**	**14,429**	$	27,768

(i) Provisions for legal disputes with vendors during the construction phase and other labour disputes.

10. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Net Change in Non-Cash Operating Working Capital

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Net decrease (increase) in:				
Inventories	**$ 584**	$ 997	**$ (53)**	$ 2,919
Other assets	**4,535**	20,250	**3,130**	496
Net (decrease) increase in:				
Trade payable and other payables	**(2,786)**	(30,461)	**1,287**	(35,377)
Other current liabilities	**887**	(3,507)	**2,485**	465
Net change in non-cash working capital	**$ 3,220**	$ (12,721)	**$ 6,849**	$ (31,497)

(b) Other Non-Cash Operating Expenses

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Provisions (recoveries) for indirect taxes	**1,117**	(933)	**5,452**	563
Write-off of assets and (gain) loss on sale of assets	**(473)**	(6,306)	**657**	6,852
Stock based compensation	**1,742**	3,065	**5,226**	4,226
Legal provisions	**631**	52	**921**	10,962
Others	**(240)**	79	**—**	(28)
Other non-cash operating expenses	**$ 2,777**	$ (4,043)	**$ 12,256**	$ 22,575

(c) Non-Cash Investing and Financing Transactions

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Issue of 89,027,429 common shares on settlement of related party loan	**$ 60,108**	$ —	**$ 60,108**	$ —

11. OPERATING SEGMENTS

The Business which produces primarily gold, and to a lesser extent silver, bases its operating segments on the way information is reported and used by the Chief Operating Decision Makers ("CODM"). The Business has four core reportable operating segments as shown below. Property, plant and equipment referred to below consist of land, buildings, equipment, mining properties subject to depletion and mining properties not subject to depletion which include assets under construction and exploration and evaluation costs.

As at September 30, 2016		Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	MRDM*(i)*	Corporate and Others	Total
Property, plant and equipment	$	70,653 $	30,970 $	333,960 $	61,058 $	1,253 **$**	**497,894**
Non-current assets	$	76,009 $	30,987 $	336,325 $	61,323 $	1,253 **$**	**505,897**
Total assets	$	83,873 $	39,811 $	348,712 $	74,751 $	2,822 **$**	**549,969**
Total liabilities	$	35,101 $	21,790 $	33,340 $	13,732 $	1,999 **$**	**105,962**

As at December 31, 2015		Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	MRDM*(i)*	Corporate and Others	Total
Property, plant and equipment	$	59,274 $	33,219 $	335,636 $	— $	— $	428,129
Non-current assets	$	59,721 $	33,219 $	339,095 $	— $	6,462 $	438,497
Total assets	$	73,837 $	42,920 $	349,792 $	— $	7,028 $	473,577
Total liabilities	$	25,402 $	19,971 $	59,116 $	— $	210 $	104,699

(i) Mineração Riacho dos Machados was acquired April 29, 2016 and therefore comparative segment financial information has not been included.

Segment Operating Earnings

For the three months ended September 30, 2016		Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	MRDM*(i)*	Corporate and Others	Total
Total segment revenue	$	22,432 $	— $	26,900 $	12,387	**$**	**61,719**
Cost of sales		(13,448)	—	(14,518)	(11,059)		**(39,025)**
Depletion, depreciation and amortization		(3,786)	—	(9,238)	(840)		**(13,864)**
Mine operating earnings/(loss)	$	5,198 $	— $	3,144 $	488 $	— **$**	**8,830**
Other expenses *(ii)*							**(16,817)**
Loss before taxes							**(7,987)**
Capital expenditures	$	(5,918)$	(222)$	(7,594)$	(2,490)$	— **$**	**(16,224)**

For the three months ended September 30, 2015 (Unaudited)		Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	MRDM*(i)*	Corporate and Others	Total
Total segment revenue	$	18,913 $	— $	23,945 $	— $	— $	42,858
Cost of sales		(11,482)	—	(14,364)	—	—	(25,846)
Depletion, depreciation and amortization		(8,116)	—	(8,636)	—	—	(16,752)
Mine operating (loss)/earnings	$	(685)$	— $	945 $	— $	— $	260
Other expenses *(ii)*							8,731
Income before taxes							8,991
Capital expenditures	$	(1,125)$	(256)$	(5,885)$	— $	— $	(7,266)

(i) Mineração Riacho dos Machados was acquired April 29, 2016 and therefore comparative segment financial information has not been included.

(ii) Other expenses is comprised of general and administrative expense of $6.8 million (2015 - $8.1 million), exploration and evaluation expense of $nil (2015 - $0.2 million), other operating expense of $3.9 million (2015 - $0.1), foreign exchange loss of $4.0 million (2015 - gain of $17.5 million), finance expense of $2.2 million (2015 - $0.5 million).

For the nine months ended September 30, 2016	Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	MRDM*(i)*	Corporate and Others	Total
Total segment revenue	$ 67,876	$ —	$ 80,105	$ 28,810		**$ 176,791**
Cost of sales	(36,392)	—	(40,413)	(23,037)		**(99,842)**
Depletion, depreciation and amortization	(12,832)	—	(25,654)	(2,057)	—	**(40,543)**
Mine operating earnings/(loss)	$ 18,652	$ —	$ 14,038	$ 3,716	$ —	**$ 36,406**
Other expenses *(ii)*						**(48,848)**
Loss before taxes						**(12,442)**
Capital expenditures *(iii)*	$ (14,590)	$ (2,457)	$ (18,719)	$ (4,584)	$ —	**$ (40,350)**

For the nine months ended September 30, 2015	Mineração Fazenda Brasileiro	C1 Santa Luz	Pilar	MRDM*(i)*	Corporate and Others	Total
Total segment revenue	$ 51,372	$ —	$ 70,474	$ —	$ —	$ 121,846
Cost of sales	(34,767)	—	(45,914)	—	—	(80,681)
Depletion, depreciation and amortization	(21,459)	—	(14,807)	—	—	(36,266)
Mine operating (loss)/earnings	$ (4,854)	$ —	$ 9,753	$ —	$ —	$ 4,899
Other expenses *(ii)*						(29,330)
Loss before taxes						(24,431)
Capital expenditures	$ (9,899)	$ (489)	$ (12,367)	$ —	$ —	$ (22,755)

(i) Mineração Riacho dos Machados was acquired April 29, 2016 and therefore comparative segment financial information has not been included.

(ii) Other expenses is comprised of general and administrative expense of $20.5 million (2015 - $14.3 million), exploration and evaluation expense of $0.1 million (2015 - $0.4 million), other operating expense of $14.4 million (2015 - $27.8 million), foreign exchange loss of $10.4 million (2015 - gain of $15.3 million), finance expense of $3.5 million (2015 - $2.2 million).

(iii) Excluding capital expenditures related to the acquisition of Mineração Riacho dos Machados in 2016.

12. CONTRACTUAL COMMITMENTS

Construction and Service Contracts

	As at September 30, 2016	As at December 31, 2015
Within 1 year	**$ 62,665**	$ 46,313
Between 1 to 3 years	**34,302**	19,887
Between 3 to 5 years	**11,530**	581
After 5 years	**2,733**	37
	$ 111,230	$ 66,818

13. CONTINGENCIES

Due to the size, complexity and nature of the Business's operations, various legal and tax matters arise in the ordinary course of business. The Business accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the Condensed Carve Out Combined Interim Financial Statements of the Business.

14. SUBSEQUENT EVENTS

Collar Contracts

On November 3rd and 4th, 2016, the Business entered into (a) zero-cost collar foreign exchange contracts of $28.0 million Reais ("R$") per month for two years (January 2017 through December 2018), totaling R$672 million, with average call and put strike prices of US$1 = R$3.30 and US$1 = $3.8971 respectively, and (b) forward contracts of R$28 million per month for two years (January 2017 through December 2018) totaling R$672 million, at a fixed exchange rate averaging 1US$ = R$3.5535.

Credit Facility

On November 3, 2016, the Business entered into a Commitment Letter, with National Bank of Canada and CIBC (the "Co-Lead Arrangers" and each a "Co-Lead Arranger") for a revolving term senior secured credit facility in the amount of US$75,000,000 (the "Credit Facility") upon the terms and conditions set out in a term sheet appended to the Commitment Letter. Subject to the terms and conditions of the Commitment Letter, each of the Co-Lead Arrangers has committed US$25,000,000 to the Credit Facility. Such terms and conditions include a successful syndication of at least US$25,000,000 in additional commitments from one or more other financial institutions. The Credit Facility may be increased to US$100,000,000 upon meeting certain performance conditions. The term of the Credit Facility is three years, with a reduction to US$50,000,000 after two years. The Credit Facility contains representations and warranties, conditions precedent, covenants, and events of default typical for a facility of this type. Interest rate margins are tied to a grid based on LIBOR that varies with the leverage ratio of the Business.

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Mineração Riacho dos Machados Ltda.

Condensed Interim Financial Statements
For the six-month period ended
June 30, 2016

Mineração Riacho dos Machados Ltda.

Condensed Interim Balance Sheet
All amounts in United States Dollars

	Note	June 30, 2016	December 31, 2015
		(Unaudited)	
Assets			
Current assets			
Cash and cash equivalents	6	362,260	72,335
Financial investments	7	1,841,935	344,107
Trade accounts receivable	8	5,383,690	2,926,768
Inventories	9	7,927,457	7,073,018
Receivables from related party	24		189,757
Other current assets		774,809	721,161
		16,290,151	11,327,146
Non-current assets			
Long-term receivables			
Inventories	9	7,029,500	35,785,713
Recoverable taxes	10	1,472,589	4,931,673
		8,502,089	40,717,386
Property, plant and equipment	11	35,351,451	7,019,654
Intangible assets	11	15,033,780	527,358
		58,887,320	48,264,398
Total assets		75,177,471	59,591,544

	Note	June 30, 2016	December 31, 2015
		(Unaudited)	
Liabilities and net capital deficiency			
Current liabilities			
Trade accounts payable	13	7,173,775	5,666,144
Project Loan Facility	24	281,916,984	271,114,216
Payables from Gold Stream transaction	24	27,549,600	27,549,600
Other current liabilities	13	2,740,161	2,071,484
		319,380,520	306,401,444
Non-current liabilities			
Provisions	14	428,607	1,368,797
Related party loans	24	2,519,426	4,301,738
Rehabilitation provisions	19	5,787,634	5,656,025
Advance for future capital increase		42,711	42,711
		8,778,378	11,369,271
Total liabilities		328,158,898	317,770,715
Net capital deficiency			
Capital	21	82,543,359	79,443,359
Accumulated deficit		(335,524,786)	(337,622,530)
Net capital deficiency		(252,981,427)	(258,179,171)
Total liabilities and net capital deficiency		75,177,471	59,591,544

The accompanying notes are an integral part of these condensed interim financial statements.

Mineração Riacho dos Machados Ltda.

Condensed Interim Statement of Operations
All amounts in United States Dollars

	Note	Three-month periods ended June 30,		Six- month periods ended June 30,	
		2016	**2015**	**2016**	**2015**
		(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Revenue		19,926,655	14,584,693	35,261,899	36,775,444
Cost of sales		(16,594,534)	(8,531,204)	(23,265,365)	(20,858,645)
Operational expenses					
General and administrative expenses		(1,775,099)	(3,471,657)	(4,866,911)	(6,272,569)
Impairment reversal	12	42,511,139		42,511,139	
Other operational expenses	15	(37,526,524)		(37,526,524)	
Financial expenses					
Realized gain (loss) on derivative financial instruments, net			1,485,658		3,315,538
Unrealized gain (loss) on derivative financial instruments, net			11,833,768		(8,237,418)
Financial income (expenses), net	16	(9,666,641)	(9,979,482)	(10,016,494)	(16,683,082)
Profit (loss) for the period		(3,125,004)	5,921,776	2,097,744	(11,960,732)

The accompanying notes are an integral part of these condensed interim financial statements.

Mineração Riacho dos Machados Ltda.

Condensed Interim Statement of Changes in Net Capital Deficiency
All amounts in United States Dollars

	Capital	Accumulated deficit	Net capital deficiency
At December 31, 2014	79,443,359	(269,113,122)	(189,669,763)
Loss for the period		(11,960,732)	(11,960,732)
At June 30, 2015 (Unaudited)	79,443,359	(281,073,854)	(201,630,495)
Loss for the period		(56,548,676)	(56,548,676)
At December 31, 2015	79,443,359	(337,622,530)	(258,179,171)
Capital increase	3,100,000		3,100,000
Profit for the period		2,097,744	2,097,744
At June 30, 2016 (Unaudited)	82,543,359	(335,524,786)	(252,981,427)

The accompanying notes are an integral part of these condensed interim financial statements.

Mineração Riacho dos Machados Ltda.

Condensed Interim Statement of Cash Flows
All amounts In United States Dollars

	Six-month periods ended June 30,	
	2016	**2015**
	(Unaudited)	**(Unaudited)**
Cash flows from operating activities		
Profit (loss) for the period	2,097,744	(11,960,732)
Adjustments for:		
Depreciation and amortization	2,887,135	2,074,594
Unrealized foreign exchange (gain) losses, net	713,380	(491,498)
Impairment charge (reversal), net	(42,511,139)	
Loss on disposals of property, plant and equipment	157,884	171,406
Provision for loss of stockpile inventory	31,816,961	
Contingency provision	(940,190)	(209,625)
Asset retirement obligation	131,610	131,610
Provision for loss of recoverable taxes	5,709,563	
Loss on derivative contracts		8,237,418
Changes in assets and liabilities		
Trade accounts receivable	(2,459,375)	(1,243,117)
Inventories	(3,915,187)	(9,864,687)
Recoverable taxes	(3,375,508)	(139,276)
Receivables from related party	189,757	
Other assets	(961,417)	291,290
Trade accounts payables and other liabilities	3,338,439	(7,341,221)
Deferred revenues		(785,040)
Cash used in operating activities	(7,120,343)	(21,128,878)
Cash flows from investing activities		
Financial investments	(1,497,828)	17
Acquisitions of property, plant and equipment and intangibles	(1,952,695)	(4,132,092)
Acquisitions of software licenses		(21,503)
Costs of exploration and mine development assets	(1,419,404)	(1,404,831)
Cash used in investing activities	(4,869,927)	(5,558,409)
Cash flows from financing activities		
Capital increase	3,100,000	
Proceeds from Project Loan Facility (net of costs)	10,802,768	31,170,634
Related party loan increase	1,100,000	
Related party loan payment	(2,882,312)	(4,554,523)
Cash provided by financing activities	12,120,456	26,616,111
Effect of exchange rate changes on cash and cash equivalents	159,739	374,540
Net increase in cash and cash equivalents	289,925	303,364
Cash and cash equivalents at beginning of period	72,335	98,501
Cash and cash equivalents at end of period	362,260	401,865

The accompanying notes are an integral part of these condensed interim financial statements.

1 Nature of operations and going concern

Mineração Riacho dos Machados Ltda. ("Company" or "MRDM") is a production and exploration and development Company focused primarily on gold production of the Riacho dos Machados gold project (the "RDM Project"). The Company is domiciled in Brazil, located in the north of the Minas Gerais State, and has 17 exploration licenses and a mining concession covering an area of approximately 28,000 hectares.

On February 17, 2016, Brio Gold Inc. ("Brio"), a wholly-owned subsidiary of Yamana Gold Inc. ("Yamana"), entered into an Assignment and Assumption Agreement and a Restructuring Agreement pursuant to which it would ultimately acquire all right, title and interests in Mineração Riacho dos Machados Ltda ("MRDM"), a wholly-owned subsidiary of Carpathian Gold Inc. ("Carpathian"), from Macquarie Bank Limited, holder of rights and interests in loan facility extended to MRDM, and Carpathian.

On April 29, 2016, Yamana Gold Inc., through its Brio Gold Division, concluded the aforementioned acquisition of MRDM. In Brazil, the finalization of the acquisition was confirmed on May 2, 2016.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of the Company for the foreseeable future. As at June 30, 2016, the Company reported an accumulated deficit of $335,524,786 and an excess of current liabilities over current assets of $303,090,369.

The Company's cash flows, as well as its profitability, are affected by several factors, such as production output, its ability to extract minerals from rocks, gold content actually extracted, environmental and mine reclamation costs, gold prices, interest rates, and foreign exchange fluctuations. Even though the Company seeks to constantly manage the risks related to these factors, many of them are volatile and driven by market conditions; therefore, the Company's operations are exposed to these uncertainties. Furthermore, the RDM Project is situated in a semi-arid region of Brazil and is heavily dependent on the annual rainy season for its supply of water. However, the amount of rain during the most recent season has, like in many other parts of Brazil, fallen considerably short of annual averages.

The Company had $362,260 in cash and cash equivalents at June 30, 2016. These available funds resources are not sufficient to fund the completion of the working capital requirements of the RDM Project or administration costs. The Company will need to secure significant additional financing in the immediate term in order to meet its requirements for the funding of construction operations and Project Loan Facility (previously with Macquarie Bank) repayments on an ongoing basis. Nevertheless, there is no assurance that the Company's initiatives in this respect will be successful or sufficient. These circumstances lead to significant doubts as to the ability of the Company to meet its obligations as they become due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

These condensed interim financial statements were approved by MRDM management on October 13, 2016.

2 Basis of presentation

These condensed interim financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB). Results for the interim periods are necessarily indicative of results to be expected for the full year.

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below.

With respect to the depreciation and amortization amounts disclosed in the statements of operations the Company adjusted the comparative figures related to three and six-month periods ended on June 30, 2015 and to the three-month period ended on June 30, 2016 since the booking in the accounting records was performed on December 31, 2015 and on June 30, 2016. Hence, figures disclosed on this set of financial statements and which correspond the periods mentioned above differ from local books due to period on which those figures were booked.

(a) Revenue recognition

Revenue from the sale of gold is recognized at the fair value of the consideration received and when all significant risks and rewards of ownership pass to the purchaser including delivery of the product, there is a fixed or determinable selling price and collectability is reasonably assured.

Gold revenue is recorded at the time of physical delivery and transfer of title. Sale prices are fixed at the delivery date based on the terms of the contract between MRDM with Brio, which carries a 2.85% discount to market price. Additionally, certain deliveries subsequent to the acquisition by Brio may occur to satisfy the streaming arrangement that MRDM had for 12.5% of production with Macquarie Bank, an arrangement that was acquired by Brio as part of the acquisition transaction (Note 24).

(b) Inventories

Inventories consisting of product inventories, work-in-process (metal-in-circuit and gold-in-process) and ore stockpiles are valued at the lower of the cost of production and net realizable value. Net realizable value is calculated as the difference between estimated costs to complete production into a saleable form and the estimated future precious metal price based on prevailing and long-term metal prices.

The cost of production includes an appropriate proportion of depreciation and overhead. Work-in-process (metal-in-circuit and gold-in-process) represents inventories that are currently in the process of being converted to a saleable product. The assumptions used in the valuation of work-in-process inventories include estimates of metal contained and recoverable in the ore stacked on leach pads, the amount of metal stacked in the mill circuits that is expected to be recovered from the leach pads, the amount of gold in these mill circuits and an assumption of the precious metal price expected to be realized when the precious metal is recovered. If the cost of inventories is not recoverable due to decline in selling prices or increases in the costs of completion or the estimated costs to be incurred to make the sale, the Company would be required to write-down the recorded value of its work-in-process inventories to net realizable value.

Ore in stockpiles is comprised of ore extracted from the mine and available for further processing. Costs are added to ore in stockpiles at the current mining cost per tonne and removed at the accumulated average cost per tonne. Costs are added to ore on the heap leach pads based on current mining costs and removed from the heap leach pad as ounces are recovered in process at the plant based on the average cost per recoverable ounce on the heap leach pad. Although the quantities of recoverable gold placed on the heap leach pads are reconciled by comparing the grades of ore placed on the heap leach pads to the quantities of gold actually recovered, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As such, engineering estimates are refined based on actual results over time. Variances between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis. The ultimate recovery of gold from each heap leach pad will not be known until the leaching process is concluded.

Inventories of materials and supplies expected to be used in production are valued at the lower of cost and net realizable value. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of write-down is reversed. Write-downs of inventory and reversals of write-downs are reported as a component of current period costs.

(c) Impairment of non-current assets

The Company assesses at the end of each reporting period whether there is any indication, from external and internal sources of information that an asset may be impaired or a reversal of impairment must occur.

Information the Company considers as impairment indicators include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral properties. Internal sources of information include the manner in which property and plant and equipment are being used or are expected to be used and indications of economic performance of the assets, historical exploration and operating results. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties.

If indication of impairment or impairment reversal exists, the Company estimates the recoverable amount of the asset to determine the amount of impairment loss or reversal. When an impairment review is undertaken, recoverable amount is assessed by reference to the higher of 1) value in use and 2) fair value less costs of disposal ("FVLCD"). The best evidence of FVLCD is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCD is based on the best information available to reflect the amount the Company could receive for the asset in an arm's length transaction. This is often estimated using discounted cash flow techniques. Where recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans and assumptions a market participant may take into account. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of IAS 36. Assumptions underlying recoverable amount estimates are subject to significant risks and uncertainties. Where third-party pricing services are used, the valuation techniques and assumptions used by the pricing services are reviewed by the Company to ensure compliance with the accounting policies and internal control over financial reporting of the Company. Impairments of mineral properties are allocated to depletable and non-depletable assets on a proportional basis. The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount and considers the reversal of the impairment loss recognized in prior periods up to the carrying amount of the asset (net of amortization or depreciation) as if no impairment been recognized in the past.

The Company tests at least on an annual basis or upon the occurrence of a triggering event or circumstance that indicates impairment or a reversal of impairment.

4 New standards and interpretations to existing standards that are not yet effective

The following new standards were issued by IASB but are not effective as of June 30, 2016.

IFRS 9 Financial Instruments - The standard is effective for annual reporting periods beginning January 1, 2018. The Company is assessing the potential impacts of this Standard on its financial statements.

IFRS 15 Revenue from Contracts with Customers - The final standard on revenue from contracts with customers was issued on May 28, 2014, effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted. The Company is assessing the potential impacts of this Standard on its financial statements.

IFRS 16 Leases - The standard is effective for annual reporting periods beginning January 1, 2019. Early application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. The Company is assessing the potential impacts of this Standard on its financial statements.

All amounts in United States dollars, unless otherwise indicated

5 Critical accounting estimates and judgments

In preparing these condensed interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were mainly the same as those that applied to the financial statements for the year ended December 31, 2015.

Additionally to the critical accounting estimates, management understand that significant judgment is required in determining the provision for certain indirect taxes (ICMS -VAT).

There are many transactions and regulations for which the recoverability of such taxes are uncertain. The Company also recognizes provision for loss related to this credit and review its assessment of taxes recoverability at each reporting date.

Please refer to Notes 9, 10 and 12 for a thorough review of stockpile inventory, recoverable taxes and impairment of non-current assets.

6 Cash and cash equivalents

	June 30, 2016 (Unaudited)	**December 31, 2015**
Cash	2,748	2,002
Cash equivalents (a)	359,512	70,333
	362,260	72,335

(a) Investment Fund that can be redeemed at any time without constraints, which carries a floating interest rate of 40% of SELIC Basic Brazilian Central Bank interest rate (2015 – 54.98% of CDI).

7 Financial investments

At June 30, 2016 the financial investments totaled $1,841,935 (December 31, 2015 - $344,107), representing currency held in US$ which will be available to fund the operations of MRDM once it is converted to Brazilian Reais through the execution of an exchange contract.

8 Trade accounts receivable

The trade accounts receivable balance refers to amounts maintained by intercompany transactions, with due date of 30 days. At June 30, 2016, there were no past due trade accounts receivable.

All amounts in United States dollars, unless otherwise indicated

9 Inventories

	June 30, 2016 (Unaudited)	December 31, 2015
Finished products	833,707	2,523,093
Work-in-process	2,609,681	35,785,713
Stockpiles (i)	39,752,659	1,042,930
Materials and supplies	3,577,871	3,506,995
Loss provision - stockpiles	(31,816,961)	
	14,956,957	42,858,731
Current	7,927,457	7,073,018
Non-current	7,029,500	35,785,713

(i) Upon acquisition of MRDM, Brio management determined that the stockpile inventory on hand during acquisition would be processed at the end of the life of the mine, allowing the plant to process higher grade mined ore. Under these circumstances, and based on the expected life of mine, forward gold prices in effect as of the expected dates of processing, and estimated costs to process, complete and sell the stockpile, the Company reduced the carrying value of the stockpile by $31,816,961 (Note 15).

The amount of inventories recognized as an expense for the three and six month periods ended June 30, 2016 was $16,594,534 and $23,265,365 (2015 - $9,760,404 and $21,238,302) and is included in cost of sales.

10 Recoverable taxes

	June 30, 2016 (Unaudited)	December 31, 2015
PIS	142,177	116,872
COFINS	658,777	541,524
ICMS	7,593,721	4,622,871
Loss provision – ICMS (i)	(6,922,086)	(349,594)
	1,472,589	4,931,673

(i) The Company reviewed its assessment of the ICMS recoverability and recognized additional loss provision in the amount of $6,572,492.

The Company reviews its assessment of tax recoverability at each reporting date.

All amounts in United States dollars, unless otherwise indicated

11 Property, plant, equipment and intangible assets

Cost

	Land	Plant and other constructions	Buildings	Leasehold improvements	Office equipment	Computer equipment	Vehicles	Machinery and equipment	Total PP&E	Software	Exploration evaluation and mine development assets	Total Intangible	Total
Balance at December 31, 2014	388,401	19,798,680	67,853	129,682	747,541	512,113	502,066	18,959,123	41,105,459	759,531	1,731,094	2,490,625	43,596,084
Additions		5,920,039				1,101		2,503	5,923,643	21,503	1,412,918	1,434,421	7,358,064
Advances to suppliers		106,045							106,045				106,045
Disposals							(158,568)	(12,839)	(171,407)				(171,407)
Reclassification		(294,407)			12,307	37,090		241,121	(3,889)	3,889		3,889	
Impairment	(300,243)	(15,835,931)	(34,465)	(35,284)	(387,910)	(163,910)	(81,877)	(7,067,371)	(23,906,991)		(1,361,172)	(1,361,172)	(25,268,163)
Balance at December 31, 2015	88,158	9,694,426	33,388	94,398	371,938	386,394	261,621	12,122,537	23,052,860	784,923	1,782,840	2,567,763	25,620,623
Additions		2,041,864							2,041,864		1,419,404	1,419,404	3,461,268
Advances to suppliers		(89,169)							(89,169)				(89,169)
Disposals					(12,951)			(1,051,399)	(1,064,350)				(1,064,350)
Reclassification	(236,473)	(28,703,387)	5,699,236	(24,713)	(301,268)	(120,343)	(64,487)	18,949,590	(4,801,845)		4,801,845	4,801,845	
Impairment reversal	300,243	23,282,452	34,465	35,284	387,910	163,910	81,877	7,067,371	31,353,512		11,157,627	11,157,627	42,511,139
Balance at June 30, 2016	151,928	6,226,186	5,767,089	104,969	445,629	429,961	279,011	37,088,099	50,492,872	784,923	19,161,716	19,946,639	70,439,511

All amounts in United States dollars, unless otherwise indicated

Accumulated depreciation/amortization

	Land	Plant and other constructions	Buildings	Leasehold improvements	Office equipment	Computer equipment	Vehicles	Machinery and equipment	Total PP&E	Software	Exploration, evaluation and mine development assets	Total Intangible	Total
Balance at December 31, 2014		(3,850,669)	(22,097)	(71,271)	(220,382)	(304,129)	(353,565)	(8,326,946)	(13,149,059)	(187,674)	(1,614,068)	(1,801,742)	(14,950,801)
Depreciation/amortization		(1,193,936)	(1,171)	(12,767)	(37,657)	(34,138)	(37,850)	(1,725,491)	(3,043,010)	(88,643)	(150,020)	(238,663)	(3,281,673)
Disposals							153,835	5,028	158,863				158,863
Balance at December 31, 2015		(5,044,605)	(23,268)	(84,038)	(258,039)	(338,267)	(237,580)	(10,047,409)	(16,033,206)	(276,317)	(1,764,088)	(2,040,405)	(18,073,611)
Depreciation/amortization			(128,480)	(5,681)	(19,008)	(15,733)	(11,447)	(1,321,122)	(1,501,471)	(41,706)	(1,343,959)	(1,385,665)	(2,887,136)
Reclassification		708,593	68,973					709,223	1,486,789		(1,486,789)	(1,486,789)	
Disposals					8,397			898,070	906,467				906,467
Balance at June 30, 2016 (Unaudited)		(4,336,012)	(82,775)	(89,719)	(268,650)	(354,000)	(249,027)	(9,761,238)	(15,141,421)	(318,023)	(4,594,836)	(4,912,859)	(20,054,280)

Net book value

	Land	Plant and other constructions	Buildings	Leasehold improvements	Office equipment	Computer equipment	Vehicles	Machinery and equipment	Total PP&E	Software	Exploration, evaluation and mine development assets	Total Intangible	Total
Balance at December 31, 2015	88,158	4,649,821	10,120	10,360	113,899	48,127	24,041	2,075,128	7,019,654	508,606	18,752	527,358	7,547,012
Balance at June 30, 2016 (Unaudited)	151,928	1,890,174	5,684,314	15,250	176,979	75,961	29,984	27,326,861	35,351,451	466,900	14,566,880	15,033,780	50,385,231

All amounts in United States dollars, unless otherwise indicated

12 Impairments

In accordance with the Company's accounting policies and processes, each asset is assessed at the end of each reporting period as to whether there are any indications, from external and internal sources of information that an asset may be impaired, requiring an adjustment to the carrying value.

During the period ended June 30, 2016, the Company recorded an impairment charges reversal on non-current assets totaling $42,511,139 (split between $11,157,627 for Intangibles and $31,353,512 for PPE) as follows:

Continuity of MRDM PP&E and intangible assets	**Total impairment**
PP&E – Net book value (NBV) as at June 30, 2016	155,493,215
Total impairment booked as at June 30, 2016 before impairment reversal	(147,619,123)
Impairment reversal	42,511,139
Discounted Cash Flows of MRDM and Net book value of Total PP&E and intangible assets as at June 30, 2016	50,385,231

During the second quarter, upon the acquisition of the Company by Brio, the Company obtained revised models based on updated life of mine after-tax cash flow projections which were revised for updated management assumptions due to greater availability of capital for the Company, updated estimates of future metal prices, production based on current estimates of recoverable mineral reserves and mineral resources, recent operating and exploration results, exploration potential, future operating costs, capital expenditures and long-term foreign exchange rates.

Consistent with its policy, at the end of each reporting period, the Company assesses whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount and considers the reversal of the impairment loss recognized in prior periods up to the carrying amount of the asset (net of amortization or depreciation) as if no impairment been recognized in the past. As at June 30, 2016, the Company has determined that there are indications that an impairment loss recognized in prior periods should be reversed in part as discussed.

The Company continues to consider, on a regular basis, whether other indicators exist that suggest that the carrying values of its assets are impaired or an impairment reversal is necessary for accounting purposes.

Impairment Testing - Key Assumptions and Sensitivities

The determination of FVLCD, with Level 3 input of the fair value hierarchy, includes the following key applicable assumptions:

- *Production volumes:* In calculating the FVLCD, the production volumes incorporated into the cash flow models based on detailed life-of-mine plans and take into account development plans for the mines agreed by management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted. As each producing mine has specific reserve characteristics and economic circumstances, the cash flows of the mines are computed using appropriate individual economic models and key assumptions established by management. The production profiles used were consistent with the reserves and resource volumes approved as part of the Company's process for the estimation of proved and probable reserves, resource estimates and in certain circumstances, include expansion projects. These are then assessed to ensure they are consistent with what a market participant would estimate.

- *Commodity prices:* Forecast commodity prices are based on management's estimates and are derived from forward price curves and long-term views of global supply and demand, building on past experience of the industry and consistent with external sources. Average long-term gold prices of $1,400 per ounce, have been used to estimate future revenues.

- *Discount rates:* In calculating the FVLCD, real post-tax discount rates of 16.20%.

- *Exchange rates:* Foreign exchange rates are estimated with reference to external market forecasts and based on observable market data including spot and forward values.

Sensitivity Analysis

The Company has performed a sensitivity analysis to identify the impact of changes in long-term metal prices and operating costs which are key assumptions that impact the impairment calculations. The Company assumed a 10% change in the metal price assumptions and a 10% change in certain cost inputs while holding all other assumptions constant. Based on the results of the impairment reversal testing performed during the quarter, the sensitivity to changes in these key assumptions appears below. Generally there is a direct correlation between metal prices and industry cost levels as a significant decline in metal prices will often be mitigated by a corresponding decline in industry operating input cost levels. The Company believes that adverse changes in metal price assumptions would impact certain other inputs in the life of mine plans which may offset, to a certain extent, the impact of these adverse metal price changes.

All amounts in United States dollars, unless otherwise indicated

The following table presents the impact of 10% increase or decrease in key assumptions and discount rate on discounted cash flow model of MRDM:

	10% increase	10% decrease
Metal prices	29,300,000	(29,300,000)
Operating costs	(22,800,000)	22,800,000
Discount rate	(2,570,000)	2,570,000

The model used to determine impairment is based on management's best assumptions using material and practicable data which may generate results that are not necessarily indicative of future performance. In addition, in deriving this analysis, the Company has made assumptions based on the structure and relationships of variables as at the balance sheet date which may differ due to fluctuations throughout future years with all other variables assumed to remain constant. Actual changes in one variable may contribute to changes in another variable, which may amplify or offset the individual effect of each assumption.

Although these estimates are based on management's best knowledge of the amounts, events or actions, the actual results may differ from these estimates.

13 Trade accounts payable and other payables

	June 30, 2016 (Unaudited)	December 31, 2015
Trade accounts payables	7,173,775	5,666,144
Other current liabilities	2,740,161	2,071,484
	9,913,936	7,737,628

In the total of trade accounts payable and other payables presented above, $1,243,668 (2015 - $1,093,042) relates to capital expenditure for property, plant and equipment, mine development and exploration and evaluation assets.

14 Provisions

The Company is party to labor litigations which provisions for probable losses arising from these matters are estimated and periodically adjusted by management, supported by the opinion of its external legal advisors. Labor and social security contingencies correspond to $428,607 at June 30, 2016 (December 31, 2015 - $1,368,797) and consist mainly of employees' claims linked to disputes about the amount of indemnities paid on dismissals due to the Company’ s recent restructuring.

All amounts in United States dollars, unless otherwise indicated

	Labor
At January 1, 2015	728,483
Included in the statement of income	
Additions	1,798,861
Unused amounts reversed	(504,011)
Used during year	(11,106)
Exchange differences	(643,430)
At December 31, 2015	1,368,797
Included in the statement of income	
Unused amounts reversed	(643,812)
Exchange differences	(296,378)
At June 30, 2016 (Unaudited)	428,607

(a) Possible losses, not provided for in the balance sheet

The Company has $40,450 (December 31, 2015 - $148,712) of civil and $987,144 (December 31, 2015 - $1,054,433) of labor litigation involving risks of loss classified by management as possible, based on the evaluation of the legal advisors, for which no provision for estimated possible losses was recognized.

It is not anticipated that any material losses will arise from the contingent liabilities, other than those provided for.

15 Other operational expenses

	Three and six-month periods ended June 30, 2016 (Unaudited)
Inventory loss provision	31,816,961
ICMS provision	5,709,563
	37,526,524

All amounts in United States dollars, unless otherwise indicated

16 Financial income (expenses), net

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2016 (Unaudited)	**2015 (Unaudited)**	**2016 (Unaudited)**	**2015 (Unaudited)**
Foreign exchange gain	105,728,836	78,385,513	185,318,895	173,820,937
Foreign exchange loss	(106,577,844)	(78,586,389)	(186,119,024)	(173,585,417)
Interest income	3,567	2,039	7,710	2,765
Interest expense	(8,341,383)	(8,746,603)	(8,484,527)	(16,028,258)
Finance expense	(479,817)	(1,034,042)	(739,546)	(893,109)
	(9,666,641)	(9,979,482)	(10,016,494)	(16,683,082)

17 Capital disclosures

The Company manages its capital structure, defined cash and cash equivalents, financial investments, share capital to ensure that sufficient funds are available to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the Company. The Company has cash and cash equivalents held with large Brazilian banks.

The Company's properties are in the production, exploration or development stage and, as such, the Company is dependent on external financing to fund its activities.

The Company's capital items comprise the following:

	June 30, 2016 (Unaudited)	**December 31, 2015**
Cash and cash equivalents	362,260	72,335
Financial investments	1,841,935	344,107
Project Loan facility(i)	281,916,984	271,114,216
Intercompany loans	2,519,426	
Capital	82,543,359	79,443,359
	369,183,964	350,974,017

(i) As part of the Assignment and Assumption Agreement between Brio and Carpathian, the project loan facility was transferred to Brio as a related party loan payable (Note 24).

All amounts in United States dollars, unless otherwise indicated

18 Financial instruments and fair values

Measurement categories

According to the Company's accounting policy, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, changes in fair value are recognized in the statement of operations. The following table shows the carrying amounts and fair values of assets and liabilities for each of the categories at June 30, 2016 and December 31, 2015.

	June 30, 2016 (Unaudited)		December 31, 2015	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Loans and receivables				
Cash and cash equivalents[1]	362,260	362,260	72,335	72,335
Financial investments[1]	1,841,935	1,841,935	344,107	344,107
Trade accounts receivable[1]	5,383,690	5,383,690	2,926,768	2,926,768
Receivable form related party[1]			189,757	189,757
Financial liabilities				
Other liabilities				
Trade and other payables[1]	7,173,775	7,173,775	5,666,144	5,666,144
Project Loan Facility[2]	281,916,984	281,916,984	271,114,216	271,114,216
Related party loans[2]	2,519,426	2,519,426	4,301,738	4,301,738

1 Fair value approximates the carrying amount due to the short-term nature.
2 Fair value represents the aggregate of face value of the loan facility and accrued interest.

Assets measured at fair value on non-recurring basis

Assets	**Significant unobservable inputs (Level 3)**
Property, plant and equipment [1]	35,351,451
Exploration and evaluation assets [2]	15,033,780

[1] Property, plant equipment had impairment reversed by $31,353,512, which was included in gain in 2016, to their fair value of $35,351,451 (2015 - $7,019,654).

[2] Exploration and evaluation and mining development assets had impairment reversed by $11,157,627, which was included in gain in 2016, to their fair value less costs of disposal of $14,566,880 (2015 - $18,752).

All amounts in United States dollars, unless otherwise indicated

Fair value hierarchy

The fair value hierarchy establishes three levels to classify inputs in respect of valuation techniques utilized to measure fair value. Level 1 inputs comprise quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs comprise other than quoted prices assets or liabilities in active markets that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices). Level 3 inputs for the asset or liability comprise inputs that are not based on observable market data (that is, unobservable inputs). The fair value of property, plant and equipment, exploration and evaluation and mine development assets are determined primarily using an income approach based on unobservable cash flows and market multiples, where applicable, and as a result is classified within Level 3 of the fair value hierarchy.

Valuation techniques

The fair value of derivative instruments was determined using either present value techniques or option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs.

19 Rehabilitation provisions

The Company's asset retirement obligation (rehabilitation provision) arises from its obligations to undertake site reclamation and remediation in connection with its mining activities. The following table summarizes the movements in the provisions:

	June 30, 2016 (Unaudited)	December 31, 2015
Balance at January 1, 2015	5,656,025	5,787,969
Provision update	131,609	(131,944)
Balance at June 30, 2016	5,787,634	5,656,025

As at June 30, 2016, the Company estimated the total undiscounted amount of the estimated cash flows required to settle the decommissioning and other rehabilitation obligations to be approximately $8,200,000, with the most significant expected outflows commencing in approximately 8 years. As at June 30, 2016 the total rehabilitation provision has been discounted using a discount rate of 5.68%.

20 Income taxes

Deferred tax assets and liabilities were offset in 2014 as where they related to income taxes levied by the same taxation authority and the Company had a legal right and intent to offset.

In view of the cumulative losses in recent years and taking into consideration the expectations for the foreseeable future, management has not recorded deferred income tax and social contribution asset in the amount of $109,446,425 (December 31, 2015 - $44,530,820) on tax losses and on temporary differences due to the uncertainty of their realization.

All amounts in United States dollars, unless otherwise indicated

21 Capital

As of June 30, 2016 and December 31, 2015, the capital was as follows:

	June, 30 2016 (Unaudited)	December 31, 2015
	Number of quotas	**Number of quotas**
OLC Holding B.V.	169,869,811	158,993,211
OLV Cooperative U.A.	1	1
	169,869,812	158,993,212
	Capital	**Capital**
OLC Holding B.V.	82,543,359	79,443,359
OLV Cooperative U.A.		
	82,543,359	79,443,359

In May 19, 2016, May 17, 2016 and June 10, 2016, it was approved in the shareholder's general meeting, capital increase of $1,100,000, $1,000,000 and $1,000,000, respectively, paid by cash.

22 Financial risk factors

The Company's financial instruments are comprised of financial liabilities and financial assets. Financial liabilities include trade accounts payable and payables from the Gold Stream transaction. The Company's main financial assets are cash and cash equivalents and financial investments. The main risks that could adversely affect MRDM's financial assets, liabilities or future cash flows are as follows:

(a) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, financial investments and restricted deposits. Cash and cash equivalents consist of deposit accounts held at various Brazilian banks, in respect of which management believes the risk of loss to be remote.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at June 30, 2016, the Company faced liquidity risk to the extent that it will be unable to settle current liabilities of $319,380,521 with cash and cash equivalents and financial investments. Current liabilities consist of trade accounts payable, Project Loan Facility, payables from Gold Stream transaction and other current liabilities. Commitments, consisting of construction contracts and supply contracts for fuel and other materials, are disclosed in Note 23.
In order to manage this risk, management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows and expenditures.

(c) Market risk

Market risk is the risk that changes in market factors, such as interest rates, foreign exchange rates or commodity prices, will affect the value of the Company's financial instruments.

(i) Interest rate risk

The Company's short term investments comprise floating interest rate investment fund at a Brazilian bank. The Company regularly monitors its investments and is satisfied with the credit ratings of the banks are satisfactory. The Company is also exposed to interest rate risk with regard to the Project Loan Facility.

(ii) Foreign currency risk

The Company's functional currency is the U.S. dollar and it is affected by currency transaction and translation risk. The Company's liabilities incurred in Brazil are primarily payable in Brazilian Reais. Fluctuations in the U.S. dollar currency against other currencies directly affect the cost of certain assets and liabilities and operating expenditures. Management closely monitors variations in the exchange rates of the currencies in which it transacts business.

(iii) Commodity price risk

The Company is exposed to price risk with respect to commodity pricing, primarily for gold. The Company had previously entered into a gold price protection contracts to mitigate a portion of the downside risk of changes in the market price of gold which were settled during 2015. The Company has not entered into any other gold protection contract subsequent to the settlement.

23 Commitments

As at June 30, 2016, the Company had finalized and signed contracts for the construction and development and operating activities in Brazil as follows:

	Within 1 year	2 years	3 years	4 years	5 Years	Years thereafter	Total
Totals Fixed and Semi-Fixed	18,424,933	12,417,724	5,535,741	5,352,358	5,352,358	4,014,269	51,097,383

In addition, the Company has signed agreements for services and supplies to be used during the operations of the RDM Project, including for the supply of diesel fuel.

24 Balances and transactions with related parties

On February 17, 2016, Brio, entered into an Assignment and Assumption Agreement and a Restructuring Agreement pursuant to which it would ultimately acquire all right, title and interests in MRDM, a wholly-owned subsidiary of Carpathian Gold Inc. ("Carpathian"), from Macquarie Bank Limited ("Macquarie Bank"), holder of rights and interests in loan facility extended to MRDM, and Carpathian. Brio assumed all the rights and interest in the previous loan facility extended to MRDM. The loan facility is a mixture of interest bearing loans with interest rates of LIBOR plus 4.5% to 9.5%, and a 12.5% gold streaming arrangement that is deemed to be a financial loan based on the specific terms of the arrangement and the fact that the risks and returns are aligned with market interest and credit instead of the extraction of mineral reserves.

Sales Arrangements with Yamana Gold Inc.

The Company sells all its production to Yamana Price per ounce is determined by applying a 2.85% discount on the London Bullion Market Association (LBMA) gold price at the transaction date. The discount is recorded as an offset to revenue. Under the agreement, Yamana is subjected to a penalty calculated at a 3 months LIBOR + 2% of the total payment amount if the funds are not paid within 30 days of the date of bill of sale.

Project Loan facility

In accordance to the Assignment and Assumption Agreement, Brio has assumed 100% of the outstanding balance from the Project Loan Facility.

On January 11, 2013, MRDM entered into a Project Loan Facility (the "Facility") with Macquarie Bank of up to $90 million to fund the construction and development of the RDM Mine. In conjunction with this Facility, MRDM, through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the RDM Project's Capex (R$1.90 to $1.00) and Opex (R$1.983 to $1.00) as well as a gold price protection program (consisting of forward sales) for a total of 216,600 ounces of gold (approximately 26% of the open-pit reserves) at varying prices from $1,177 to $1,600 per ounce.

On September 22, 2015, all price protection and gold price protection programs had been settled. During 2013, MRDM drew the entire $90 million against the Facility. The Facility had been amended a number of times to provide for the increase of the aggregate amount available thereunder to up to $274 million and to provide forbearance against certain defaults and covenants of MRDM under the Facility.

As of March 31, 2016, an aggregate of approximately $273 million had been drawn down by MRDM under the amended Facility.

On March 31, 2016, Macquarie Bank assigned all of its rights, title and interest under the Facility to Brio Finance Holdings B.V. ("Brio"), a subsidiary of Yamana Gold Inc., and the most recent forbearance period expired on April 1, 2016.

On April 29, 2016, the Company announced that Brio had also acquired all of the Company's interest in MRDM in accordance with an amended and restated restructuring agreement.

On April 29, 2016, the Ontario Superior Court of Justice (Commercial List) issued an order approving, among other things, a credit bid transaction, which was initiated by Brio with the cooperation of the Company, and the sale to Brio of all of the Company's direct and indirect equity interests in MRDM. Brio has delivered to the Company and the directors of the Company and certain of its subsidiaries a full release and discharge with respect to any liability under (i) the project loan facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie Bank and the Company, MRDM and certain other subsidiaries of the Company, and (ii) Macquarie's security in respect of the foregoing agreements previously acquired by Brio from Macquarie, including the Company's guarantee thereof.

Furthermore, Brio entered into a subscription agreement with the Company whereby Brio agreed to purchase 70,194,444 common shares (the "Shares") in the capital stock of the Company at a price of CAD$0.018 per Share for aggregate gross proceeds of $1,000,000 (CAD$1,263,500) on a private placement basis.

As part of the transaction closing, $344,107 held in trust and shown as restricted cash at December 31, 2015 was returned to Macquarie Bank.

Other Related Party Transactions

Related party payables/receivables and related party expenses/income relate to the purchase and sale of precious metal through related parties agreements and transfers under finance arrangements, are unsecured and are due on demand. Related party loans, in the amount of $ 2,519,429, aim to provide liquidity to the operations of the Company.

25 Subsequent events

As of June 30, 2016, the Company obtained all necessary permits to build the water dam. The construction of the water dam will begin when approved by management, which was obtained subsequent to quarter end. The Company continues to work on obtaining a license to divert water from a nearby creek, which would also increase the availability of the input for production. Upon the completion of the water damn and/or water diversion, MRDM would be able to resume production without interruption and be able to produce year round, without weather related interruptions.

On July 27, 2016, the Superintendencia do Desenvolvimento do Nordeste approved the requested tax holiday, which effectively reduced MRDM's tax rate from 34% to 15.25% for 10 years, on a production of 4,380,000 grams per year. The process is currently with the Brazilian Federal Tax Authority for formal approval and publication, an administrative process.

On October 17, 2016, Brio, the Company's parent, filed a preliminary prospectus with the Ontario Securities Commission with the goal of becoming a publicly listed company and not a wholly-owned subsidiary of Yamana. The occurrence of the event does not modify the ability of MRDM to continue to operate as a going concern, nor would it change the availability of funds necessary for the continuation of production.

* * *

Brio Gold Inc.

Pro Forma Financial Statements
(Unaudited)
As at and for the nine months ended September 30, 2016 and for the year ended December 31, 2015
(expressed in thousands of US dollars)

Brio Gold Inc.
Pro Forma Balance Sheets
(Unaudited) as at September 30, 2016

(expressed in thousands of US dollars)

	Brio Gold Inc.	Pro Forma Adjustment	Pro Forma Combined
Assets			
Current assets:			
Cash	4,531	-	4,531
Trade and other receivables	7,769	-	7,769
Inventories	32,628	-	32,628
Other current assets	6,913	-	6,913
	51,841	**-**	**51,841**
Non-current assets:			
Property, plant and equipment	497,894	-	497,894
Deferred income tax asset	5,329	-	5,329
Other non-current assets	2,674	-	2,674
Total assets	**557,738**	**-**	**557,738**
Liabilities			
Current liabilities:			
Trade and other payables	50,108	-	50,108
Income taxes payable	16	-	16
Other provisions and liabilities	4,737		4,737
	54,861	**-**	**54,861**
Non-current liabilities:			
Decommissioning, restoration and similar liabilities	32,846	-	32,846
Deferred income tax liabilities	23,715	-	23,715
Other non-current provisions and liabilities	3,460	-	3,460
Total liabilities	**114,882**	**-**	**114,882**
Equity			
Share capital	427,858	-	427,858
Reserves	68,625	**-**	68,625
Deficit	(53,627)	-	(53,627)
Total equity	**442,856**	**-**	**442,856**
Total equity and liabilities	**557,738**	**-**	**557,738**

The accompanying notes are an integral part of these pro forma financial statements.

Brio Gold Inc.
Pro Forma Statement of Operations
(Unaudited) for the nine months ended September 30, 2016

(expressed in thousands of US dollars, except per share and share information)

	Brio Gold Inc.	MRDM	Total	Pro Forma Adjustment	Notes	Combined Pro Forma
		Note 9 (a)			5	
Sales	172,846	20,275	193,121	3,945	D	197,066
Cost of sales excluding depletion, depreciation and amortization	(100,048)	(12,113)	(112,161)	-		(112,161)
Gross margin excluding depletion, depreciation and amortization	**72,798**	**8,162**	**80,960**	**3,945**		**84,905**
Depletion, depreciation and amortization	(40,494)	(2,454)	(42,948)	407	B	(42,541)
Mine operating earnings	32,304	5,708	38,012	4,352		42,364
Expenses						
General and administrative	(16,426)	(3,626)	(20,052)	(4,064)	F	(24,116)
Exploration and evaluation	(52)	-	(52)	-		(52)
Other operating expenses	(14,071)	-	(14,071)	2,300	C	(11,771)
Operating earnings	**1,755**	**2,082**	**3,837**	**2,588**		**6,425**
Foreign exchange (loss) gain	(7,188)	49	(7,139)	-		(7,139)
Finance expense (income)	(4,370)	(547)	(4,917)	1,076	A	(3,841)
(Loss) earnings before income taxes	**(9,803)**	**1,584**	**(8,219)**	**3,664**		**(4,555)**
Income tax recovery (expense)	15,058	-	15,058	(1,300)	D	13,758
Net earnings	**5,255**	**1,584**	**6,839**	**2,364**		**9,203**
Number of shares outstanding - Basic (Note 7)	112,527,429					112,527,429
Number of shares outstanding - Diluted (Note 7)	118,449,925					118,449,925
Earnings per share - Basic	$ 0.05					$ 0.08
Earnings per share - Diluted	$ 0.04					$ 0.08

The accompanying notes are an integral part of these pro forma financial statements.

Brio Gold Inc.
Pro Forma Statement of Operations
(Unaudited) for the year ended December 31, 2015

(expressed in thousands of US dollars, except per share and share information)

	Brio Gold Combined Note 8	MRDM Note 9 (b)	Total	Pro Forma Adjustment	Notes 5	Combined Pro Forma
Sales	163,606	47,916	211,522	-		211,522
Cost of sales excluding depletion, depreciation and amortization	(106,816)	(23,819)	(130,635)	-		(130,635)
Gross margin excluding depletion, depreciation and amortization	**56,790**	**24,097**	**80,887**	**-**		**80,887**
Depletion, depreciation and amortization	(50,342)	(3,193)	(53,535)	(285)	B	(53,820)
Impairment of mining properties	(12,717)	(25,268)	(37,985)	-		(37,985)
Mine operating loss	(6,269)	(4,364)	(10,633)	(285)		(10,918)
Expenses						
General and administrative	(19,301)	(8,572)	(27,873)	-		(27,873)
Exploration and evaluation	(583)	-	(583)	-		(583)
Impairment of non-operating mineral properties	(7,360)	-	(7,360)	-		(7,360)
Other operating expenses	(24,840)	-	(24,840)	(2,300)	C	(27,140)
Operating loss	**(58,353)**	**(12,936)**	**(71,289)**	**(2,585)**		**(73,874)**
Foreign exchange gain	26,727	286	27,013	-		27,013
Finance (expense) income	(3,272)	(55,859)	(59,131)	162	A	(58,969)
Loss before income taxes	**(34,898)**	**(68,509)**	**(103,407)**	**(2,423)**		**(105,830)**
Income tax expense	(36,387)	-	(36,387)	-		(36,387)
Net loss	**(71,285)**	**(68,509)**	**(139,794)**	**(2,423)**		**(142,217)**
Number of shares outstanding - Basic and Diluted (Note 7)	112,527,429					112,527,429
Loss per share - Basic and Diluted	$ (0.63)					$ (1.26)

The accompanying notes are an integral part of these pro forma financial statements.

1 Description of the transaction

Terms of the transaction

The accompanying unaudited pro forma financial statements of Brio Gold Inc. ("Brio" or the "Company"), a wholly owned subsidiary of Yamana Gold Inc. ("Yamana") have been prepared to give effect to the rights offering by Yamana of the common shares of Brio. Each Yamana Shareholder will receive, at no charge, rights that entitle the holder to acquire common shares of Brio from Yamana.

Brio was incorporated on July 11, 2014 as a holding company for certain Brazilian mining assets owned by Yamana. The three principal mining assets transferred to Brio were the Pilar Mine, the Mineração Fazenda Brasileiro Mine and the Santa Luz Project. The mining assets were transferred to Brio during the year ended December 31, 2015. The Pilar Mine achieved commercial production in October 2014 and the Mineração Fazenda Brasileiro Mine has been operating for in excess of 25 years. The Santa Luz mine began commissioning in June 2013, however due to lower than expected gold recoveries because of significant carbon content in the ore, commissioning was abandoned in the third quarter of 2014. In September 2014, after careful review and extensive efforts to improve dilution and recovery rates from the carbon leach circuit, Santa Luz mine was put into "care and maintenance", while various alternative metallurgical processes are being evaluated for achieving improved recovery content of the mined ore.

Mineração Riacho dos Machados Acquisition

On February 17, 2016, Brio entered into an Assignment and Assumption Agreement and a Restructuring Agreement pursuant to which it would ultimately acquire all right, title and interests in Mineração Riacho dos Machados Ltda ("MRDM"), a wholly-owned subsidiary of Carpathian Gold Inc. ("Carpathian"), from Macquarie Bank Limited, holder of rights and interests in a loan facility extended to MRDM, and Carpathian. MRDM owns and operates the Riacho Dos Machados ("RDM") mine, which is an open-pit heap-leach gold mine located in Minas Gerais State, Brazil.

On April 29, 2016, the Company closed on the restructuring procedures and concurrently attained control of MRDM for approximately $53.9 million in total cash consideration, excluding acquisition related costs of $2.3 million, which were recognized as an expense and included in other operating expenses in the Statements of Operations for the nine month period ended September 30, 2016.

The Company has recognized its interest in the MRDM assets, liabilities, revenues and expenses in accordance with the Company's rights and obligations prescribed by the transaction, as a business combination. In accordance with the International Financial Reporting Standards 3 Business Combinations ("IFRS 3"), the Company has recognized the acquired identifiable assets and liabilities at fair value. The financial position and financial performance of MRDM as at September 30, 2016 and for the period from the date of acquisition to September 30, 2016 has been included in the unaudited consolidated interim financial statements of Brio.

2 Basis of preparation

The unaudited pro forma statement of operations for the nine months ended September 30, 2016 and the year ended December 31, 2015 gives effect to the rights offering described above as if they had occurred on January 1, 2015 and combines the historical consolidated statements of operations of Brio, the predecessor operations of the Pilar mine, Mineracao Fazenda Brasileiro mine and Santa Luz project which were transferred by Yamana to Brio during the 2015 fiscal year ("Predecessor Transaction"), and MRDM, which was acquired on April 29, 2016 (the "MRDM Acquisition").

The unaudited pro forma balance sheet as at September 30, 2016 gives effect to the rights offering if they had occurred on September 30, 2016.

The unaudited pro forma financial statements were based on and should be read in conjunction with the following:

- The unaudited condensed carve out combined interim financial statements of Brio for the three and nine months periods ended September 30, 2016 and 2015;
- The audited carve out combined financial statements of Brio as at December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013;
- The unaudited condensed consolidated interim financial statements of Brio for the three and nine months ended September 30, 2016 and 2015;
- The audited consolidated financial statements of Brio as at December 31, 2015 and 2014 and for the year ended December 31, 2015 and for the period from the date of incorporation July 11, 2014 to December 31, 2014;
- The unaudited condensed interim financial statements of MRDM for the three and six months period ended June 30, 2016 and 2015; and
- The audited consolidated financial statements of MRDM as at December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014.

The historical consolidated financial statements have been adjusted to give effect to the following pro forma events:

- Those that are directly attributable to the proposed rights offering, the MRDM Acquisition and Predecessor Transaction;
- Those that are factually supportable; and
- Those with respect to the pro forma consolidated statements of operations expected to have a continuing impact on the consolidated results.

The unaudited pro forma financial statements have been presented for informational purposes only. The pro forma information is not necessarily indicative of what Brio's financial position or financial performance actually would have been had the rights offering, MRDM Acquisition and predecessor transaction been completed as of the dates indicated and does not purport to project the future financial position or operating results of Brio.

The financial statements incorporated in the unaudited pro forma financial statements in accordance with International financial Reporting Standards (“IFRS”) and International Accounting Standard 34 Interim Financial reporting (“IAS 34”).

3 Acquisition of MRDM

In order to give pro forma effect to the MRDM Acquisition on the statements of operations of Brio for the nine months ended September 30, 2016 and for the year ended December 31, 2015, MRDM’s statement of operations for the four month period ended April 29, 2016 (Note 9A) and for the year ended December 31, 2015 (Note 9B), have separately been included in the pro forma statement of operations to give effect to the acquisition as if it had occurred January 1, 2015.

These calculated results are not historical financial information and are the best estimate for that period for which no public information was released. Actual information may be substantially different from calculated information.

4 Summary of significant accounting policies

These unaudited pro forma financial statements have been compiled using the significant accounting policies as set out in the consolidated financial statements of Brio as at December 31, 2015. Management has determined based on their initial assessment that the following basis of presentation and accounting policies differ between Brio and MRDM:

- MRDM classify depreciation and depletion as cost of sales and general and administration expense whereas Brio disclose the charge separately and record as part of mine operating earnings;
- MRDM record impairment of operating mineral properties below mine operating earnings whereas Brio includes the amount in mine operating earnings; and
- The methodology to determine the amount of capitalized deferred stripping costs differs between MRDM and Brio. An adjustment has been recorded to reflect the difference.

Management have adjusted the disclosures in the pro forma statement of operations above to reflect the Brio basis of preparation and accounting policies (Note 9).

5 Pro forma assumptions and adjustments

The unaudited pro forma financial statements reflect the following assumptions and adjustments:

a) On September 30, 2016, the Company issued 89,027,429 common shares to Yamana in settlement for two outstanding loans under the facility agreements dated February 11, 2015 and March 24, 2016. The total value of the settled loans amounted to $60.1 million.
   No gain or loss has been recognized on the extinguishment of the debt as the carrying value of the amount payable to Yamana approximated fair value.

The finance expense incurred by Brio associated with the loan facilities has been eliminated from the pro forma statement of operations to give effect to the extinguishment as if it occurred January 1, 2015.

Concurrently with the issuance of shares to Yamana, Brio management agreed to reduce their entitlement to Restricted Share Units ("RSU") of the Company to 5% of the total revised common shares outstanding (previously 6%). At the conclusion of the vesting period Brio management are now entitled to receive 5,922,496 RSUs (previously 1,500,000 RSUs) which are convertible into common shares of Brio.

b) An adjustment to reflect the additional depreciation and depletion expense based on the fair value adjustment of the depletable assets acquired as part of the MRDM transaction

c) Transaction costs directly attributable to the MRDM Acquisition incurred during the nine months ended September 30, 2016 have been removed from this period and recorded in the year ended December 31, 2015 to give effect to the acquisition as if it had occurred January 1, 2015.

d) The pro-forma adjustment reflects the normalization of gold sales price, and consequently revenue for Brio Gold, as if it was selling directly to a third party at market price. As part of intercompany arrangements with its subsidiaries, Yamana Gold, the parent of Brio, purchases the precious metal at 97.15% of market price, and the margin earned by Yamana Gold is used as a way to cover the costs incurred at the corporate office for logistics, sales arrangements and other services provided. Upon completion of the proposed transaction, Brio Gold will enter into new gold sale agreements directly with third parties, and therefore will no longer sell to Yamana Gold. This will allow Brio Gold to sell at market price, as contracts with third parties do not have the same pricing discounts imposed by Yamana Gold.

   This adjustment is only relevant to the nine months ended September 30, 2016 and not to the year ended December 31, 2015. The 2015 statements have as a basis the Carve Out Combined Financial Statements to reflect the operations of Brio incorporating all mines since the beginning of the year, as opposed to the Brio Gold Consolidated Financial Statements that would only include partial periods. The Carve Out Combined financial statements further include the margins realized by Yamana Gold, as it effectively attributes all earnings from Yamana Gold associated with Brio Gold sales as if they were earned and incurred by Brio Gold. For the nine months ended September 30, 2016, Brio Gold operated all of its mines and as such, the Brio Gold Consolidated Financial Statements were deemed to be more appropriate to use as a starting point. However, because of the margin differential, as in this case margins realized by Yamana Gold are not attributed to Brio Gold's Consolidated Financial Statements, the pro forma adjustment is required.

e) RSUs related to Brio management vest no later than December 9, 2017. Management's RSU grant letters have been modified to exclude the rights offering as an exit event that would trigger the early conversion of the RSUs into shares.

f) Adjustment to reflect an allocation of Yamana Gold Inc.'s General and Administrative Expenses to the Brio division. This adjustment is only applicable to the nine months ended September 30th pro forma as the basis for the pro-forma are the Brio Gold Inc. legal statements. For 2015, the basis for the pro forma is the Brio Carveout Combined Financial Statements that includes the allocation.

(expressed in thousands of US dollars)

6 Pro Forma Share Capital

	September 30, 2016		
	Number		**Amount**
Brio common shares outstanding	112,527,429	$	427,858
Pro forma share capital	**112,527,429**	**$**	**427,858**

7. Pro Forma Earnings (Loss) Per Share

For the purposes of the unaudited pro forma financial statements, the earnings per share has been calculated using the weighted average number of shares which would have been outstanding as at September 30, 2016 and December 31, 2015, after giving effect to the proposed rights offering as if it had occurred on January 1, 2015.

		September 30, 2016	**December 31, 2015**
Weighted average number of common shares - basic		112,527,429	112,527,429
Pro forma weighted average common shares – Basic		**112,527,429**	**112,527,429**
Dilutive RSUs held by Brio Management (i)		5,922,496	-
Pro forma weighted average common shares – Diluted		**118,449,925**	**112,527,429**
Pro forma earnings (loss)	$	9,203	(142,217)
Pro forma earnings (loss) per share - Basic	**$**	**0.08**	**(1.26)**
Pro forma earnings (loss) per share - Diluted	**$**	**0.08**	**(1.26)**

(i) For the year ended December 31, 2015, the RSUs issued to Brio management are anti-dilutive.

(expressed in thousands of US dollars)

Note 8

Brio combined statement of operations for the year ended December 31, 2015

	Brio Gold Inc.	Pro forma adjustment (i)	Pro forma adjustment (ii)	Pro forma adjustment (iii)	Brio Gold Combined
Sales	82,678	76,129	4,799	-	163,606
Cost of sales excluding depletion, depreciation and amortization	(51,862)	(54,954)		-	(106,816)
Gross margin excluding depletion, depreciation and amortization	**30,816**	**21,175**	**4,799**	**-**	**56,790**
Depletion, depreciation and amortization	(30,271)	(20,071)		-	(50,342)
Impairment of mining properties	(12,698)	(19)		-	(12,717)
Mine operating (loss) earnings	**(12,153)**	**1,085**	**4,799**	**-**	**(6,269)**
Expenses					
General and administrative	(11,539)	-	-	(7,762)	(19,301)
Exploration and evaluation	(583)	-	-	-	(583)
Impairment of non-operating mineral properties	(7,330)	(30)	-	-	(7,360)
Other operating expenses	(4,389)	(20,451)	-	-	(24,840)
Operating loss	**(35,994)**	**(19,396)**	**4,799**	**(7,762)**	**(58,353)**
Foreign exchange (loss) gain	(4,624)	31,351	-	-	26,727
Finance expense	(1,116)	(2,156)	-	-	(3,272)
(Loss) earnings before income taxes	**(41,734)**	**9,799**	**4,799**	**(7,762)**	**(34,898)**
Income tax expense	(17,034)	(18,081)	(1,272)	-	(36,387)
Net (loss) earnings	**(58,768)**	**(8,282)**	**3,527**	**(7,762)**	**(71,285)**

The pro forma adjustment; (i) incorporates the results of the Fazenda Brasileiro mine, Santa Luz project and Pilar mine prior to their transfer by Yamana to Brio during 2015. The transfer was accounted for as a transfer under common control and not within the scope of IFRS 3. The adjustment accounts for the effect of the transactions between Brio and Yamana as if the rights offering had occurred on January 1, 2015; (ii) reverse the effect of the 2.85% margin that Yamana charges Brio on gold sales; and (iii) reflect general and administration costs incurred by Yamana's corporate office on behalf of Brio.

(expressed in thousands of US dollars)

Note 9

(a) **MRDM statement of operations for the period ended April 29. 2016**

	Six-months period ended June 30, 2016	Accounting Policy Adjustments	Other Adjustments	Adjustments to remove post acquisition period	Adjusted Period January 1, 2016 to April 29, 2016
		Note 4	(i)	(ii)	
Sales	35,262	-	-	(14,987)	20,275
Cost of sales excluding depletion, depreciation and amortization	(23,265)	3,382	-	7,770	(12,113)
Gross margin excluding depletion, depreciation and amortization	**11,997**	**3,382**	**-**	**(7,217)**	**8,162**
Depletion, depreciation and amortization	-	(3,416)	-	962	(2,454)
Mine operating earnings (loss)	**11,997**	**(34)**	**-**	**(6,255)**	**5,708**
Expenses					
General and administrative	(4,867)	456	-	785	(3,626)
Reversal of impairment of mineral properties	42,511	-	(42,511)	-	-
Other operating expenses	(37,527)	-	31,817	5,710	-
Operating earnings (loss)	**12,114**	**422**	**(10,694)**	**240**	**2,082**
Foreign exchange (loss) gain	-	(800)	-	849	49
Finance expense (income)	(10,016)	800	-	8,669	(547)
Earnings (loss) before income taxes	**2,098**	**422**	**(10,694)**	**9,758**	**1,584**
Income tax expense	-	-	-	-	-
Net earnings (loss)	**2,098**	**422**	**(10,694)**	**9,758**	**1,584**

(i) Other adjustments include the elimination of the reversal of impairment of mineral properties ($42.5 million) and the write-down of stockpile ($31.8 million) as a result of the acquisition being reflected as if it had occurred on January 1, 2015.

(ii) The adjustment is to remove the results of operations for the period from April 29, 2016 to June 30, 2016 which have been included in the Brio statement of operations for the six months ended June 30, 2016.

(expressed in thousands of US dollars)

(b) **MRDM statement of operations for the year ended December 31, 2015**

	Year ended December 31, 2015	Accounting Policy Adjustments	Adjusted year ended December 31, 2015
		Note 4	
Sales	47,916	-	47,916
Cost of sales excluding depletion, depreciation and amortization	(26,098)	2,279	(23,819)
Gross margin excluding depletion, depreciation and amortization	**21,818**	**2,279**	**24,097**
Depletion, depreciation and amortization	-	(3,193)	(3,193)
Impairment of mining properties	-	(25,268)	(25,268)
Mine operating earnings (loss)	**21,818**	**(26,182)**	**(4,364)**
Expenses			
General and administrative	(9,486)	914	(8,572)
Exploration and evaluation	-	-	-
Impairment of mineral properties	(25,268)	25,268	-
Other operating expenses	-	-	-
Operating loss	**(12,936)**	**-**	**(12,936)**
Foreign exchange gain	-	286	286
Finance expense	(55,573)	(286)	(55,859)
Loss before income taxes	**(68,509)**	**-**	**(68,509)**
Income tax expense	-	-	-
Net loss	**(68,509)**	**-**	**(68,509)**

APPENDIX A

AUDIT COMMITTEE CHARTER

BRIO GOLD INC.

Purpose

The Audit Committee (the **"Committee"**) of the Board of Directors (the **"Board"**) of Brio Gold Inc. (the **"Company"**) is appointed by the Board to assist the Company and the Board in fulfilling their respective obligations relating to the integrity of the internal financial controls and financial reporting of the Company.

Composition

1. The Committee shall be composed of three or more directors, as designated by the Board from time to time.

2. The Chair of the Committee (the **"Chair"**) shall be designated by the Board or the Committee from among the members of the Committee.

3. The Committee shall comply with all applicable securities laws, instruments, rules and policies and regulatory requirements (collectively **"Applicable Laws"**), including those relating to independence and financial literacy. Accordingly, each member of the Committee shall be independent within the meaning of National Instrument 52-110 – *Audit Committees*, and financially literate within the meaning of Applicable Laws.

4. Each member of the Committee shall be appointed by, and serve at the pleasure of, the Board. The Board may fill vacancies in the Committee by appointment from among the Board.

Meetings

5. The Committee shall meet at least quarterly in each financial year of the Company. The Committee shall meet otherwise at the discretion of the Chair or a majority of the members of the Committee, or as may be required by Applicable Laws.

6. A majority of the members of the Committee shall constitute a quorum. If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the next business day following the date of such meeting at the same place. If at the adjourned meeting the quorum specified above is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting the quorum specified above is not present, the quorum for the adjourned meeting shall consist of the members then present.

7. The Committee shall hold an in-camera session without any senior officers present at each meeting of the Committee, unless such a session is not considered necessary by the members present.

8. The time and place at which meetings of the Committee are to be held, and the procedures at such meetings, will be determined from time to time by the Chair. A meeting of the Committee may be called by notice, which may be given by written notice, telephone, facsimile, email or other electronic communication at least 48 hours prior to the time of the meeting. However, no notice of a meeting shall be necessary if all of the members are present either in person or by means of telephone or web conference, or other communication equipment, or if those absent waive notice or otherwise signify their consent to the holding of such meeting.

9. Members may participate in a meeting of the Committee by means of telephone or web conference, or other communication equipment.

10. The Committee shall keep minutes of all meetings, which shall be available for review by the Board.

11. The Committee may appoint any individual, who need not be a member, to act as the secretary at any meeting.

12. The Committee may invite such other directors, senior officers and employees of the Company and such other advisors and persons as is considered advisable to attend any meeting of the Committee.

13. Any matter to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Any action of the Committee may also be taken by an instrument or instruments in writing signed by all of the members of the Committee (including in counterparts, by facsimile or other electronic signature) and any such action shall be as effective as if it had been decided by a majority of the votes cast at a meeting of the Committee called for such purpose.

14. The Committee shall report its determinations and recommendations to the Board.

Resources and Authority

15. The Committee has the authority to:

(a) engage, at the expense of the Company, independent counsel and other experts or advisors as is considered advisable;

(b) determine and pay the compensation for any independent counsel and other experts and advisors retained by the Committee;

(c) communicate directly with the independent auditor of the Company (the **"Independent Auditor"**);

(d) conduct any investigation considered appropriate by the Committee;

(e) request the Independent Auditor, any senior officer or other employee of, or outside counsel for, the Company to attend any meeting of the Committee or to meet with any members of, or independent counsel or other experts or advisors to, the Committee; and

(f) have unrestricted access to the books and records of the Company.

Responsibilities

Financial Accounting, Internal Controls and Reporting Process

16. The Committee is responsible for:

(a) reviewing any management report on, and assessing the integrity of, the internal controls over the financial reporting of the Company and monitoring the proper implementation of such controls and evaluating and approving processes to identify, assess and manage risk;

(b) reviewing and reporting to the Board on, or if mandated by the Board approving, the quarterly unaudited financial statements, management's discussion and analysis (**"MD&A"**) thereon and other financial disclosure related thereto that may be required to be reviewed by the Committee pursuant to Applicable Laws;

(c) reviewing and reporting to the Board on the annual audited financial statements, the MD&A thereon and other financial disclosure related thereto that may be required to be reviewed by the Committee pursuant to Applicable Laws;

(d) monitoring the conduct of the audit function and ensuring the Company's internal audit is independent from management;

(e) discussing and meeting with, when considered advisable to do so and in any event no less frequently than annually, the Independent Auditor, the Chief Financial Officer (the **"CFO"**) and any other senior officer or other employee of the Company which the Committee wishes to meet with, to review accounting principles, practices, judgments of management, internal controls and such other matters as the Committee considers appropriate; and

(f) reviewing any post-audit or management letter containing the recommendations of the Independent Auditor and management's response thereto, and monitoring the subsequent follow-up to any identified weaknesses.

Public Disclosure

17. The Committee shall:

(a) review the quarterly and annual financial statements, the related MD&A, any quarterly and annual earnings press releases and any other public disclosure documents that are required to be reviewed by the Committee pursuant to Applicable Laws;

(b) consider whether the Company's financial disclosures are complete, accurate, prepared in accordance with International Financial Reporting Standards (**"IFRS"**) and fairly present the financial position of the Company;

(c) review and discuss with senior officers of the Company any guidance being provided on the expected future results and financial performance of the Company, and provide its recommendations on such guidance to the Board; and

(d) review the procedures which are in place for the review of the public disclosure by the Company of financial information extracted or derived from the financial statements of the Company and periodically assess the adequacy of such procedures.

Risk Management

18. The Committee should inquire of the senior officers and the Independent Auditor as to the significant risks or exposures, both internal and external, to which the Company is subject, and review the actions which the senior officers have taken to minimize such risks. In conjunction with the Board, the Committee should annually review the financial risks associated with the directors' and officers' third-party liability insurance of the Company.

19. The Committee should ensure appropriate controls are in place regarding the remittance of taxes when due including but not limited to payroll taxes.

Corporate Conduct

20. The Committee should ensure that there is an appropriate standard of corporate conduct relating to the internal controls and financial reporting of the Company.

21. The Committee should establish procedures for:

(a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters; and

(b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Code of Business Conduct and Ethics

22. With regard to the Code of Business Conduct and Ethics of the Company (the **"Code"**), the Committee should:

(a) review periodically and recommend to the Board any amendments to the Code, and monitor the policies and procedures established by the senior officers to ensure compliance with the Code;

(b) review actions taken by the senior officers to ensure compliance with the Code, the results of the confirmations and the responses to any violations of the Code;

(c) monitor the disclosure of the Code, any proposed amendments to the Code and any waivers to the Code granted by the Board; and

(d) review the policies and procedures instituted to ensure that any departure from the Code by a director or senior officer which constitutes a "material change" within the meaning of Applicable Laws is appropriately disclosed in accordance with Applicable Laws.

Independent Auditor

23. The Committee shall recommend to the Board, for appointment by shareholders, a firm of external auditors to act as the Independent Auditor and shall monitor the independence and performance of the Independent Auditor. The Committee shall arrange and attend, as considered appropriate and at least annually, a private meeting with the Independent Auditor and shall review and approve the remuneration of such Independent Auditor.

24. The Committee shall ensure that the lead audit partner at the Independent Auditor is replaced every seven years.

25. The Committee should resolve any otherwise unresolved disagreements between the senior officers of the Company and the Independent Auditor regarding the internal controls or financial reporting of the Company.

26. The Committee should pre-approve all audit and non-audit services not prohibited by law, including Applicable Laws, to be provided by the Independent Auditor. The Chair may, and is authorized to, pre-approve non-audit services provided by the Independent Auditor up to a maximum amount of $50,000 per engagement, subject to an annual limit equal to 50% of the audit fees paid to the Independent Auditor during the fiscal year in which the non-audit services are provided. The Committee should review the audit plan of the Independent Auditor, including the scope, procedures and timing of the audit.

27. The Committee should review the results of the annual audit with the Independent Auditor, including matters related to the conduct of the audit.

28. The Committee should obtain timely reports from the Independent Auditor describing critical accounting policies and practices applicable to the Company, the alternative treatment of information in accordance with IFRS that were discussed with the CFO, the ramifications thereof, and the Independent Auditor's preferred treatment, and should review any material written communications between the Company and the Independent Auditor.

29. The Committee should review any written communications from the Independent Auditor to management (including any management letter and summary of unadjusted differences) and the fees paid by the Company to the Independent Auditor and any other professionals in respect of audit and non-audit services on an annual basis.

30. The Committee should review and approve the Company's hiring policy regarding partners, employees and former partners and employees of the present and any former Independent Auditor.

31. The Committee should monitor and assess the relationship between the senior officers of the Company and the Independent Auditor, and monitor the independence and objectivity of the Independent Auditor.

Other Responsibilities

32. The Committee should:

(a) review and assess the adequacy of this mandate from time to time and at least annually and submit any proposed amendments to the Board for consideration;

(b) request and obtain an annual report from the Independent Auditor regarding the Independent Auditor's internal quality control procedures including foreign office oversight and the application of such control procedures to the Company;

(c) review and consider any issues raised by the Independent Auditor's report on internal quality control procedures and any audit quality concerns raised by any regulators in respect of the review of the Independent Auditor in any applicable jurisdictions;

(d) perform any other activities consistent with this mandate and Applicable Laws as the Committee or the Board considers advisable.

Chair

33. The Chair should:

(a) provide leadership to the Committee and oversee the functioning of the Committee;

(b) chair meetings of the Committee (unless not present), including in-camera sessions, and report to the Board following each meeting of the Committee on the activities and any recommendations and decisions of the Committee, and otherwise at such times and in such manner as the Chair considers advisable;

(c) ensure that the Committee meets at least quarterly in each financial year of the Company, and otherwise as is considered advisable;

(d) in consultation with the Chairman of the Board and the members of the Committee, establish dates for holding meetings of the Committee;

(e) set the agenda for each meeting of the Committee, with input from other members of the Committee, the Chairman of the Board and any other appropriate individuals;

(f) ensure that Committee materials are available to any director upon request;

(g) act as a liaison, and maintain communication, with the Chairman of the Board, and the Board to co-ordinate input from the Board and to optimize the effectiveness of the Committee;

(h) report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board;

(i) assist the members of the Committee to understand and comply with the responsibilities contained in this mandate;

(j) foster ethical and responsible decision-making by the Committee;

(k) consider complaints covered by the Code, undertake an investigation of the violation or suspected violation of the Code and promptly report to the Committee and the Board any complaint that may have material consequences for the Company and, for each financial quarter of the Company, the Chair should report to the Committee and to the Independent Auditor, in the aggregate, the number, the nature and the outcome of the complaints received and investigated under the Code;

(l) together with the Governance and Compensation Committee, oversee the structure, composition and membership of, and activities delegated to, the Committee from time to time;

(m) ensure appropriate information is provided to the Committee by the senior officers of the Company to enable the Committee to function effectively and comply with this mandate;

(n) ensure that appropriate resources and expertise are available to the Committee;

(o) ensure that the Committee considers whether any independent counsel or other experts or advisors retained by the Committee are appropriately qualified and independent in accordance with Applicable Laws;

(p) facilitate effective communication between the members of the Committee and the senior officers of the Company, and encourage an open and frank relationship between the Committee and the Independent Auditor;

(q) attend, or arrange for another member of the Committee to attend, each meeting of the shareholders of the Company to respond to any questions from shareholders that may be asked of the Committee;

(r) in the event a Chairman of the Board is not appointed by the Board at the first meeting of the Board following the annual meeting of shareholders each year, and the position of Chair of the Corporate

Governance and Nominating Committee is vacant, serve as the interim Chairman of the Board until a successor is appointed; and

(s) perform such other duties as may be delegated to the Chair by the Committee or the Board from time to time.

Approved: November ●, 2016

APPENDIX B

MANDATE OF THE BOARD OF DIRECTORS

BRIO GOLD INC.

Purpose

The Board of Directors (the "**Board**") of Brio Gold Inc. (the "**Company**") is responsible for the supervision of the management of the business and affairs of the Company. The Board should manage the responsibilities and obligations set out below, either directly or through committees of the Board. The Board will retain its oversight function and ultimate responsibility for these matters.

Composition

1. The Board should consist of individuals who possess skills and competencies in areas that are relevant to the business and affairs of the Company. At least a majority of the directors will be "independent" directors within the meaning of applicable securities laws, instruments, rules and policies and regulatory requirements (collectively "**Applicable Laws**"). The Chairman of the Board (the "**Chairman**") will be independent.

2. The directors of the Company will be elected at the annual meeting of the shareholders of the Company and shall serve until no longer than the close of the next annual meeting of shareholders, subject to re-election thereat.

Meetings

3. The Board shall have at least four regularly scheduled meetings in each financial year of the Company.

4. The Chairman and the Chief Executive Officer (the "**CEO**") are responsible for the agenda for each meeting of the Board. Materials for each meeting should be distributed to the Board in advance of the meeting.

5. Directors are expected to attend at least three quarters of all meetings of the Board held in a given financial year of the Company and to adequately review meeting materials in advance of each meeting.

6. The independent directors (in this context, meaning directors who are not also senior officers or not independent within the meaning of Applicable Laws) should hold an *in-camera* session without the non-independent directors and any senior officers present at each meeting of the Board, unless such a session is not considered necessary by the independent directors present. The Chairman should chair the *in camera* sessions.

Board Committees

7. The Board may appoint such committees from time to time as it considers appropriate. Each permanent committee shall have a mandate that is approved by the Board, setting out the responsibilities of, and the extent of the powers delegated to, such committee by the Board. The committees currently consist of the Audit Committee, the Governance and Compensation Committee, and the Health, Safety and Environment Committee.

Responsibilities

Oversight of Management and the Board

8. The Board is responsible for the appointment and replacement of the senior officers of the Company. The Board should ensure that appropriate succession planning, including the appointment, training and monitoring of the senior officers and members of the Board, is in place.

9. The Board is responsible for satisfying itself as to the integrity of the CEO and the other senior officers of the Company, and that the CEO and the other senior officers create a culture of integrity throughout the Company.

10. The Board should annually consider what additional skills and competencies would be helpful to the Board, with the Governance and Compensation Committee being responsible for identifying specific candidates for consideration for appointment to the Board.

11. Through the Governance and Compensation Committee, the Board should review the compensation of directors to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director, and should review the compensation of the senior officers to ensure that it is competitive within the industry and that the form of compensation aligns the interests of each senior officer with those of the Company.

12. The Board should review and evaluate the Company's Code of Business Conduct and Ethics on an annual basis to determine whether such policy is effective in ensuring compliance by the Company, its directors, officers, employees, consultants and contractors with the *Corruption of Foreign Public Officials Act* (Canada), the *Criminal Code* (Canada) and any other similar laws applicable to the Company.

Financial Matters

13. The Board is responsible for reviewing the financial and underlying operational performance of the Company.

14. The Board should review and approve the annual financial statements, management's discussion and analysis related to such annual financial statements, budgets and forecasts, annual information form and management information circular of the Company, as applicable.

15. Unless delegated to the Audit Committee, the Board should review and approve the quarterly financial statements and management's discussion and analysis related to such quarterly financial statements.

16. The Board should annually review, together with the Audit Committee, the directors' and officers' third-party liability insurance of the Company.

17. The Board should review (or delegate such review to an appropriate committee of the Board) in advance of public release: (i) any earnings guidance, and (ii) any news release containing financial information based upon financial statements and management's discussion and analysis that have not previously been released.

18. The Board, primarily through the Audit Committee, should monitor and ensure the integrity of the internal controls and procedures (including adequate management information systems) within the Company and the financial reporting procedures of the Company.

19. The Board is responsible for considering, and if established, reviewing from time to time, a dividend policy for the Company.

Business Strategy

20. The Board has primary responsibility for the strategic direction of the Company. The Board will contribute to the development of such strategic direction by approving, at least annually, a strategic plan and budget developed and proposed by the senior officers, subject to any changes required by the Board. The strategic plan and budget should take into account the business opportunities and business risks of the Company. The Board will review with the senior officers from time to time the strategic planning environment, the emergence of new opportunities, trends and risks and the implications of these factors on the strategic direction of the Company. The Board will review and approve the financial objectives, plans and actions of the Company, including significant capital allocations and expenditures.

21. The Board should review annually, and is responsible for ensuring that procedures are in place to appropriately manage, the principal business risks of the Company.

22. The Board should monitor corporate performance against the approved strategic plan and budget, including assessing operating results, to evaluate whether the business of the Company is being appropriately managed.

23. The Board is responsible for reviewing and approving all material transactions affecting the Company not contemplated in the strategic plan and budget approved by the Board from time to time.

Communications and Reporting to Shareholders

24. The Board is responsible for overseeing the continuous disclosure program of the Company, with a view to satisfying itself that adequate procedures are in place to ensure that material information is disclosed in accordance with Applicable Laws.

25. The Board will ensure that the Company has a disclosure policy for investor relations and public disclosure.

Corporate Governance

26. The Governance and Compensation Committee will recommend, and the Board will establish, the approach of the Company to corporate governance.

27. The Board is responsible for assessing its own effectiveness in fulfilling this mandate and shall assess this mandate, as well as the mandate of each committee (considering, among other things, the recommendations of the applicable committee) from time to time, and at least annually.

28. The Board is responsible for evaluating the relevant relationships of each independent director and is required to make an affirmative decision that any such relationship does not preclude a determination that the director is independent within the meaning of Applicable Laws.

29. The Board is responsible for ensuring the establishment of appropriate standards of corporate conduct and should ensure that adequate procedures are in place to monitor compliance with the Company's Code of Business Conduct and Ethics. Only the Board may grant waivers of the Code of Business Conduct and Ethics which would be to the benefit of any director or senior officer.

30. If any resignations are submitted in accordance with the Company's majority voting policy (if such a plan is adopted, the Board shall refer the resignation to the Governance and Compensation Committee. The Governance and Compensation Committee and the Board may adopt such procedures as they see fit to assist it in their determinations with respect to such majority voting policy.

General

31. The Board is responsible for performing such other functions as are prescribed by law, including all Applicable Laws.

32. The Board may at any time retain outside financial, legal or other advisors at the expense of the Company. Any director may, subject to the approval of the Governance and Compensation Committee, retain an outside financial, legal or other advisor at the expense of the Company.

Feedback

33. The Board welcomes input and comments from shareholders of the Company relating to this mandate. Such input and comments may be sent to the Board at the head office address of the Company.

Approved: November ●, 2016

CERTIFICATE OF THE COMPANY, YAMANA AND THE PROMOTER

Dated: November 17, 2016

This prospectus (which includes the marketing material included or incorporated by reference) constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

BRIO GOLD INC.

"*Gilmour Clausen*" President and Chief Executive Officer	"*Joseph Longpré*" Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

"*Gilmour Clausen*" Director	"*Jason LeBlanc*" Director

BY THE SELLING SHAREHOLDER
YAMANA GOLD INC.

"*Peter Marrone*"
Chairman and Chief Executive Officer

BY THE PROMOTER
YAMANA GOLD INC.

"*Peter Marrone*"
Chairman and Chief Executive Officer

CERTIFICATE OF THE MANAGING DEALERS

Dated: November 17, 2016

To the best of our knowledge, information and belief, this prospectus (which includes the marketing material included or incorporated by reference) constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

CIBC WORLD MARKETS INC.	NATIONAL BANK FINANCIAL INC.	CANACCORD GENUITY CORP.
"*Chris Gratias*"	"*Jason Ellefson*"	"*Gunnar Eggertson*"
Managing Director	Managing Director & Head, Global Mining & Metals	Managing Director, Investment Banking & Head of Mining (Canada)

CORMARK SECURITIES INC.

"*Darren Wallace*"
Managing Director, Investment Banking

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