GRAN COLOMBIA GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED DECEMBER 31, 2011
March 29, 2012

The following discussion and analysis of the results of operations and financial condition ("MD&A") for Gran Colombia Gold Corp. (the "Company") should be read in conjunction with the audited consolidated financial statements and related notes thereto for the year ended December 31, 2011. The financial information in this MD&A is derived from the Company's audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). ***All figures contained herein are expressed in United States dollars, except for production, share data or as otherwise stated.***

Additional information related to the Company is available on SEDAR at www.sedar.com or on the Company's website at www.grancolombiagold.com.

Fiscal 2011 Highlights

- ***Production*****:** Gran Colombia achieved its gold production guidance for 2011. Total gold production for the year amounted to 91,419 ounces(1). Gold production for the fourth quarter was 26,979 ounces, a 24% increase over production for the third quarter of 2011.
- ***Resources*****:** Measured and Indicated gold resources for the Segovia Operations and the Marmato Project increased by 76% and 51%, respectively, as a result of the 2011 exploration and drilling programs. Total Measured and Indicated gold resources are now 233,000 ounces at the Segovia Operations and 10.0 million ounces at the Marmato Project with a total of 3.5 million ounces in the Inferred categories for the two properties. In addition, there are an estimated 64 million ounces of silver in the Measured and Indicated categories and a further 11 million ounces of silver in the Inferred category at the Marmato Project.
- ***Revenues*****:** Total revenues for the year were $137.7 million from 83,809 ounces of gold sold at an average realized price of $1,596 per ounce. Revenues for the fourth quarter amounted to $50.4 million, an increase of 30% over the third quarter of 2011.
- ***Costs:*** The Company took steps in September 2011 to reduce costs at its Segovia Operations by approximately $2 million per month through a 42% reduction in its workforce and negotiation of contracts with artisanal miners operating on the Company's property. These initiatives resulted in a $426 improvement in cash cost per ounce in the fourth quarter of 2011 versus the third quarter at the Company-operated mines at Segovia and reduced the Company's consolidated average cash cost to $1,113 per ounce. Further improvement is expected in 2012 as the Company expands production from its mines at Segovia facilitated by an expansion in the existing Maria Dama mill, initially to 1,000 tonnes per day and then to 1,500 tonnes per day by the end of 2012.
- ***Gross margin*****:** The Company generated positive gross margin from its mining operations during 2011 of $11.5 million, a $14.4 million improvement compared with 2010. In the fourth quarter of 2011, gross margin increased to $13.2 million, reflecting the benefits of the first full quarter of the cost savings achieved at the Segovia Operations in September and increased gold production compared with previous quarters.

- Gran Colombia's cash position stood at $20.3 million at December 31, 2011. In August 2011 the Company completed an offering of $80 million senior unsecured silver-linked notes (the "Notes"; TSX: GCM.NT.U) to be used by the Company for among other things, the development of the Marmato Project and for general corporate purposes including improvements at its operating properties. Pursuant to a normal course issuer bid, the Company used proceeds from its silver sales to purchase for cancellation a total of 1,368 Notes at an average price of $953.38 per Note on the open market in 2011. There are currently 78,632 Notes issued and outstanding.
- Gran Colombia commenced a normal course issuer bid on September 27, 2011 in respect of its common shares (TSX: GCM). To-date, a total of 7,703,000 common shares have been purchased for cancellation at an average price of CA$0.65 per common share. There are currently 381,984,251 common shares issued and outstanding.

(1) Includes 9,939 ounces of gold produced from Marmato Underground in 2011 prior to the June 10, 2011 merger with Medoro Resources (Yukon) Inc., previously Medoro Resources Ltd. ("Medoro").

Description of Business

The Company is incorporated under the laws of the Province of British Columbia and is engaged in the acquisition, exploration, development and operation of gold properties in Colombia. The head office of the Company is located at 333 Bay Street, Suite 1100, Toronto, Ontario, M5H 2R2 and its registered office is located at 1188 West Georgia Street, Suite 650, Vancouver, British Columbia, V6E 4A2. The Company also has offices in Bogotá and Medellin, Colombia.

On June 10, 2011, the Company completed its merger with Medoro to create the largest underground gold and silver producer in Colombia with six underground mines and two processing plants in operation. In addition, the Company will also be developing a large-scale, open-pit gold and silver mine at its Marmato Project.

Selected Financial Information

	Fourth Quarter		Year	
	2011	2010	2011	2010 [1]
Operating data:				
Gold produced (ounces)	26,979	12,522	81,480	14,509
Gold sold (ounces)	29,185	12,527	83,809	14,071
Average realized gold price ($/oz sold)	$ 1,687	$ 1,401	$ 1,596	$ 1,385
Total cash costs ($/oz sold) [2]	1,113	1,251	1,254	1,295
Financial data:				
($000's, except per share amounts)				
Total revenues	$ 50,425	$ 17,984	$ 137,713	$ 20,170
Gross margin	13,157	(919)	11,453	(2,947)
Net income (loss) attributable to shareholders	1,673	(4,818)	(34,813)	(39,013)
Basic and diluted income (loss) per share	0.00	(0.25)	(0.11)	(0.43)
Cash and cash equivalents	20,334	23,787	20,334	23,787
Total debt, including current portion	73,454	2,461	73,454	2,461

(1) Represents period from incorporation on January 4, 2010 to December 31, 2010. Production, revenues and gross margin only reflect the acquired Segovia Operations from September 6 to December 31, 2010.

(2) "Total cash costs" are presented on a per ounce sold basis and represent consolidated averages for the Company from both the Segovia Operations and Marmato Underground mine. See Additional Financial Measures.

Resources

In September 2011, Gran Colombia announced a 51% increase in Measured and Indicated gold resources to 10.0 million ounces at its Marmato Project and an additional 2.4 million ounces of gold in the Inferred category at a cut-off grade of 0.3 g/t. In addition, there are an estimated 64 million ounces of silver in the Measured and Indicated categories and a further 11 million ounces of silver in the Inferred category. The Company filed a National Instrument 43-101 mineral resource estimate on October 19, 2011 for its Marmato Project.

In March 2012, Gran Colombia announced a new mineral resource estimate for the Segovia Operations representing a 76% increase in Measured and Indicated gold resources compared to the previous mineral resource estimate dated June 9, 2010. The new resource estimate comprises 233,000 ounces of gold in the Measured and Indicated categories with an additional 1.1 million ounces in the Inferred category at a cut-off grade of 3.0 g/t. The Company will file a National Instrument 43-101 report prepared by SRK Consulting (UK) Ltd. prior to April 20, 2012, which will be filed on the Company's website and at www.sedar.com.

The following table summarizes the Company's resources at these two properties:

	Measured			Indicated			Measured & Indicated			Inferred		
	Tonnes (M)	Grade (g/t)	Oz Au (M)	Tonnes (M)	Grade (g/t)	Oz Au (M)	Tonnes (M)	Grade (g/t)	Oz Au (M)	Tonnes (M)	Grade (g/t)	Oz Au (M)
Segovia Operations	0.3	16.1	0.1	0.2	12.3	0.1	0.5	14.3	0.2	2.3	14.9	1.1
Marmato Project	53.0	1.1	1.9	254.0	1.0	8.1	307.0	1.0	10.0	68.0	1.1	2.4
Total	**53.3**	**1.2**	**2.0**	**254.2**	**1.0**	**8.2**	**307.5**	**1.0**	**10.2**	**70.3**	**1.6**	**3.5**

Results of Operations and Overall Performance

Gold production

	Fourth Quarter		Year	
(Ounces)	2011	2010	2011	2010 (3)
Segovia Operations				
Company-operated mines	9,415	11,335	39,575	13,322
Artisanal miners (1)	11,515	1,187	29,129	1,187
	20,930	12,522	68,704	14,509
Marmato Underground	6,049	-	22,715 (2)	-
Total	26,979	12,522	91,419	14,509

(1) Represents gold produced from ore mined by small to medium scale mining contractors operating under contract within the Company's mining property.
(2) Represents total gold ounces produced at the Marmato Underground mine for the year. Includes 9,939 ounces produced at the Marmato Underground mine from January 1, 2011 to June 10, 2011 prior to the merger with Medoro.
(3) Includes Segovia Operations solely for the period from September 6 to December 31, 2010.

Total gold production for the fourth quarter increased 115% over the fourth quarter of 2010 and 24% over the third quarter of 2011, largely as a result of growth at the Segovia Operations and the addition of the Marmato Underground mine following the Medoro merger in June 2011. Gran Colombia is in the process of expanding capacity and increasing production at its Segovia Operations, expected to reach 130,000 ounces in 2012. With a new crusher-jig-sifter system and ball mill in place, capacity at the existing Maria Dama mill is expected to reach 1,000 tonnes per day by the end of the second quarter of 2012, up from an average of 517 tonnes milled per day in 2011, and by late in 2012 to 1,500 tonnes per day. In 2012, production from the Marmato Underground mine is expected to total approximately 25,000 ounces.

Production data by operation for 2011 is as follows:

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year
Segovia Operations					
Company-operated mines					
Tonnes milled	46,221	39,886	32,581	28,247	146,935
Head grade (g/t)	7.80	8.57	10.16	10.60	9.07
Mill recovery	90.7%	91.1%	90.5%	97.8%	92.4%
Gold produced (ounces)	10,515	10,012	9,633	9,415	39,575
Artisanal miners					
Tonnes milled	4,037	9,122	10,540	17,893	41,592
Head grade (g/t)	38.04	26.80	22.28	22.49	24.89
Mill recovery	89.8%	88.8%	82.2%	89.0%	87.5%
Gold produced (ounces)	4,432	6,979	6,203	11,515	29,129
Total Segovia Operations					
Gold produced (ounces)	14,947	16,991	15,836	20,930	68,704
Silver produced (ounces)	15,141	16,231	14,857	18,404	64,633
Marmato Operations					
Tonnes milled	61,231	55,231	66,781	67,310	250,553
Head grade (g/t)	3.19	3.30	3.11	3.16	3.18
Mill recovery	88.6%	89.1%	88.3%	88.5%	88.6%
Gold produced (ounces) (1)	5,561	5,214	5,891	6,049	22,715
Silver produced (ounces) (2)	8,468	7,990	8,820	9,838	35,116
Total Company					
Gold produced (ounces) (1)	20,508	22,205	21,727	26,979	91,419
Silver produced (ounces) (2)	23,609	24,221	23,677	28,242	99,749

(1) Includes 9,939 ounces of gold produced at the Marmato Underground mine from January 1, 2011 to June 10, 2011 prior to the merger with Medoro.
(2) Includes 14,691 ounces of silver produced at the Marmato Underground mine from January 1, 2011 to June 10, 2011 prior to the merger with Medoro

Revenues

	Fourth Quarter 2011	Fourth Quarter 2010	Year 2011	Year 2010
Gold				
Ounces sold	29,185	12,527	83,809	14,071
Average realized price ($/oz)	1,687	1,401	1,596	1,385
Revenues				
Gold	$ 49,245	$ 17,552	$ 133,775	$ 19,490
Silver	837	274	2,671	304
Refining and processing royalties	343	158	1,267	376
	$ 50,425	$ 17,984	$ 137,713	$ 20,170

Revenues of $50.4 million in the fourth quarter of 2011 grew by 30% over the third quarter of 2011, driven by the increase in the Company's gold production; the Company continued to benefit from a strong gold price environment, with average realized gold prices of $1,687 per ounce. The Company expects that revenues will continue to increase in 2012 as a result of the expansion of gold production at the Segovia Operations.

In August 2011, the Company completed an $80 million Notes offering, equivalent to 5.3 million ounces of silver (66.7 ounces of silver per Note) using a notional price of $15 per ounce of silver. The Company is naturally hedged against the repayment obligations of the Notes through its current and anticipated silver production and the development of the significant silver resources at the Marmato Project. During the third and fourth quarters of 2011, the Company produced a total of 51,919 ounces of silver, generating revenue of approximately $2.7 million. In 2011, the Company used the proceeds of its silver sales to purchase for cancellation a total of 1,368 Notes, equivalent to 91,246 ounces of silver or 1.8 ounces of debt for each ounce produced, under a normal course issuer bid (the "Silver Notes Bid") that commenced on August 29, 2011. The Silver Notes Bid will remain open until the earlier of August 28, 2012 or the date on which the Company has purchased the maximum number of Notes ($7,672,500 aggregate principal amount) permitted under the Silver Notes Bid.

Refining and processing revenues include charges to third parties for refining materials at the Company's smelter operation in Medellin, Colombia, and processing royalties at the El Zancudo property.

Cost of sales

	Fourth Quarter 2011	Fourth Quarter 2010	Year 2011	Year 2010
Per ounce of gold sold [(1)]				
Total cash cost				
Operations costs	$ 1,097	$ 1,223	$ 1,244	$ 1,272
Production taxes	45	50	41	45
By-product credits (silver)	(29)	(22)	(32)	(22)
Total cash cost	1,113	1,251	1,254	1,295
Depreciation and depletion	135	236	216	242
Total production cost	$ 1,248	$ 1,487	$ 1,470	$ 1,537

(1) See "Additional Financial Measures".

The cash cost per ounce sold from the Company's mining operations on a quarterly basis in 2011 was as follows:

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year
Segovia Operations					
Company-operated mines	$ 1,221	$ 1,511	$ 1,555	$ 1,129	$ 1,336
Artisanal miners	1,205	1,350	1,290	1,127	1,238
Segovia Operations average	1,215	1,427	1,423	1,128	1,288
Marmato Underground	-	1,068	1,123	1,072	1,093
Company average	$ 1,215	$ 1,409	$ 1,340	$ 1,113	$ 1,254

The Company reported a reduction in the fourth quarter of 2011 in its consolidated cash cost to $1,113 per ounce of gold sold, a $227 per ounce improvement from the third quarter, in large part due to steps taken in September 2011 to significantly reduce its costs at the Segovia operations. These actions included:

- ***Workforce reduction at Company-operated mines:*** On September 6, 2011, the Company reached the first anniversary of the re-start of operations at its Segovia operations. During this period, the Company honoured its acquisition-related obligation to maintain employment of 1,428 workers during the first year of operations. During this time, the Company completed development and expansion projects at the mine, identified areas of opportunity to improve efficiencies and laid the groundwork for a reduction in the labour force predicated on finding suitable alternative employment for the displaced workers. In early September, Gran Colombia successfully completed this initiative with a reduction of 603 workers, or 42%, bringing the number of employees in the Segovia operations down to approximately 825. The Company recorded one-time mine transition expenses (excluded from total cash cost per ounce and total production cost per ounce) of $0.4 million in the third quarter of 2011 associated with the workforce reduction.

- ***Artisanal miner contracts:*** The Company has put into place a total of 22 contracts with cooperatives of artisanal miners at the Segovia Operations, the largest four of which account for approximately 95% of gold production from the artisanal miners. The artisanal miner operations are an important part of the Company's operations in Segovia. Through this arrangement, the Company contributes to the overall employment in the local community while continuing to ensure that environmentally compliant processing is maintained for such production. Under these contracts, the Company pays the artisanal miners a fee for mining services pursuant to a formula based on estimated gold content and a percentage (averaging approximately 55%) of the market price for gold at the time of delivery of the ore to the Company's mill. In 2011, these fees represented approximately 76% of the total cash cost per ounce in 2011 related to gold production from the artisanal miners.

As a result of the initiatives outlined above, Gran Colombia achieved total cost savings of more than $2 million per month starting in September in its Company-operated mines. This translated into a $426 per ounce reduction in cash cost at the Company-operated mines to $1,129 per ounce in the fourth quarter of 2011. With the Company's cost structure at its operated mines being primarily fixed in nature, the key to continued cost reduction success in the future is to increase tonnes mined per day. In 2011, the Company initiated an expansion of the existing Maria Dama mill that will be completed in April 2012 and enable the

Company to increase its mill throughput. In conjunction with this initiative, the Company will also implement actions, including the acquisition of additional mining equipment, to increase the productivity levels in its operated mines to feed the expanded mill capacity. These actions are expected to reduce the cash cost in 2012 below $1,000 per ounce. The development of new mining areas incorporating modern mechanized mining techniques is expected to further reduce cash costs at the Company's operated mines below $900 per ounce by 2014.

The cash cost for gold production from the artisanal miners at Segovia is essentially fixed on a per ounce basis as it is tied to the market price for gold. Through these contracts, the Company has essentially locked in an operating margin of approximately 30-35%, depending on mill recovery rates, of the price of gold for ore mined by the artisanal miners. This ore tends to be much higher grade than the ore mined by the Company at its operated mines and as such, is an important source of operating cash flow for the Company. It is expected that in 2012, ore sourced from the artisanal miners will continue to account for approximately 50-60% of the Company's total gold production from its Segovia Operations.

Social contributions

	Fourth Quarter		Year	
	2011	2010	2011	2010
Segovia social contributions	$ 999	$ -	$ 2,313	$ -
Marmato social projects	2,154	-	2,154	-
	$ 3,153	$ -	$ 4,467	$ -

Pursuant to the terms of the acquisition of all of the assets of Frontino Gold Mines Limited (the "Frontino Acquisition") in 2010, the Company must make contributions to a trust account to fund local social programs in each quarter in which it produces a minimum of 15,000 ounces of gold from the Segovia Operations. The contribution rate is $4 per ounce of gold production at the minimum gold price of $700 per ounce and increases by $2 per ounce for each $50 increment in the price of gold. The terms of the agreement also provide that the Company may retain up to 70% of these quarterly contributions, if applicable, to recover advances made to the pension plan during the transition of the pension plan obligations to the Social Security Institute until such advances are recovered. The Company's production at the Segovia operations surpassed the 15,000 ounce threshold in the second, third and fourth quarters of 2011 and as such, the Company was required to make social contributions of approximately $43 per ounce of production at Segovia or $2.3 million in aggregate, of which $1.6 million was applied to recover advances to the pension plan.

In the fourth quarter of 2011, as part of the Company's commitment to community initiatives in the Town of Marmato, Gran Colombia contributed approximately $2.2 million to the town and its surrounding area, to be used to fund Phase II construction of the El Llano Hospital, the construction of an administrative centre and other community projects.

ther items

	Fourth Quarter		Year	
	2011	2010	2011	2010
General and administrative expenses	$ 5,409	$ 2,479	$ 15,580	$ 3,870
Acquisition costs	(51)	-	4,953	21,451
Share-based compensation	35	127	8,168	9,939
Equity tax	-	-	12,605	-
Finance costs	2,238	538	9,961	609
Other income (expense)	(2,548)	-	10,365	-

General and administrative ("G&A") expenses amounted to $5.2 million for the fourth quarter of 2011 bringing the year-to-date total to $15.6 million. G&A increased in the third and fourth quarters of 2011 following the merger with Medoro and on an annualized basis would represent a run rate of almost $20 million per annum. However, the Company has taken a number of steps to integrate the personnel, offices and other expenses of the combined organization and expects that its G&A in 2012 will decrease to approximately $14 million for the year. In 2010, the Company was in its formative stage prior to the acquisition of its mineral properties and the reverse takeover ("RTO") transaction that enabled it to become a listed company. As such, G&A expenses in the prior year comparative periods were relatively limited.

The Company incurred a total of $5.0 million of acquisition costs in the second and third quarter of 2011 associated with the Medoro merger, including financial advisory, legal and other professional fees and listing fees. In 2010, acquisition costs amounted to $21.2 million, including $15.6 million representing the deemed fair value of the common shares issued and share purchase warrants honoured to complete the RTO transaction and $5.6 million associated with the Frontino Acquisition.

In 2011, the Company recorded share-based compensation expense of $8.2 million representing the fair value of 14.1 million stock options granted to directors, officers, employees and consultants to the Company. In 2010, the Company recorded share-based compensation expense of $10.0 million in connection with the grant of 10.4 million stock options following the RTO transaction. The fair values were determined using a Black-Scholes option pricing model.

On December 29, 2010, the Colombian Congress passed a law that imposes a 6% equity tax on Colombian operations. The Company's total equity tax payable for the years 2011 to 2014 is approximately $13.9 million (excluding the $5.0 million obligation assumed in the Medoro acquisition), to be paid in eight equal installments over the four-year period. The new equity tax is payable even in the event the Company ceases to have taxable equity in subsequent years. As such, the Company recognized the present value ($12.6 million) of the entire amount of the equity tax payable as an expense during the first quarter of 2011.

Finance costs for the year ended December 31, 2011, amounted to $10.0 million and included $5.2 million of transaction costs incurred in connection with the issuance of the Notes in August 2011. Finance costs also include interest expense of $2.6 million associated with the Company's borrowing under the Notes and Colombian bank term loan and working capital credit facilities. The remaining approximately $2.1 million of finance costs in the year represent non-cash accretion of the discounts on non-current liabilities that are being paid over time. These liabilities pertain to the equity tax payable, as described above, and future payments of the ongoing retiree health care premiums assumed in the Frontino Acquisition in 2010.

Other income of $10.4 million for the year includes a $13.7 million mark-to-market gain on the Notes. The Notes are a financial liability and their carrying value is based on fair value, determined based on the quoted trading price of the Notes on the Toronto Stock Exchange ("TSX"). Consequently, at each quarter end, the change in the fair value will be recognized through earnings. At December 31, 2011, the Notes were trading at a discount to their face value, giving rise to the mark-to-market gain recognized in the period. Offsetting the market-to-market gain on the Notes in the fourth quarter of 2011 are an impairment charge of $1.5 million on equity securities held by the Company and a write down of $2.3 million taken on the Concepcion property as management has concluded that it will not continue with its exploration program there at this time.

The Company reported a net loss attributable to shareholders for the year of $34.8 million, or $0.11 per share which included $17.6 million of one-time charges related to the equity tax and the Medoro acquisition costs, $8.2 million of share-based compensation expense, $5.2 million of Notes issuance costs, partially offset by the $13.7 million fair value gain on the Notes. As a result of steps taken in 2011 to reduce operating costs and G&A, and ongoing initiatives to increase production, the Company expects to continue to improve its profitability in the future.

Summary of Quarterly Results

$000's except ounce, per ounce and per share data	4th Qtr 2011	3rd Qtr 2011 Recasted	2nd Qtr 2011(3) Recasted	1st Qtr 2011 Recasted	4th Qtr 2010	3rd Qtr 2010	2nd Qtr 2010	1st Qtr 2010
Operating data:								
Gold produced (ounces)	26,979	21,990	17,827	14,947	12,522	1,987	-	-
Gold sold (ounces)	29,185	22,317	17,533	14,774	12,527	1,544	-	-
Average realized gold price (1)	$ 1,687	$ 1,684	$ 1,529	$ 1,363	$ 1,401	$ 1,255	$ -	$ -
Total cash costs (1, 2)	1,113	1,368	1,448	1,215	1,251	1,652	-	-
Total production cost (1, 2)	1,230	1,536	1,623	1,386	1,487	1,945	-	-
Financial data:								
Total revenues	$ 50,425	$ 38,779	$ 27,725	$ 20,784	$ 17,984	$ 2,186	$ -	$ -
Gross margin (4)	13,157	1,862	(2,246)	(1,320)	(919)	(2,028)	-	-
Net income (loss) attributable to shareholders	1,673	(5,910)	(12,620)	(17,956)	(4,818)	(33,368)	(764)	(63)
Basic and diluted income (loss) per share	0.00	(0.01)	(0.04)	(0.08)	(0.02)	(0.27)	(0.03)	(0.00)

(1) Per ounce of gold sold.
(2) See "Additional Financial Measures".
(3) Completed the acquisition of Medoro effective June 10, 2011.
(4) Gross margin for the first three quarters of 2011 have been restated to conform to the current period statement of operations presentation which presents 'Social contributions' on a separate line.

Recast resulting from adjustment to depreciation, depletion and amortization: Depreciation, depletion and amortization has been recasted for the three month periods ended March 31, 2011, June 30, 2011 and September 30, 2011 by $1.2 million, $1.6 million, and $2.0 million respectively. The total impact on depreciation, depletion and amortization for the year was an increase of $4.9 million with a corresponding increase in net loss for the year. There was no impact on basic and diluted loss per share for any of the quarters.

Gross margin for the fourth quarter of 2011 improved significantly over the previous quarter as it was the first full quarter that the Company benefited from the initiatives implemented in September 2011 to reduce operating costs at the Segovia Operations and as a result of a 24% increase in production over the prior quarter. These actions together with continuing strong realized gold prices resulted in the improvement in gross margin to $13.2 million for the fourth quarter as compared to $1.9 million in the third quarter of 2011.

The fourth quarter of 2011 was the first quarter that the Company reported net income as gross margin was sufficient to cover G&A, other expenses and income taxes.

The net loss for the second quarter of 2011 includes $4.8 million of costs associated with the acquisition of Medoro.

The net loss for the first quarter of 2011 includes a one-time charge of $12.6 million reflecting the Company's provision for the 2011-2014 equity tax levied on all companies in Colombia. The equity tax will be paid in eight instalments over the four-year period.

The negative gross margin in the third quarter of 2010 includes $1.2 million of mine transition costs incurred during a two-week period following the completion of the Frontino Acquisition. Mining operations at the Segovia Operations resumed on September 6, 2010 and as such, the results of operations for the third quarter of 2010 include only 25 days of mining activity.

The net loss for the third quarter of 2010 includes $21.5 million of transaction costs related to the RTO transaction and the Frontino Acquisition and $9.8 million of non-cash share-based compensation expense resulting from the initial grants of stock options following the RTO transaction. Prior to the third quarter of 2010, the Company had no mining operations and was principally engaged in the identification, evaluation and acquisition of interests in several mineral projects in Colombia.

Liquidity and Capital Resources

At December 31, 2011, the Company's cash position amounted to $20.3 million as compared to $23.8 million at the end of the previous year. Cash balances are held in highly-rated Canadian and Colombian financial institutions and are readily available to the Company to meet its financial obligations as they become due. Financing activities in 2011 provided the Company with $74.7 million of cash in the year, principally from the Notes issuance in the third quarter, and it has used $62.1 million of its cash resources in investing activities and $14.5 million in operating activities.

Mining operations contributed $29.6 million of operating cash flow (revenues net of operating and mine transition costs) during 2011, $18.4 million of which was generated in the fourth quarter, and was sufficient to fund G&A expenses, social contributions, interest payments on debt and equity tax instalments incurred during the year. After a $15.5 million increase in working capital items, net cash used in operating activities in 2011 amounted to $14.5 million. The increase in non-cash working capital items related primarily to a $14.1 million increase in inventories and an increase of $8.7 million in accounts receivable, largely related to VAT claims, both which are a result of timing and which will result in cash inflows to the Company in the first half of 2012. Inventories, including precious metals, and account receivables have been evaluated for impairment and no provision has been required. It is expected that the cash flow from mining operations will continue to improve as a result of the actions taken to-date to reduce operating costs and to increase gold production at the Segovia Operations in 2012.

Cash used in investing activities in 2011 of $62.1 million included:

- $10.5 million toward its acquisition commitments for exploration and evaluation assets at El Zancudo, Carla and Mazamorras. The final $5.0 million instalment for the Carla mine acquisition was paid in October 2011. At December 31, 2011, the Company's remaining acquisition obligations for Mazamorras, payable in instalments through November 2012, amount to $2.0 million.
- $50.6 million on capital and exploration expenditures, including $32.2 million on drilling and other exploration activities, principally at the Segovia Operations and the Marmato Project and $3.3 million paid towards the acquisition of additional mining titles related to the Marmato Project. Capital expenditures of $13.1 million include initiatives to upgrade the infrastructure at the Segovia Operations and to commence the expansion of capacity at the Maria Dama mill.
- $1.4 million of net additional advances to fund the monthly pension plan payments to retirees during the interim period prior to the assignment in March 2011 of the Frontino pension obligations to the Social Security Institute, a government entity responsible for the administration and payment of pension obligations in Colombia. The net advances reflect a recovery of $1.6 million from a reduction in the Company's social contributions since March 2011.
- $1.1 million to fund the assumed obligation for the monthly health care premiums of the retirees at the Segovia Operations. This ongoing obligation, currently amounting to approximately $0.1 million per month, stems from the Frontino Acquisition in 2010. In 2011, the Company was also required to place $1.0 million of cash in trust to guarantee its obligations.
- The acquisition of Medoro increased the Company's cash position by $1.5 million, after payment of a total of $7.3 million of acquisition costs incurred by the two companies to complete the merger transaction in June 2011.

In 2011, the Company increased its net borrowings under bank credit and loan facilities to $8.5 million at December 31, 2011, including $5.2 million borrowed in April 2011 under a COP 10 billion three-year term loan with a Colombian bank. The proceeds of the term loan have been used to fund capital and operating activities at the Segovia operations. In connection with the term loan, the Company is required to deposit COP 0.4 billion (approximately $0.2 million) into a restricted cash account to fund the monthly repayments of principal and interest. At December 31, 2011, the restricted cash account had a balance of $1.4 million. Principal repayments on the term loan commenced in January 2012.

In August 2011, the Company issued $80 million of Notes ($74.8 million net of transaction costs). The Notes have a seven-year term and principal repayments, linked to the price of silver, do not commence until the end of the fourth year. The net proceeds are being used by the Company for the development of the Marmato Project, Colombia-based social programs related to the Marmato Project, the relocation of the Town of Marmato and for general corporate purposes including improvements at its operating properties. The Company also initiated the Silver Notes Bid at the end of August 2011 to purchase Notes for cancellation and purchased approximately 2% of the total issued and outstanding notes on the open market during 2011. Although the Company may from time to time decide based upon market conditions to make additional purchases of the Notes under the Silver Notes Bid, it is expected that in 2012 the Company will devote all of its free cash flow toward funding of its capital and exploration programs at the Segovia Operations and the Marmato Project.

Subsequent to year end, in March 2012, the Company entered into a two-year term loan with a Colombian bank in the amount of COP8 billion (approximately $4.1 million) that was used to fund payments made in March for the acquisition of additional mining titles at the Marmato Project.

The Company also has a source of potential financing through the exercise by warrant and option holders of issued and outstanding share purchase warrants, compensation options and stock options, as detailed under "*Outstanding Shares, Stock Options, Compensation Options and Warrants".* In 2011, the Company received cash proceeds of $1.9 million through the exercise of stock options and unlisted warrants.

On September 27, 2011, the Company announced that it had filed a Notice of Intention to commence a normal course issuer bid (the "Common Shares Bid") with the TSX for its common shares listed on the TSX. Under the terms of the Common Shares Bid, the Company has the right to purchase for cancellation through the facilities of the TSX up to a maximum of 37,993,493 common shares, representing approximately 10% of the public float of the common shares issued and outstanding as of September 23, 2011, determined in accordance with the applicable rules of the TSX. The Common Shares Bid will be in effect until the earlier of September 29, 2012 or the date on which the Company has purchased the maximum number of common shares permitted under the Common Shares Bid. In 2011, the Company purchased for cancellation a total of 7,703,000 common shares at an average price of CA$0.65 per common share. No further purchases were made under the Common Shares Bid from January 1, 2012 to March 28, 2012. Although the Company may from time to time decide, based upon market conditions, to make additional purchases of the Notes under the Common Shares Bid, it is expected that in 2012 the Company will devote all of its free cash flow toward funding of its capital and exploration programs at the Segovia Operations and the Marmato Project.

The Company has entered into commitments for the acquisition of additional mining titles and to compensate artisanal miners who will be required to relocate upon development of the Marmato project. At December 31, 2011, these commitments totaled $16.5 million over a period of three years. The Company expects these amounts will be funded from a combination of existing cash balances, internally generated cash flow and external financing, as required (including the term loan entered into in March 2012). From January through March 2012, the Company paid approximately $10.9 million in connection with these commitments.

Internally generated cash flows, along with the existing cash balances, are also expected to be sufficient to fund the Company's ongoing operations for 2012, to complete the Maria Dama expansion and other capital investments related to the production growth at Segovia in 2012, to fund a planned 51,000 meter drilling program at the Segovia Operations and to fund the pre-feasibility study and certain social initiatives associated with the Marmato Project. The Company may also implement additional working capital lines and other similar banking arrangements with local financial institutions in Colombia to facilitate its cash management activities. The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objective of growing production and expanding its resources and to respond to changes in economic conditions.

On December 20, 2011, the Company announced that it had signed an exclusive mandate letter with Standard Bank Plc ("Standard"), in conjunction with Pareto Commodities LLC, for the arrangement of a $100 million senior secured term loan facility (the "Standard Facility") to fund the Company's plan to increase production at its Segovia Operations through the development of a new mechanized mining operation and the acquisition of a new 2,500 tonnes per day mill in addition to its expanded Maria Dama mill. The Standard Facility will incorporate gold price participation on a total of 150,000 ounces of gold production from the Segovia Operations over the five-year term of the Facility. This represents only 17% of the Company's total estimated gold production from the Segovia Operations over the same five-year period. The expansion of mining and milling capabilities with the proceeds of the Standard Facility will enable the Company to increase total gold production at Segovia to approximately 200,000 ounces annually by 2014 and to reduce long-term cash costs below $900 per ounce.

Under the Standard Facility, Standard will purchase 2,500 ounces of gold per month ("Minimum Production") from the Company at market prices, subject to an agreed upon hedging program. From the monthly proceeds derived from the sale of the Minimum Production, Standard will deduct interest on the Standard Facility at LIBOR plus 6.5%, any net premiums related to the hedging program, principal repayments and its gold price participation, which is only 25% to 35% of the gold price realized above $1,300 per ounce.

The Company will pay interest only on the Standard Facility during the first 12 months, allowing the Company to use its operating cash flow to fund its planned investment program in 2012 at Segovia Operations. Principal repayments of $25 million per annum will commence at the beginning of the second year of the Standard Facility and will be made on a monthly basis. The Standard Facility may be prepaid at any time after six months.

The Standard Facility will be secured by a pledge of the shares of certain of the Company's subsidiaries holding title to the Segovia Operations, an assignment of the specific assets of the Segovia Operations, an undertaking from the Company regarding the Minimum Production obligation and certain limitations on the incurrence of additional debt, excluding project financing for the development of the Marmato Project.

The Company initially expected that the Standard Facility would close at the end of January 2012. However, due diligence activities being conducted by Standard, some of which are being performed on behalf of Standard by third party technical consultants, are taking longer than initially expected by both the Bank and the Company. These due diligence activities include technical studies, such as a preliminary economic assessment of the mineral resource estimate at the Segovia Operations announced in early March 2012 and environmental due diligence in conjunction with the Company's filing of the environmental management plan for the Segovia Operations with the local environmental authority in April 2012. Although there is no certainty that the Standard Facility will close or that Standard will not revise its term sheet as a result of the due diligence activities, the Company and Standard continue to work together through the process in anticipation of a successful outcome for the Standard Facility. Since the existing Maria Dama mill expansion is fully funded from existing cash balances and operating cash flow, any delay in closing the Standard Facility will not have an impact on the Company's ability to increase its gold production at the Segovia Operations in 2012 as planned.

The Company is currently completing a pre-feasibility study at the Marmato Project to identify and evaluate its options for development of the future mining operations, including underground, open pit and hybrid underground/open pit scenarios. This study is nearing completion and the Company expects to make a decision in the second quarter of 2012 and then to proceed to the feasibility study stage. In conjunction with these activities, the Company will begin evaluating its options for debt financing for the development of the Marmato Project, including funding required to complete its obligations under acquisition agreements for mining titles and for artisanal miners' compensation agreements, as well as for social and resettlement programs associated with the resettlement of the Town of Marmato, as required.

Recent Accounting Pronouncements

The following new and revised accounting pronouncements have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Accounting Standards Issued and Effective January 1, 2012

IAS 12 – Income Taxes (Amended) ("IAS 12"), introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value.

IFRS 7 – Financial instruments: Disclosures (Amended) requires additional disclosures on transferred financial assets.

Accounting Standards Issued and Effective January 1, 2013

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard: (a) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (b) defines the principle of control, and establishes control as the basis for consolidation; (c) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (d) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities.*

IFRS 11 Joint Arrangements establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 Disclosure of Involvement with Other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 Fair Value Measurement ("IFRS 13") defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; or leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

IAS 1 Presentation of Financial Statements has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present other comprehensive income ("OCI") items before tax will be required to show the amount of tax related to the two groups separately.

IAS 27 Separate Financial Statements has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 Investments in Associates and Joint Ventures ("IAS 28") prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

IFRIC 20 Stripping Costs in the Production Phase of a Mine was issued by the IASB in October 2011 and clarifies the requirements for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory and (ii) improved access to further quantities of material that will be mined in future periods.

Accounting Standards Issued and Effective January 1, 2015

IFRS 9 Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, cash in trust, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, amounts payable for exploration and evaluation assets and long-term debt. The fair value of these financial instruments approximates their carrying values.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Risks and Uncertainties

Exploration, development and mining of precious metals involve numerous inherent risks as a result of the economic conditions in the various areas of operation. As such, the Company is subject to several financial, operational and political risks that could have a significant impact on its profitability and levels of operating cash flows. Although the Company assesses and minimizes these risks by applying high operating standards, including careful management and planning of its facilities, hiring qualified personnel and developing their skills through training and development programs, these risks cannot be eliminated. Such risks include:

- metal price volatility;
- future production rates;
- financing risks;
- history of losses;
- going concern;
- current global markets and economic conditions;

- exploration, development and operations;
- risks with title to mineral properties;
- resettlement of the Town of Marmato;
- environmental permits;
- liquidity risks;
- operating history in Colombia;
- mining risks and insurance risks;
- integration risks;
- regulatory approvals:
- changes in legislation;
- labour matters and employee relations;
- economic and political factors;
- currency risk;
- changes to environmental laws:
- asset retirement obligation;
- shortage of experienced personnel and equipment;
- potential conflicts of interest;
- possible volatility of stock price;
- repatriation of earnings risk;
- ranking of the Notes;
- absence of covenant protection in the Notes;
- market for the Notes;
- taxation – CRA review of the Notes;
- enforcement of civil liabilities;
- forward-looking information may prove inaccurate;
- infrastructure;
- joint ventures;
- competition;
- dividends; and
- other risks.

If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently aware or which it considers to be material in relation to the Company's business actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the prices of the Company's securities could decline and investors may lose all or part of their investment.

Readers are encouraged to read and consider the risk factors more specifically described in the Company's Annual Information Form dated as of March 28, 2012 and its Final Short Form Prospectus dated as of August 4, 2011, both of which are available at www.sedar.com. Such risk factors could materially affect the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Outstanding Shares, Stock Options, Compensation Options and Warrants

At March 28, 2012, the Company had the following securities issued and outstanding:

Securities	Number	Exercise price per unit	Expiry date
Common shares (TSX: GCM)	381,984,251		
Stock options	9,775,000	CA$1.60	August 20, 2015
	25,000	CA$1.60	October 14, 2015
	150,000	CA$1.83	January 19, 2016
	50,000	CA$1.60	May 11, 2016
	350,000	CA$1.76	January 27, 2016
	13,221,424	CA$0.73	September 12, 2016
	100,000	CA$0.73	September 21, 2016
	200,000	CA$0.54	September 29, 2016
	65,000	CA$0.62	October 24, 2016
	23,936,424		
	9,621,330(1)	CA$1.00 to CA$2.13	May 25, 2012 to June 7, 2016
Compensation options	1,350,000	CA$1.00	April 27, 2012
	10,312,500(2)	CA$1.60	August 24, 2012
Warrants			
TSX: GCM.WT	157,973,489	CA$2.60	August 24, 2015
TSX: GCM.WT.A	1,527,537(4)	CA$6.00	December 28, 2012
	3,722,333(4)	US$4.50	June 18, 2013

(1) Represent exchanged Gran Colombia options issued to Medoro option holders in connection with the merger in June 2011. Upon exercise, entitles the option holder to receive 1.2 common shares and 0.5 share purchase warrants (GCM.WT) of the Company. A total of 15,041,263 common shares have been reserved for issuance in connection with the exchanged Gran Colombia options.

(2) Entitles the agent to acquire one common share and 0.5 common share purchase warrant (GCM.WT).

(3) Represent exchanged Gran Colombia warrants to be issued to Medoro warrant holders in connection with the merger in June 2011. Upon exercise, entitles the warrant holder to receive 1.2 common shares and 0.5 share purchase warrants (GCM.WT) of the Company. A total of 550,268 common shares have been reserved for issuance in connection with the exchanged Gran Colombia warrants.

(4) Represent exchanged Special Gran Colombia warrants to be issued to Medoro warrant holders in connection with the merger in June 2011. A total of 3,095,114 common shares have been reserved for issuance in connection with the exchanged Special Gran Colombia warrants.

Critical Accounting Policies and Estimates

A detailed summary of all the Company’s significant accounting policies, judgments, estimates and assumptions is included in Notes 3 and 4 to the consolidated financial statements for the year ended December 31, 2011.

Additional Financial Measures

The Company has included additional financial performance measures, such as total cash costs, total production costs (by-product) per gold ounce, and operating earnings, throughout this MD&A. The Company reports total cash and production costs on a sales basis. In the gold mining industry, this is a common performance measure but does not have any standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it 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. *"Total cash cost per ounce"* on a by-product basis is calculated by deducting by-product silver sales revenues from operations cash costs, production taxes and social contribution costs, where applicable, and dividing the sum by the number of gold ounces sold. Operations costs include mining, milling, refining and mine site administration costs. *"Total production costs per ounce"* on a by-product basis are calculated by adding depreciation and depletion to total cash costs and dividing the sum by the number of ounces of gold sold. Operating earnings is a non-IFRS measure defined as revenues, less costs of sales (excluding depreciation, depletion and amortization).

Management's Report on Internal Control over Financial Reporting

The Company graduated from the TSX Venture Exchange to the TSX on December 22, 2010. Consequently, this is the Company's first annual certification under National Instrument 52-109 – Certification of Disclosure Issuer's Annual and Interim Filings ("National Instrument 52-109") as a non-venture issuer.

Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures and has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that they were effective as at December 31, 2011.

Internal control over financial reporting

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud. Management has used the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') framework in order to assess the effectiveness of the Company's internal control over financial reporting.

Effective June 10, 2011, the Company completed the acquisition of Medoro. The results of Medoro's operations have been included in the consolidated financial statements since the date of acquisition. However, the Company has not had sufficient time to appropriately review, design or maintain the internal controls implemented by Medoro. The Company has therefore elected to use the exemption available under National Instrument 52-109 for businesses acquired within 365 days of year end, to limit the scope of the evaluation of disclosure controls and procedures and internal control over financial reporting to exclude the controls, policies and procedures at Medoro from the December 31, 2011 certification of internal controls.

The Company is in the process of integrating the Medoro operations and will be expanding its disclosure controls and procedures and internal control over financial reporting compliance program to include Medoro within the next year. The acquisition date financial information for Medoro is included in the discussion regarding the acquisition contained in this MD&A and in Note 8 of the consolidated financial statements. A summary of the financial information for Medoro, which was included in the consolidated financial statements of the Company at December 31, 2011, is provided below:

($ millions)	Year ended December 31, 2011
Financial Data:	
Revenues	$ 24.8
Net loss	(1.8)
Net assets	225.6

Management conducted an evaluation of the effectiveness of internal control over financial reporting (excluding Medoro) and concluded that it was effective as at December 31, 2011.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the three months ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

In 2012, the Company's focus will focus on the following key initiatives: (i) increase its gold production to a total of approximately 155,000 ounces, which includes gold production growth to approximately 130,000 ounces at the Segovia Operations, made possible by the completion of the expansion of the existing Maria Dama plant; (ii) continuing to take the actions necessary to reduce the cash production costs on a per ounce basis at the Company's operated mines in the Segovia Operations; (iii) completing the pre-feasibility study with respect to the Marmato Project to determine the most suitable plan for the development and financing of the new mine operations; (iv) obtaining the financing to fund the Company's expansion plan at its Segovia Operations through the development of a new mechanized mining operation and the acquisition of a new 2,500 tonnes per day mill; (v) commencing a 51,000 meter diamond drilling exploration program at the Segovia Operations to upgrade and expand its resources; (vi) continuing with its social program and initiatives and (vii) commencing the re-organization of the Company's subsidiaries to simplify the corporate structure and reduce costs.

In connection with these key initiatives, the Company has approved a $15 million capital investment program, funded from internal sources, at its Segovia Operations. This capital program includes the balance of expenditures required to complete the expansion of the Maria Dama plant together with the acquisition of additional mining equipment to support the planned increase in mining rates at the existing Company-operated mines. The Company recently commenced construction of new facilities on site in Segovia, to be operated by an independent laboratory, to enhance its sampling and assaying capabilities in the production process. The capital program will also be investing in the expansion of tailings facilities to support the planned production growth. To upgrade and expand its resources at the Segovia Operations, the Company has approved a $13 million, 51,000 meter drilling campaign that will be commencing in April 2012 and carry on into 2013.

Upon closing of the Standard Facility, the Company will commence with development of a new mechanized mine in the Segovia Operations together with the acquisition and installation of a new 2,500 tpd mill. The capital cost of the mill and mining equipment to be acquired for this expansion project is currently estimated to cost approximately $100 million and will be funded by the Standard Facility. It is expected the capital costs will be spent over an approximately 18-month period following closing of the Standard Facility. Gold production will commence within 12 months of commencing the project and the new 2,500 mill will be commissioned for operation toward the end of the 18-month period. At that time, the Company expects that the Maria Dama mill may then be dedicated toward the processing of the higher grade ore from the artisanal miners at Segovia.

Cautionary Note Regarding Forward Looking Statements

Certain statements in this MD&A constitute forward-looking information. Often, but not always, forward-looking statements use words or phrases such as: "expects", "does not expect" or "is expected", "anticipates" or "does not anticipate", "plans" or "planned", "estimates" or "estimated", "projects" or "projected", "forecasts" or "forecasted", "believes", "intends", "likely", "possible", "probable", "scheduled", "positioned", "goal", "objective" or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Such forward-looking statements, including but not limited to statements with respect to anticipated business plans or strategies involve known and unknown risks, uncertainties and other factors which may cause the actual actions, events and results to be materially different from estimated actions, events or results expressed or implied by such forward-looking statements. The Company believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the caption "*Risk Factors*" in the Company's Annual Information Form dated as of March 28, 2012 and the Final Short Form Prospectus dated as of August 4, 2011, both of which are available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws.