GRAN COLOMBIA GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
March 30, 2016

The following discussion and analysis of the results of operations and financial condition ("MD&A") for Gran Colombia Gold Corp. (the "Company" or "Gran Colombia") should be read in conjunction with the audited consolidated financial statements and related notes thereto for the year ended December 31, 2015 which are available on the Company's web site at www.grancolombiagold.com and on www.sedar.com. Readers are encouraged to read the Cautionary Note Regarding Forward Looking Information included on page 26 of this MD&A. 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 ("USD"), except for production, share data or as otherwise stated.***

Fourth Quarter and Full Year 2015 Highlights

- The Company ***completed the comprehensive restructuring*** of its Senior Secured Gold-Linked Notes due October 2017 (the "Gold Notes") and Senior Unsecured Silver-Linked Notes due August 2018 (the "Silver Notes) on January 20, 2016, bringing the Company out of default and improving its liquidity as it continues with its mine plan implementation at the Segovia Operations.
- Improved production together with the significant reduction in total cash costs and G&A expenses, as outlined below, increased ***adjusted EBITDA*** to $10.0 million in the fourth quarter of 2015 compared with $5.6 million in the fourth quarter last year. For the full year 2015, adjusted EBITDA increased to $38.4 million from $10.8 million in 2014. See page 24 for the computation and components of this non-IFRS measure.
- Total ***gold production*** in the fourth quarter of 2015 was 30,050 ounces, bringing the total gold production for the year to 116,857 ounces, within the Company's production guidance for 2015 and up 18% over 2014, driven by a 25% increase in Segovia's production to 92,894 ounces this year. As previously announced, Segovia's mining operations were disrupted in October and November last year by external security challenges, lowering its fourth quarter 2015 gold production to 23,868 ounces. The situation has since improved and operations have returned to normal.
- ***Revenue*** of $33.8 million in the fourth quarter of 2015 brought the full year total to $134.9 million, up 10% over 2014 reflecting the increased gold production in 2015, offset partially by the impact of lower gold prices in 2015 that decreased the Company's realized gold prices by 9% to an average of $1,124 per ounce for the year.
- ***Total cash costs*** decreased 22% to $705 per ounce in the fourth quarter of 2015 bringing ***all-in sustaining costs ("AISC")*** down 14% to $852 per ounce for the fourth quarter. For the full year 2015, total cash costs and AISC averaged $729 per ounce and $863 per ounce, respectively, both within the Company's guidance for 2015. See page 25 for the computation of these non-IFRS measures. The cost reductions achieved in 2015 were driven by the impact of the devaluation of the Colombian peso, improved production reducing fixed costs on a per ounce basis and cost savings achieved through a contract amendment with the primary contract miner at Segovia in the first quarter of 2015.
- The Company continued to control its ***general and administrative ("G&A") expenses,*** which totalled $5.7 million in 2015, within the expected $1.5 million quarterly run rate throughout the year.

- The Company reported an ***adjusted net loss attributable to shareholders*** of $3.0 million, or $0.12 per share, in the fourth quarter of 2015 compared with an adjusted net loss of $2.7 million, or $0.12 per share, in the fourth quarter last year. For the full year 2015, the adjusted net loss attributable to shareholders was $1.1 million, or $0.05 per share, compared with an adjusted net loss of $17.9 million, or $0.82 per share, in 2014. The improvement in 2015's adjusted EBITDA is largely responsible for the year-over-year improvement in adjusted net loss attributable to shareholders despite the decrease in realized gold prices. See page 24 for the computation of this non-IFRS measure.
- The Company recorded after-tax ***impairment charges*** in the fourth quarter of 2015 in the amount of $27.2 million, or $1.15 per share, primarily related to the carrying value of its Segovia Operations. Like many of its peers, the Company lowered its long-term gold price estimates in its 2015 annual review of the carrying values of its cash generating units ("CGUs") to $1,200 per ounce from $1,300 per ounce used in last year's annual review. The impairment charges resulted in a ***net loss attributable to shareholders*** of $19.4 million for the fourth quarter of 2015 and $13.0 million for the full year 2015 compared with net income attributable to shareholders of $11.6 million in the fourth quarter of 2014 and a net loss attributable to shareholders of $3.3 million for the full year 2014.

Selected Financial Information

	Fourth Quarter		Year		
	2015	2014	2015	2014	2013
Operating data:					
Gold produced (ounces)	30,050	29,043	116,857	98,622	102,792
Gold sold (ounces)	31,090	28,287	118,446	97,628	102,080
Average realized gold price ($/oz sold)	$ 1,074	$ 1,168	$ 1,124	$ 1,237	$ 1,416
Total cash costs ($/oz sold) (1)	705	908	729	1,024	1,152
All-in sustaining costs ($/oz sold) (1)	852	995	863	1,145	1,322
Financial data ($000's, except per share amounts):					
Revenue	$ 33,751	$ 33,528	$ 134,949	$ 123,027	$ 148,531
Adjusted EBITDA (1)	9,984	5,554	38,423	10,836	13,045
Impairment charges, net of tax	27,246	16,659	27,246	16,659	146,684
Net (loss) income attributable to shareholders	(19,425)	11,610	(13,020)	(3,310)	(165,158)
Basic and diluted (loss) income per share	(0.82)	0.49	(0.55)	(0.15)	(10.81)
Adjusted net loss attributable to shareholders (1)	(2,954)	(2,741)	(1,114)	(17,882)	(20,783)
Basic and diluted adjusted loss per share (1)	(0.12)	(0.12)	(0.05)	(0.82)	(1.36)

	As at December 31,		
	2015	2014	2013
Balance sheet ($000's):			
Cash and cash equivalents	$ 3,004	$ 767	$ 1,609
Gold and Silver Notes (2)	100,740	114,340	152,074
Other debt, including current portion	3,012	5,958	20,441

(1) Refer to "Additional Financial Measures" on pages 23-25.

(2) Represents estimated fair values plus arrears interest. Principal amounts of the Gold and Silver Notes were $100.0 million and $78.6 million, respectively.

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 an office in Medellin, Colombia. The Company is currently the largest underground gold and silver producer in Colombia with several underground mines and two processing plants in operation. The Company is in the midst of an expansion and modernization project at its Segovia Operations.

Comprehensive Restructuring of Gold Notes and Silver Notes Completed in January 2016

Following approval at special meetings of the holders of the Company's common shares, Gold Notes and Silver Notes held on December 22, 2015 and final approval on January 8, 2016 from the Supreme Court of British Colombia, the Company's comprehensive debt restructuring was implemented pursuant to a Plan of Arrangement under the Business Corporations Act (British Columbia) (the "Arrangement") on January 20, 2016 (the "Exchange Date"). Under the Arrangement:

i. all accrued and unpaid interest on the Gold Notes and Silver Notes, together with a 2% restructuring fee, were added to the principal amount of each Gold Note and Silver Note;
ii. the principal amount of the Gold Notes was exchanged for the same principal amount of Senior Secured Convertible Debentures due 2020 (the "2020 Debentures") rounded down to the nearest whole $1.00;
iii. the principal amount of the Silver Notes was exchanged for the same principal amount of Senior Unsecured Convertible Debentures due 2018 (the "2018 Debentures") rounded down to the nearest whole $1.00; and
iv. holders of the Gold Notes and Silver Notes had the option to convert some or all of their debt for common shares on the Exchange Date at a conversion price of $0.13 per common share.

On closing of the Arrangement, the Company issued 89,865,029 additional common shares to certain holders of Gold Notes and Silver Notes who elected to receive common shares in exchange for $0.2 million principal amount of Gold Notes and $11.5 million principal amount of Silver Notes. These principal amounts included all corresponding accrued and unpaid interest and applicable restructuring fees as of the Exchange Date.

As of the Exchange Date, after conversions, there were $71.2 million and $104.0 million of 2018 Debentures and 2020 Debentures, respectively, issued and outstanding. The new 2018 Debentures and 2020 Debentures were listed for trading on the Toronto Stock Exchange on January 22, 2016 under the trading symbols GCM.DB.U and GCM.DB.V, respectively.

Key terms of the 2018 Debentures include:

i. The aggregate principal amount, before conversions elected on the Exchange Date, was $82.7 million, representing the sum of $78.6 million principal amount of the Silver Notes plus $2.5 million of accrued and unpaid interest on the Silver Notes and a $1.6 million restructuring fee that were added to the principal amount of the Silver Notes under the Arrangement. On the Exchange Date, a total of $11.5 million of the aggregate principal amount of the 2018 Debentures was converted to common shares at a conversion price of $0.13 per common share.

ii. The 2018 Debentures are issuable only in denominations of $1.00 and integral multiples thereof.
iii. The 2018 Debentures bear cash interest at a rate of 1.0% per annum payable monthly in arrears on the last business day of each month, commencing on February 29, 2016.
iv. The maturity date is August 11, 2018.
v. The 2018 Debentures are convertible, at the option of the holder at any time prior to the close of business on the maturity date at a conversion price of $0.13 per common share (this represents a conversion rate of approximately 7,692 common shares per $1,000 principal amount of 2018 Debentures). The conversion price is subject to standard provisions providing for adjustments upon the occurrence of certain corporate events.
vi. The 2018 Debentures may be redeemed for cash in whole or in part from time to time at the option of the Company on not more than 60 days and not less than 30 days prior notice, at a price equal to their principal amount plus accrued and unpaid interest.
vii. On maturity, provided that no event of default shall have occurred and be continuing, the Company may, at its option, elect to satisfy its obligation to repay principal plus accrued and unpaid interest amounts (the "Outstanding Balance") of the 2018 Debentures by issuing and delivering that number of common shares obtained by dividing the Outstanding Balance by $0.13. However, should the volume-weighted average trading price of the Company's common shares traded during the 20 consecutive trading days ending five trading days prior to August 11, 2018 be below $0.13 per common share, 19% of the Outstanding Balance must be settled in cash and 81% of the Outstanding Balance may be settled, at the Company's option, in cash or by issuing and delivering that number of common shares at $0.13 per common share.
viii. The 2018 Debentures are unsecured indebtedness of the Company. The covenants and events of default are also as set out in the Silver Notes indenture.
ix. In addition to the right of the Company to redeem the 2018 Debentures, as set out above, the Company also has the right at any time to purchase the 2018 Debentures in the market, by tender, or by private contract, at any price, which, for greater certainty, may be below par.
x. If a change of control occurs, each holder will have the option to elect to put the 2018 Debentures held, in whole or in part, for settlement by the Company on the basis of 101% of the face amount of the debentures plus accrued and unpaid interest; provided however, that a change of control will be deemed not to have occurred if the acquirer has a credit rating of B or better on a pro forma post-consolidated basis and such acquirer agrees to guarantee all obligations under the 2018 debentures.

In addition to the foregoing, the Company covenants that, commencing in 2016, 25% of its Excess Cash Flow, as defined below, will be paid into a sinking fund, which will be applied towards repayment, repurchase (in the market, by tender, or by private contract, at any price, which, for greater certainty, may be below par) or other redemption, as the Company elects, of the 2018 Debentures. The 2018 Debentures' sinking fund will also serve as a guarantee for the 2020 Debentures so long as the 2020 Debentures remain outstanding. "Excess Cash Flow" means with respect to any fiscal quarter of the Company, consolidated EBITDA for such fiscal quarter less capital, development and exploration expenditures, cash payments of principal and interest on debt, changes in non-cash working capital items and payment of taxes and certain other existing financial obligations of the Company.

Key terms of the 2020 Debentures include:

i. The aggregate principal amount, before conversions elected on the Exchange Date, was $104.2 million, representing the sum of $100 million principal amount of the Gold Notes plus $2.2 million of accrued and unpaid interest on the Gold Notes and a $2.0 million restructuring fee that were added to the principal amount of the Gold Notes under the Arrangement. On the Exchange Date, a total of

$0.2 million of the aggregate principal amount of the 2020 Debentures was converted to common shares at a conversion price of $0.13 per common share.

ii. The 2020 Debentures are issuable only in denominations of $1.00 and integral multiples thereof.

iii. The 2020 Debentures bear cash interest at a rate of 6.00% per annum payable monthly in arrears on the last business day of each month, commencing on February 29, 2016.

iv. The maturity date is January 2, 2020.

v. The 2020 Debentures are convertible, at the option of the holder at any time prior to the close of business on the maturity date at a conversion price of $0.13 per common share (this represents a conversion rate of approximately 7,692 common shares per $1,000 principal amount of 2020 Debentures). The conversion price is subject to standard provisions providing for adjustments upon the occurrence of certain corporate events.

vi. The 2020 Debentures may be redeemed for cash in whole or in part from time to time at the option of the Company on not more than 60 days and not less than 30 days prior notice, at a price equal to their principal amount plus accrued and unpaid interest.

vii. The 2020 Debentures are senior secured indebtedness of the Company. The ranking of, and security for, the 2020 Debentures are as set out in the Gold Notes indenture. The covenants and events of default are also as set out in the Gold Notes indenture.

viii. In addition to the right of the Company to redeem the 2020 Debentures, as set out above, the Company also has the right at any time to purchase the 2020 Debentures in the market, by tender, or by private contract, at any price, which, for greater certainty, may be below par.

ix. If a change of control occurs, each holder will have the option to elect to put the 2020 Debentures held, in whole or in part, for settlement by the Company on the basis of 101% of the face amount of the debentures plus accrued and unpaid interest; provided however, that a change of control will be deemed not to have occurred if the acquirer has a credit rating of B or better on a pro forma post-consolidated basis and such acquirer agrees to guarantee all obligations under the 2020 debentures.

In addition to the above, the Company covenants that, commencing in 2016, 75% of its Excess Cash Flow, as defined above, will be paid into a sinking fund, which will be applied towards repayment, repurchase (in the market, by tender, or by private contract, at any price, which, for greater certainty, may be below par) or other redemption, as the Company elects, of the 2020 Debentures.

In connection with the comprehensive debt restructuring, the Company has added five new independent members to its Board of Directors since completion of the Arrangement in early 2016.

During the period from January 20, 2016 through March 30, 2016, holders elected to convert a total of $1.1 million of 2018 Debentures in exchange for 8,129,289 common shares of the Company. During this same period, holders elected to convert a total of $0.5 million of 2020 Debentures in exchange for 3,830,767 common shares of the Company. Reference should be made to the table on page 19 of this MD&A for a summary of the current issued and outstanding securities of the Company as of March 30, 2016.

Resources

The following table summarizes the Company's resource estimates at the Segovia Operations and the Marmato Project as of December 31, 2015:

	Measured			Indicated			Measured & Indicated			Inferred		
	Tonnes (M)	**Grade (g/t)**	**Oz Au (000s)**	**Tonnes (M)**	**Grade (g/t)**	**Oz Au (000s)**	**Tonnes (M)**	**Grade (g/t)**	**Oz Au (000s)**	**Tonnes (M)**	**Grade (g/t)**	**Oz Au (000s)**
Segovia Operations (1)	0.1	25.3	77	0.6	16.8	351	0.7	17.9	428	3.9	10.5	1,298
Marmato Project (2)	50.3	1.0	1,689	354.7	0.9	9,912	405.0	0.9	11,601	79.1	1.0	2,583

(1) Derived from the NI 43-101 Technical Report on a Mineral Resource Estimate on the Segovia and Carla Operations, Department of Antioquia, Colombia, dated September 2013, prepared by SRK and updated for production to December 31, 2015 by Ben Parsons, an independent Qualified Person under NI 43-101, of SRK. Some production is sourced from mining areas that are not currently included in the Company's Mineral Resource Estimate.
(2) Derived from the NI 43-101 Mineral Resource Estimate on the Marmato Project, Colombia dated August 7, 2012, prepared by SRK and updated by Ben Parsons, an independent Qualified Person under NI 43-101, of SRK for production to December 31, 2015 and a reduction of approximately 114,000 ounces of gold in December 2015 resulting from the lapse of certain licenses in the open pit area at the Marmato Project.

Results of Operations and Overall Performance

Gold production

	Fourth Quarter		Year	
(Ounces)	2015	2014	2015	2014
Segovia Operations				
Company-operated mines	5,516	3,139	15,867	15,361
Contract mining cooperatives	18,352	19,288	77,027	59,145
Total Segovia Operations	23,868	22,427	92,894	74,506
Marmato Underground	6,182	6,616	23,963	24,116
Total	30,050	29,043	116,857	98,622

Quarterly production data by operation for the trailing eight quarters is as follows:

	2015				2014			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Segovia Operations								
Company-operated mines								
Tonnes milled	31,944	28,129	22,459	21,815	29,756	24,271	27,032	23,393
Head grade (g/t)	3.75	3.67	3.73	3.61	3.28	3.61	5.15	6.20
Mill recovery (1)	143.4%	148.1%	115.8%	91.5%	100.0%	102.6%	97.5%	106.5%
Gold produced (ozs)	5,516	4,920	3,114	2,317	3,139	2,889	4,365	4,968
Contract mining cooperatives								
Tonnes milled	30,404	27,022	26,097	23,179	31,384	36,644	32,708	32,552
Head grade (g/t)	20.59	29.12	25.60	24.00	21.37	14.81	16.73	9.22
Mill recovery	90.2%	90.6%	90.2%	90.6%	89.5%	89.3%	89.2%	88.8%
Gold produced (ozs) (2)	18,352	23,028	19,436	16,211	19,288	15,590	15,694	8,573

	2015				2014			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Total Segovia Operations								
Tonnes milled	62,348	55,151	48,556	44,994	61,140	60,915	59,740	55,945
Tonnes per day (tpd)	678	599	534	500	665	662	656	622
Head grade (g/t)	11.96	16.14	15.48	14.12	12.56	10.35	11.49	7.96
Mill recovery	98.7%	97.3%	93.1%	90.7%	90.8%	91.2%	90.9%	94.6%
Gold produced (ozs) (2)	23,868	27,948	22,550	18,528	22,427	18,479	20,059	13,541
Silver produced (ozs)	37,740	33,505	25,227	16,851	23,514	22,832	24,450	20,312
Marmato Underground								
Tonnes milled	79,137	80,168	70,772	73,202	74,936	75,281	72,257	72,549
Tonnes per day (tpd)	860	871	778	813	815	818	794	806
Head grade (g/t)	2.79	2.81	2.94	2.64	3.04	2.87	2.76	2.74
Mill recovery	87.2%	88.3%	89.0%	87.6%	90.2%	89.2%	88.2%	88.5%
Gold produced (ozs)	6,182	6,391	5,945	5,445	6,616	6,187	5,654	5,659
Silver produced (ozs)	8,764	9,514	7,722	8,494	8,806	8,387	8,940	8,614
Total Company								
Gold produced (ozs)	30,050	34,339	28,495	23,973	29,043	24,666	25,713	19,200
Silver produced (ozs)	46,504	43,019	32,949	25,345	32,320	31,219	33,390	28,926

(1) Will deviate from metallurgical recovery rates as it includes the impact of additional ounces recovered from the mill circuit during the period.
(2) Includes gold produced from ore milled directly by a contract mining cooperative and shipped to the refinery (Q2-2015 – 55 ounces; Q3-2015 – 100 ounces; Q4-2015 – 200 ounces). Tonnes milled, head grade and mill recovery do not include any data related to these gold ounces produced.

Annual gold production at the Segovia Operations in 2015 increased by 25% over the prior year to 92,894 ounces, buoyed by improved head grades in material mined by the contract mining cooperatives operating within the Company's Providencia and El Silencio mines at Segovia. Production from contract mining cooperatives was adversely impacted in the fourth quarter of 2015 as described further below.

In late 2014, the Company engaged SRK Consulting (U.S.), Inc. ("SRK") to work with site personnel to conduct mine plan optimization of the latest resource model for the Segovia Operations to improve future cash flow in the current gold price environment. At the end of February 2015, SRK completed a mine plan optimization for the Segovia Operations, focusing initial development activity in the Company-operated areas at the Providencia and El Silencio mines, providing access to higher grade stopes and improving efficiency through the construction of internal ramps to mechanize material handling and introducing scoops and jumbos into the mining process. While progress has been made in many respects in the Company-operated areas, development and preparation activities in 2015 were going at a slower pace than initially expected, largely due to the cash flow constraints affecting access to mining equipment, parts, explosives and other capital items essential to improving working conditions within the mines. It is expected that with the reduction in the Company's debt service in 2016, achieved through the comprehensive debt restructuring, the Company will be able to use more of its internally generated cash flow to fund its capital and development program at Segovia. SRK completed a mine plan update in December 2015 and the Company will continue to work with SRK on an ongoing basis in 2016 to monitor and fine-tune execution of the mine plan implementation.

In the fourth quarter of 2015, the Company announced that its contract mining operations at Segovia had been disrupted by external security challenges from a local criminal organization during the first week of October and again in early November, specifically targeting the contract miners at the Providencia and El

Silencio mines. The dispute was linked to a request from the Colombian Attorney General's office to the Mayor of Segovia to enforce an order to close several illegal mines operating in the Company's Segovia mining title. For its part, the Company would like to formalize operations at these mines through contract mining cooperatives that provide continuing employment for the miners while improving mine safety and respecting all regulations regarding taxes, royalties and the environment. To address the security concerns, the local and national governments positioned additional officers and soldiers on site and in the town of Segovia. The situation has since improved and contract mining operations at Providencia and El Silencio have returned to normal. The Company is continuing discussions with the hope that initiatives to formalize these illegal mines will ultimately be successful.

At the Marmato Underground mine, with head grades averaging 2.8 g/t in the second half of 2015, emphasis was placed on increasing tonnes mined and milled to increase gold production. An average of 866 tpd were milled in the second half of 2015, up 9% over the daily rate in the first half of 2015, made possible by development of additional fronts within the mine and a 10% increase in plant capacity as a result of the installation in the first half of 2015 of a new secondary cone crusher. Total annual gold production of 23,963 ounces for 2015, on par with the prior year, met expectations for the current year.

Revenues

	Fourth Quarter		Year	
($000's except ounce and $/oz data)	2015	2014	2015	2014
Gold				
Ounces sold	31,090	28,287	118,446	97,628
Average realized price ($/oz)	1,074	1,168	1,124	1,237
Silver				
Ounces sold	29,114	27,532	135,176	119,435
Average realized price ($/oz)	12	15	14	18
Revenues				
Gold	$ 33,388	$ 33,028	$ 133,139	$ 120,734
Silver	363	416	1,826	2,140
Refining	-	84	(16)	153
	$ 33,751	$ 33,528	$ 134,949	$ 123,027

Revenues of $33.8 million in the fourth quarter of 2015 brought the full year 2015 total to $134.9 million, up 10% over last year, reflecting the increase in 2015's gold production, offset partially by the impact of 9% lower realized gold prices in the current year. Realized gold prices averaged $1,124 per ounce sold for the full year 2015 after deduction of refining and smelting charges, or approximately 97% of the average London P.M. fix of $1,159 per ounce, compared with $1,237 per ounce, or approximately 98% of the average London P.M. fix of $1,266 in 2014. Refining and smelting charges, as a percentage of gold revenues, increased in 2015 as a result of the new supply agreement, as discussed below, and will decrease to 2% by the end of the third year of the new supply agreement.

The Company had been processing its gold at a third party refinery in 2014 while it addressed certain matters with the minority partner in its 60%-owned CIIGSA refinery operation in Medellin. In October 2014, the Company agreed to the principal terms regarding the sale of its interest in CIIGSA to an arm's length third party. In 2015, the Company started sending its gold production to CIIGSA for processing under a 12-year supply agreement pursuant to which it will continue to sell all of its gold and silver production in Colombia to the third party for processing at CIIGSA at market prices. On May 29, 2015, as discussed on page 16 of this MD&A, the Company completed the sale of its interest in CIIGSA.

Cost of sales

	Fourth Quarter 2015	Fourth Quarter 2014	Year 2015	Year 2014
Production costs	$ 18,557	$ 24,691	$ 80,359	$ 93,142
Production taxes	1,623	1,409	6,087	5,478
Workforce reduction costs	2,102	-	2,170	1,619
Supplier contract termination	-	-	(475)	1,900
Provision for environmental discharges	(367)	458	725	1,247
Depreciation, depletion and amortization	3,133	3,944	12,472	15,737
Total cost of sales	$ 25,048	$ 30,502	$ 101,338	$ 119,123
Total cash costs per ounce (1)				
Production costs	$ 597	$ 873	$ 679	$ 954
Production taxes	52	50	51	56
Workforce reduction costs	68	-	18	17
Supplier contract termination	-	-	(4)	19
By-product credits (silver)	(12)	(15)	(15)	(22)
	$ 705	$ 908	$ 729	$ 1,024

(1) See "Additional Financial Measures" on pages 23 and 25.

The total cash costs per ounce sold from the Company's mining operations over the trailing eight quarters were as follows:

	2015				2014			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Segovia Operations	$670	$614	$742	$795	$918	$1,054	$1,118	$1,083
Marmato Underground	817	778	941	914	874	1,055	1,056	976
Company average	$705	$644	$779	$824	$908	$1,054	$1,103	$1,053

Over the last couple of years, the Company has been committed to reducing production costs, most notably at its Segovia Operations. In January 2015, the Company announced that it had negotiated a contract amendment with the primary contract miner at the Segovia Operations that has generated additional monthly cost savings of approximately $0.8 million during 2015. These cost savings, coupled with the impact on costs of the 32% devaluation of the Colombian peso against the U.S. dollar in 2015 and increased production volumes reducing fixed costs on a per ounce basis, contributed to the decrease in total cash costs at the Segovia Operations to $670 per ounce and the Company average to $705 per ounce in the fourth quarter of 2015 compared with $918 per ounce and $908 per ounce, respectively, in the fourth quarter a year ago.

The fourth quarter 2015 total cash cost includes $68 per ounce for the settlement costs related to disputed employee terminations in the January 2014 workforce reduction at the Segovia Operations following a lengthy process to obtain final authorization for the terminations from the local labor ministry. Excluding these workforce reduction costs, Segovia's total cash cost in the fourth quarter of 2015 was $581 per ounce and the Company average was $637 per ounce.

Social contributions

($000's)	Fourth Quarter 2015	Fourth Quarter 2014	Year 2015	Year 2014
Segovia social contributions	$ 512	$ 518	$ 1,989	$ 1,568
Segovia land donation	-	-	-	116
Total social contributions	$ 512	$ 518	$ 1,989	$ 1,684

The Company is required to make contributions to a trust account to fund social programs in Segovia in each quarter in which the Segovia Operations produce a minimum of 15,000 ounces of gold. For the fourth quarter of 2015, the social contribution was equivalent to approximately $20 per ounce of Segovia's gold production, down from approximately $26 per ounce in the fourth quarter last year due to the reduction in 2015's spot prices compared with last year. Segovia's total social contributions for 2014 were lower than the current year reflecting the fact that Segovia's gold production in the first quarter of 2014 was below the threshold and it was therefore not required to make a social contribution related to the first quarter last year.

In June 2014, the Company donated land at Segovia with a carrying value of $0.1 million to the local government to be used in certain social initiatives.

Other items

($000's)	Fourth Quarter 2015	Fourth Quarter 2014	Year 2015	Year 2014
G&A expenses	$ 1,343	$ 939	$ 5,696	$ 7,318
Impairment charges	41,280	16,659	41,280	16,659
Share-based compensation	-	-	-	789
Finance costs	3,491	3,506	12,874	12,169
Wealth tax	(114)	-	3,269	-
Gain on financial instruments	17,872	38,352	14,987	40,556
Gain on sale of CIIGSA	-	-	668	-

G&A expenses in the fourth quarter of 2015 were $1.3 million, keeping the full year 2015 total in line with expectations at $5.7 million, 22% below 2014's annual G&A after realizing the full year benefit of cost reductions implemented in 2014, elimination of some one-time costs incurred in 2014, the impact of devaluation of the Colombian peso and Canadian dollar on costs, and the elimination of the overhead costs of its CIIGSA refinery through the sale completed on May 29, 2015.

Annually, the Company completes a review of recoverable amounts of its cash generating units ("CGUs"). ***Impairment charges*** are triggered when the estimated recoverable amounts fall below the carrying value of the CGUs. Recoverable amounts are assessed using future life-of-mine after-tax cash flows, recent life-of-mine plans and estimates of future metals prices, operating costs, capital expenditures, inflation and foreign exchange rates. In the fourth quarter of 2015, the Company recorded impairment charges totalling $41.3 million, of which $37.3 million relates to the impact on the estimated recoverable amount for the Segovia Operations of a $100 per ounce reduction in the Company's long-term gold price estimates in its 2015 annual review compared with last year. In its 2015 annual review, the Company lowered its long-term gold price estimate to $1,200 per ounce. Impairment charges may be reversed in future periods with such factors as a subsequent increase in long-term gold price estimates, reductions in future operating or capital costs and increases in economically mineable resources contributing to increases in recoverable amounts. The Company also recorded impairment charges in the fourth quarter of 2015 of $3.2 million arising from the cancellation in late December of contracts in default related to the acquisition of certain mining titles and compensation agreements at its Marmato Project. With minimal impact on the total mineral resource at Marmato, the cancellation removed $2.0 million from the Company's commitments at December 31, 2015. The fourth quarter 2015 impairment charges also included $0.8 million for leasehold improvements of an office closed by the Company as part of its cost savings initiatives. In the fourth quarter of 2014, the Company had recorded impairment charges totaling $16.7 million in connection with its annual review of the recoverable amounts of its CGUs. The 2014 impairment charges included $12.9 million resulting primarily from the impact on estimated future after-tax cash flows from the Segovia Operations of the significant tax rate increases enacted in Colombia in December 2014. Impairment charges in the fourth quarter of 2014 also included $3.7 million for obsolete inventory and equipment.

There was no ***share-based compensation*** granted in 2015. The Company recorded share-based compensation expense of $0.8 million in the third quarter of 2014 related to the grant of 847,500 stock options at an exercise price of CA$1.84 per common share to directors, management and employees on July 21, 2014.

Finance costs amounted to $3.5 million in the fourth quarter of 2015, bringing the full year 2015 total to $12.9 million or $0.8 million higher than the full year total last year. Finance costs comprise three primary categories as follows:

- Interest expense - $8.7 million in 2015, down $0.3 million compared with last year. Including amounts capitalized related to the Segovia expansion project, total interest costs in 2015 were $18.7 million, compared with $19.0 million last year. Principal components of the $18.7 million of total interest costs incurred in 2015 included $10.0 million related to the Company's 10% Gold Notes, $4.0 million related to the Company's 5% Silver Notes and the balance related to the local Colombian bank debt and finance leases, accounts payable, equity and wealth taxes, and amounts payable for mining titles and compensation agreements at the Marmato Project that are currently the subject of renegotiation.
- Non-cash accretion of financial obligations - $1.9 million in 2015, down from $2.7 million last year reflecting the impact of the devaluation of the Colombian peso in 2015. The Company has financial obligations associated with its funding of health plan contributions at Segovia, decommissioning liabilities at Segovia and Marmato Underground and environmental discharge fees at Segovia, all of which will be paid over time and therefore are recorded at the present value of the future obligation. Non-cash finance costs are recognized as these liabilities are accreted with the passage of time.
- Notes restructuring costs - $2.3 million in 2015 associated with fees paid to GMP Securities L.P. (the Company's financial advisor), SRK and the Company's various legal advisors in connection with the defaults of the Gold and Silver Notes and the comprehensive debt restructuring ultimately completed in January 2016.

On December 23, 2014, a new tax reform bill amending the Colombian Tax Statute introduced a new ***wealth tax*** applicable for 2015 through 2017, inclusive. The taxable basis will accrue annually on January 1st of each year, is payable in two installments in May and September and, for 2015, is based on up to 1.15% of gross equity in Colombia (minus allowable debts) held through branches or permanent establishments located in Colombia. The maximum wealth tax rates in 2016 and 2017 decrease to 1.00% and 0.40%, respectively. The Company recorded a provision of $3.3 million in 2015 representing its estimated obligation for the first year of the wealth tax.

The estimated fair values on the Gold and Silver Notes of $60.4 million and $36.0 million, respectively, at December 31, 2015 represent a discount to their principal amounts of $100 million and $78.6 million, respectively, and were determined using a valuation methodology that captures all the features of the revised terms of the notes, as set out on pages 3-5 of this MD&A for the 2018 Debentures and the 2020 Debentures, in a set of partial differential equations that are then solved to arrive at the value of the notes. The fair value estimates for the Gold and Silver Notes may differ from actual fair values or from amounts that may be recovered by the holders of the Gold and Silver Notes, and these differences may be significant and could have a material impact on the Company's financial position and results of operations. In the full year 2015, the Company recorded a ***gain on financial instruments*** of $15.0 million, including a $19.6 million mark-to-market ("MTM") gain on the Gold Notes (2014 – MTM gain of $5.5 million) and a $4.6 million MTM loss on the Silver Notes (2014 – MTM gain of $35.2 million).

As noted elsewhere in this MD&A, the Company completed the ***sale of its 60% interest in the CIIGSA*** refinery operation on May 29, 2015 resulting in the recognition of a gain on sale in the amount of $0.7 million in 2015.

The Company reported a ***net loss attributable to shareholders*** for the fourth quarter and full year 2015 of $19.4 million and $13.0 million, respectively, compared with net income attributable to shareholders of $11.6 million in the fourth quarter of 2014 and a net loss attributable to shareholders of $3.3 million for the full year 2014.

The Company reported an ***adjusted net loss attributable to shareholders*** (see page 24 for the computation of this non-IFRS measure) for the fourth quarter of 2015 of $3.0 million, or $0.12 per share, compared with an adjusted net loss attributable to shareholders of $2.7 million, or $0.12 per share, in the fourth quarter last year. For the full year 2015, the adjusted net loss attributable to shareholders was $1.1 million, or $0.05 per share, compared with an adjusted net loss attributable to shareholders of $17.9 million, or $0.82 per share, in the same period last year. The improvement in the Company's adjusted EBITDA (see page 24 for the computation and components of this non-IFRS measure) in 2015, driven by the increased gold production, coupled with the reductions in total cash cost per ounce sold and G&A expenses, was the primary driver in the year-over-year improvement in adjusted net loss attributable to shareholders despite the decrease in realized gold prices.

Summary of Quarterly Results

$000's except ounce, per ounce and per share data	2015 4th Qtr	2015 3rd Qtr	2015 2nd Qtr	2015 1st Qtr	2014 4th Qtr	2014 3rd Qtr	2014 2nd Qtr	2014 1st Qtr
Operating data:								
Gold produced (ounces)	30,050	34,339	28,495	23,973	29,043	24,666	25,713	19,200
Gold sold (ounces)	31,090	35,501	26,523	25,332	28,287	24,203	25,310	19,828
Average realized gold price (1)	$ 1,074	$ 1,090	$ 1,163	$ 1,193	$ 1,168	$ 1,256	$ 1,271	$ 1,268
Silver sold (ounces)	29,114	44,684	30,308	31,070	27,532	30,146	33,182	28,575
Average realized silver price (1)	$ 12	$ 13	$ 14	$ 15	$ 15	$ 18	$ 18	$ 20
Total cash costs (1, 2)	705	644	779	824	908	1,054	1,103	1,053
All-in sustaining cost (1, 2)	852	789	904	938	995	1,216	1,203	1,197
Financial data:								
Revenue								
Gold	$ 33,388	$ 38,696	$ 30,838	$ 30,217	$ 33,028	$ 30,404	$ 32,157	$ 25,145
Silver	363	571	435	457	416	547	601	576
Other	-	-	-	(16)	84	(47)	88	28
Total	33,751	39,267	31,273	30,658	33,528	30,904	32,846	25,749
Cost of sales	25,048	27,257	24,543	24,490	30,502	30,515	32,852	25,254
G&A	1,343	1,479	1,383	1,491	939	2,342	1,788	2,249
Impairment charges	41,280	-	-	-	16,659	-	-	-
Allowance for doubtful accounts	-	-	-	-	812	-	-	-
Share-based compensation	-	-	-	-	-	789	-	-
Social contributions	512	649	413	415	518	513	653	-
Income (loss) from operations	(34,432)	9,882	4,934	4,262	(15,902)	(3,255)	(2,447)	(1,754)
Other income (expense)	14,380	1,119	(1,474)	(4,129)	37,426	19,866	(17,417)	(7,148)
Income (loss) before taxes	(20,052)	11,001	3,460	133	21,524	16,611	(19,864)	(8,902)
Income tax recovery (provision)	627	(4,322)	(419)	(3,517)	(10,037)	(4,386)	2,780	(1,376)
Net income (loss)	(19,425)	6,679	3,041	(3,384)	11,487	12,225	(17,084)	(10,278)
Attributable to shareholders	(19,425)	6,679	3,041	(3,315)	11,610	12,372	(17,041)	(10,251)
Basic and diluted income (loss) per share	(0.82)	0.28	0.13	(0.14)	0.49	0.52	(0.72)	(0.62)
Adjusted EBITDA (3)	9,984	13,260	8,036	7,143	5,554	1,756	1,668	1,858
Adjusted net (loss) income attributable to shareholders (3)	(2,954)	1,993	1,663	(1,816)	(2,741)	(5,557)	(4,988)	(4,596)
Adjusted basic and diluted (loss) income per share (3)	(0.12)	0.08	0.07	(0.08)	(0.12)	(0.23)	(0.21)	(0.28)

(1) Per ounce sold.
(2) Refer to "Additional Financial Measures" on pages 23-25.
(3) Refer to page 24 for reconciliations of adjusted EBITDA and adjusted net income/loss and adjusted income/loss per share to the consolidated financial statements for the fourth quarters of 2015 and 2014.

The improvement in quarterly net income in 2015 results from improvement in the Company's adjusted EBITDA (see page 24 for the computation and components of this non-IFRS measure), driven by the Company's increased gold production and reductions in total cash cost per ounce sold and G&A expenses in 2015. The fourth quarter net loss includes after-tax impairment charges of $27.2 million, or $1.15 per share, principally related to an adjustment to the carrying value of the Company's mining interests at the Segovia

Operations. The fourth quarter net income also includes $11.4 million of after-tax MTM gains on the Gold and Silver Notes.

The net loss for the first quarter of 2015 includes a $3.3 million expense for the new wealth tax introduced in Colombia as discussed on page 11 of this MD&A.

The net income for the fourth quarter of 2014 includes after-tax impairment charges of $16.7 million, or $0.70 per share, principally related to an adjustment to the carrying value of the Company's mining interests at the Segovia Operations.

Quarterly net income in 2014 has been impacted by volatility in the valuation of the Company's Gold and Silver Notes. The net losses in the first and second quarters of 2014 included $4.4 million and $13.5 million, respectively, of MTM losses on these financial instruments while the third and fourth quarters of 2014 included $20.1 million and $38.4 million, respectively, of MTM gains.

Liquidity and Capital Resources

In January 2016, the Company rectified the defaults of the terms of its Gold Notes (principal amount - $100 million) and Silver Notes (principal amount - $78.6 million) through the successful completion of its comprehensive debt restructuring (as discussed herein and further disclosed on pages 3-5 of this MD&A). To continue as a going concern, the Company must continue to generate positive cash flow from operations in the future to fund its planned capital investments, including the implementation of the new mine plan at its Segovia Operations, and to reduce its working capital deficit or secure new funding.

While the Company has production and positive cash flow from operations in 2015, future cash flows may not be sufficient to fully fund the Company's debt service requirements and working capital deficit (as outlined below at December 31, 2015). There can be no assurance that these initiatives will be successful. These material uncertainties cast significant doubt as to the ability of the Company to meet its business plan and obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

At December 31, 2015, excluding the Gold and Silver Notes, the Company had an operating working capital deficit of approximately $26.5 million (December 31, 2014 - $29.8 million), key components of which include:

- *Cash - $3.0 million*; cash from operations is continuing to be turned over quickly to meet monthly interest payments on the Company's senior debt, working capital requirements, including supplier and other payment programs, local debt service and capital expenditures.
- *Accounts receivable – current portion of $6.2 million*, down from $13.1 million at December 31, 2014, which included $10.3 million of recoverable VAT related to the Segovia Operations that was delayed as a result of $3.4 million of outstanding supplier withholding tax remittances due from the Company to the Colombian tax authority. On March 3, 2015, the Company completed a $2.4 million factoring loan agreement with a consortium of investment funds ($2.0 million of which came from U.S. Global Investors, Inc., at the time a greater than 10% beneficial shareholder of the Company). The proceeds of this loan plus cash from operations were used to pay the outstanding supplier withholding taxes, paving the way for the Company to file all pending VAT refund claims up to December 31, 2014 to begin the recovery process for the recoverable VAT. The Company also benefitted from certain amnesty provisions in the Colombian tax reform measures enacted in December 2014 and saved approximately $2.6 million in penalties and arrears interest that would have otherwise been payable related to the supplier withholding

tax remittances in arrears. In the second and third quarters of 2015, the Company received all pending pre-2015 VAT refunds. The factoring loan was repaid in full on June 3, 2015. The Company also collected certain 2015 VAT refunds in the third and fourth quarters of 2015 and continues to closely monitor the VAT claims process to ensure refunds are received on a timely basis.

- *Income taxes recoverable - $1.7 million*, down from $5.4 million at December 31, 2014. This receivable primarily represents statutory withholdings in Colombia against payments received by the Segovia Operations that may be applied to reduce Segovia's income taxes payable in the future. In March 2015, the Company filed a refund application for a portion of the amounts withheld to the end of 2013 and in October 2015, the Company received a $1.8 million refund in connection with this application. A portion of the recoverable amounts are also being used to reduce the 2015 income tax liability and the Company has received approval for an additional refund request to recover $1.5 million of its December 31, 2015 income tax recoverable balance in 2016.
- *Accounts payable and accrued liabilities - $25.3 million*, down from $37.5 million at the end of December 2014 largely as a result the devaluation of the Colombian peso in 2015 and the payment in March 2015 of $3.4 million of supplier withholding taxes in arrears (as described in *accounts receivable* above). As previously disclosed, the Company has arranged payment plans with numerous suppliers to relieve pressure in managing the supplier relationships while it implements a new mine plan at its Segovia Operations to improve operating cash flow. Accounts payable and accrued liabilities at December 31, 2014 also included a $1.5 million provision for a supplier contract termination in 2014 that was settled for $1.1 million in the third quarter of 2015 and paid with cash from operations.
- *Amounts payable for acquisitions of exploration and evaluation assets - $11.5 million* related to the Marmato Project, down from $14.2 million at December 31, 2014, largely as a result of devaluation of the Colombian peso in 2015. The Company made payments amounting to $0.4 million under these agreements in 2015. The Company is continuing its efforts to negotiate with the counterparties to amend (including extensions of unpaid amounts due where possible), and in some cases, to cancel, the current contracts for the acquisition of various mining titles and compensation agreements with artisanal miners. There can be no assurance that these negotiations will be successful. In December 2015, the Company agreed to cancel several of these contracts in default, thereby reducing its current liabilities by $1.0 million and its commitments by $1.1 million. These cancellations had minimal impact on the mineral resource estimate for the Marmato Project and resulted in an impairment charge of $3.2 million related to amounts previously paid to the counterparties.
- *Current portion of equity tax payable - $3.7 million*, down from $6.8 million at December 31, 2014 as $2.5 million, representing the final amounts due for the Segovia Operations, was paid from the net proceeds of the Segovia VAT refund claims received in the second quarter of 2015. The balance of the equity tax payable relates to the Marmato and Zancudo Projects, including $1.5 million of interest owing on the amounts in arrears. The Company has been unable thus far to obtain a formal payment plan for these amounts and is continuing to evaluate other options to settle these obligations through its cash flow from operations.
- *Wealth tax payable - $1.8 million,* representing the balance payable related to 2015 for the new wealth tax introduced in Colombia in the December 2014 tax reform. The Company will be paying this obligation, which includes approximately $0.1 million of arrears interest, from its operating cash flow in 2016.
- *Current portion of long-term debt, excluding the Gold and Silver Notes - $1.4 million* representing the scheduled repayments in 2016 totalling $1.2 million of a local Colombian bank term loan due August 2017 and $0.2 million for payments in 2016 under finance leases for mining and other equipment at the Segovia Operations.
- *Current portion of provisions - $1.8 million*, including $0.7 million for the next 12 monthly payments to fund the ongoing Frontino health obligations and $1.1 million related to the payments due over the next

12 months under a monthly payment plan that commenced in February 2015 with Corantioquia, the local environmental authority, related to the 2012-2014 environmental discharge fees at Segovia. The Company has included its estimated 2015 environmental discharge fees, expected to be invoiced by Corantioquia in the second quarter of 2016, of $0.8 million in non-current liabilities as it does not expect to begin payments of this obligation within the next 12 months.

Operating activities

As outlined under *Results of Operations and Overall Performance – Cost of Sales* (page 9 of this MD&A), the Company took steps to reduce its total cash cost per ounce sold in 2015 to improve its operating cash flow. Combined with the impact of the devaluation of the Colombian peso on production costs, an increase in gold sales, lower G&A expenses and receipt of its delayed pre-2015 VAT refund claims, net cash provided from operating activities in 2015 improved to $32.9 million compared with $9.7 million in the same period last year.

Investing activities

Cash used in investing activities in 2015 primarily represented additions to mining interests in the amount of $12.7 million as follows:

- *Sustaining capital expenditures*. The Company spent $6.8 million at the Segovia Operations (including $2.1 million on mine development and mine exploration/geology), $1.9 million at the Marmato Underground mine and $0.8 million on the Marmato Project in 2015.
- *New Segovia processing plant*. The Company spent $1.6 million in 2015 related to construction activities for the new 2,500 tpd processing plant, including a reduction in accounts payable for expenditures incurred in 2014. Construction work on the new plant has been substantially halted at this point to preserve operating cash flow for debt service, working capital and investment in the mining operations. The Company expects that certain equipment components from the new plant will be transferred to improve the existing Maria Dama plant in 2016.
- A $1.6 million reduction in *accounts payable and accrued liabilities* for sustaining capital expenditures from prior years.

Sale of 60% Interest in CIIGSA Refinery

In October 2014, the Company agreed to the principal terms regarding the sale of its 60% interest in the CIIGSA refinery operation to an arm's length third party and also entered into a 12-year supply agreement pursuant to which it will continue to sell all of its gold and silver production in Colombia to the acquirer for processing at CIIGSA at market prices. The sale transaction closed on May 29, 2015 with a final selling price of $2.1 million, of which a deposit of $0.3 million was received in October 2014, $0.2 million was received in 2015 and the balance will be received in a series of cash instalments over the period through April 2018. At December 31, 2015, accounts receivable (current and non-current) included $1.2 million, representing the discounted value of the remaining proceeds to be received pursuant to this sale transaction. The Company also retained a prior obligation to repay $1.4 million of advances from the CIIGSA refinery that were subsequently fully repaid by December 31, 2015.

Financing activities

In 2015, the Company used $18.1 million of its operating cash flow to fund financing activities, including $15.3 million of net interest payments, of which $12.8 million related to the monthly payments from February to December 2015 for the Gold and Silver Notes (as described below) and the balance to local debt and other financial obligations. The Company also repaid $1.8 million of long-term debt and paid $1.2 million of costs and expenses related to the debt restructuring. At December 31, 2015, accounts payable and accrued liabilities includes $1.1 million of debt restructuring costs that will be paid in 2016.

Defaults under the Gold Notes and Silver Notes

On December 31, 2014, the Company was required to make a monthly interest payment on the Gold Notes in the amount of $0.9 million. However, the Company was not able to do so at that time. Although the interest payment was due on December 31, 2014, it did not immediately give rise to an event of default under the Gold Notes indenture. However, as the Company was not able to pay the amount within the 30-business day cure period, this became an event of default on February 12, 2015. Subsequently, the Company did not pay its monthly interest due on January 30, 2015 of $0.8 million and did not honour the quarterly Put Option exercises that commenced January 30, 2015. The Company also did not segregate any gold production as required under the terms of the Gold Notes indenture. Interest was accrued on the interest in arrears at the rate of 10% per annum. Monthly interest payments started again on February 27, 2015 and continued through the end of 2015; however, the Company remained in default with respect to the monthly interest payments and the quarterly Put Options until the completion of the Arrangement in 2016. Total arrears interest at December 31, 2015 on the Gold Notes amounted to approximately $1.9 million. On closing of the Arrangement in early 2016, the arrears interest was capitalized to the principal of the new 2020 debentures (see page 4 of this MD&A).

On December 31, 2014, the Company was required to make a semi-annual interest payment on the Silver Notes in the amount of $2.0 million. However, the Company was not able to do so at that time. Although the interest payment was due on December 31, 2014, it did not immediately give rise to an event of default under the Silver Notes indenture. Subsequently, the Company was unable to pay the amount within the 10-day cure period and this became an event of default on January 10, 2015. In addition, the Company did not make the full semi-annual interest payments due on June 30, 2015 and December 31, 2015 in the amount of approximately $2.0 million each. Interest was accrued on the interest in arrears at the rate of 5% per annum. The Company began making monthly interest payments of approximately $0.3 million on the Silver Notes on February 27, 2015 and continued through the end of 2015. These payments were applied against the interest amounts in arrears; however, the Company remained in default with respect to the interest payments owed on June 30, 2015 and December 31, 2015. Total arrears interest at December 31, 2015 on the Silver Notes amounted to approximately $2.4 million. On closing of the Arrangement in early 2016, the arrears interest was capitalized to the principal of the new 2018 debentures (see page 3 of this MD&A).

In 2015, the Company incurred a total of $2.3 million in legal, financial advisory, technical, filing and other fees associated with the defaults under the Gold Notes and Silver Notes and the work undertaken in connection with the comprehensive debt restructuring that led to the successful completion of the Arrangement in early 2016.

Colombian Debt and Lease Facilities

The Company has entered into several financial arrangements with local Colombian financial institutions to fund its cash management activities and investments in its capital projects. These arrangements at December 31, 2015 include:

- The Company had COP 6.6 billion, equivalent to $2.1 million (December 31, 2014 – COP 10.3 billion or $4.3 million), outstanding pursuant to a term loan due August 2017 with a Colombian bank bearing interest at the Colombian market weekly average of fixed-term deposits ("DTF") rate (December 31, 2015 – 5.22%) plus 4.0%. This term loan is secured by a portion of the operating cash flows from the Segovia Operations which are accumulated through a monthly deposit of COP 450 million (approximately $0.14 million) into a restricted cash account to meet the debt service obligations. A second local term loan, with a balance of COP 0.3 million (approximately $0.1 million) at December 31, 2014, was repaid in March 2015.
- The Company has five finance leases amounting to a total of approximately COP 2.9 billion (net of future interest) at December 31, 2015, equivalent to $0.9 million, relating to the acquisition of mining and other equipment in the Segovia expansion project. These finance leases are paid on a monthly basis over terms expiring between July 2016 and December 2018. The Company has the option to purchase the assets under lease at the end of the lease terms for a total of approximately $0.2 million.

Warrants Expiry in August 2015 (GCM.WT)

On August 24, 2015, 6,318,759 listed warrants expired unexercised, resulting in a tax expense of approximately $13.4 million which has been reflected as a reduction in contributed surplus associated with the warrants. Concurrently, the Company recognized a tax asset, related to available tax losses in Canada, to offset the tax liability on the expired warrants. These tax losses and other attributes resulted in a deferred tax recovery of $8.0 million that has been included in the provision for income taxes in profit/loss in 2015

Blue Pacific Bridge Loan Repaid in First Quarter of 2014

In November 2013, the Company filed a preliminary short form prospectus for an equity offering of units to be closed after receipt of requisite regulatory approvals. Blue Pacific Assets Corp. ("Blue Pacific"), an investment company in which three directors of the Company together indirectly hold a majority share, advised the Company that it would subscribe for up to CA$5 million of units of the equity offering. In December 2013, Blue Pacific advanced $4.0 million to the Company by way of an interest-free bridge loan to be accounted for as a subscription toward units in the equity offering. The proceeds of the bridge loan were used by the Company to fund the operational restructuring at the Segovia Operations and for working capital prior to the closing of the equity offering. On March 18, 2014, the Company closed the equity offering (see "Equity Offering" below) and issued 2,211,442 units to Blue Pacific in settlement of $3.85 million of the bridge loan, which amount was the maximum amount Blue Pacific could subscribe for under TSX regulations. The remaining $0.15 million of the bridge loan was repaid in cash to Blue Pacific on March 28, 2014 from the net proceeds of the equity offering.

Equity Offering in First Quarter of 2014

On March 18, 2014, the Company completed an equity offering, including the exercise in part by the underwriter of the over-allotment option, of 8,423,837 units at a price per unit of CA$1.93 for aggregate gross proceeds to the Company of CA$16.3 million. Each unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant (GCM.WT.A) exercisable at CA$3.25 per common share for a period of five years. The underwriters received a fee of 6% of the gross proceeds of the equity offering. The equity offering was completed pursuant to a short form prospectus dated February 28, 2014.

The Company used a portion of the $13.3 million net proceeds of the equity offering to immediately repay the Blue Pacific bridge loan. The balance of the net proceeds was used for working capital and to fund capital expenditures at the Segovia project.

Blue Pacific subscribed for 2,211,442 units pursuant to the equity offering, increasing its beneficial ownership in the Company at the time to approximately 14.9% of the issued and outstanding shares in the capital of the Company on a non-diluted basis.

Gold Notes Cash in Trust Used in 2014

In October 2012, the Company raised $92.3 million (net of transaction costs) through the Gold Notes financing to fund the expansion of the Segovia Operations and the monthly interest payments on the Gold Notes during the first two years following issuance of the Gold Notes. In 2014, the Company used a total of $30.6 million of this cash, including $22.3 million to fund project-related capital and other expenditures at the Segovia Operations and $8.3 million to fund the monthly interest payments on the Gold Notes through the end of October 2014.

<u>Outstanding Shares, Stock Options and Warrants</u>

At March 30, 2016, the Company had the following securities issued and outstanding:

Securities	Number	Exercise price per unit	Expiry date
Common shares (TSX: GCM)	125,528,369		
Stock options	2,000 (1)	CA$33.75	May 2016
	2,000	CA$40.00	May 2016
	8,000	CA$13.50	September 2016
	172,716	CA$18.25	September 2016
	1,000	CA$15.50	October 2016
	1,220	CA$18.25	April 2017
	705,000	CA$1.84	July 2019
	891,936		
Convertible debentures			
2018 Debentures (TSX: GCM.DB.U)	$70,111,366	$0.13	August 11, 2018
2020 Debentures (TSX: GCM.DB.V)	$103,494,350	$0.13	January 2, 2020
Warrants			
Unlisted	1,000,000	CA$18.75	October 30, 2017
TSX: GCM.WT.A	4,211,918	CA$3.25	March 18, 2019

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 of the Company.

Recent Accounting Pronouncements

Accounting Standards Not Yet Effective

The following new standards, and amendments to standards and interpretations, were not effective for the year ended December 31, 2015, and have not been applied in preparing the Company's consolidated financial statements.

IFRS 15 – *Revenue from Contracts with Customers*: The standard establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2017, and permits early adoption. The Company is in the process of determining the impact of IFRS 15 on its consolidated financial statements.

IFRS 9 *Financial Instruments*: IFRS 9 (2014) has been introduced by the IASB and will replace IAS 39. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition and measurement of financial instruments with two classification categories: amortized cost and fair value. As well, under the new standard a single impairment method is required, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes a substantially reformed approach to hedge accounting that aligns accounting more closely with risk management. The Company is in the process of determining the impact of IFRS 9 on its consolidated financial statements.

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided that IFRS 15 is also adopted. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and liability calculated using a prescribed methodology. The Company will evaluate the impact of adopting IFRS 16 in its consolidated financial statements in future periods.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments, short-term debt, amounts payable for exploration and evaluation assets, accounts payable and accrued liabilities and long-term debt. The estimated 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:

- Going concern;
- Liquidity risks;
- Indebtedness of the Company;
- Servicing indebtedness;
- Metal price volatility;
- Future production rates;
- Financing risks;
- History of losses;
- Indebtedness – restrictive covenants;
- Current global markets and economic conditions;
- Availability and cost of supplies;
- Exploration, development and operations;
- Risks with title to mineral properties;
- Changes in environmental laws;
- Mining risks and insurance risks;
- Additional indebtedness;
- Risks related to the 2018 Debentures:
    - Ranking; absence of covenant protection; financing the change of control provision; market for the Silver 2018 Debentures; dilution and potential material change of control; and requirement to sell common shares in certain circumstances;
- Risks related to the 2020 Debentures:
    - Ranking; collateral; voiding the 2020 Debentures or guarantees; bankruptcy and insolvency laws; subordinated collateral; reduction of pool of assets securing the 2020 Debentures; release of collateral; perfecting security interests; financing the change of control provision; restrictions on transfer; no public market for 2020 Debentures; dilution and potential material change of control; and requirement to sell common shares in certain circumstances;
- Tax risks related to the Debentures;
    - Change in tax laws; withholding tax and participating debt interest;
- No public market for the gold-linked warrants;
- Interest rate risk;
- Price risk;
- Currency risk;
- Regulatory approvals;
- Environmental permits;
- Changes in legislation;
- Corruption;
- Labour matters and employee relations;
- Economic and political factors:
    - Colombia:
        - Emerging market country; economic and political developments; exchange controls; decline in economic growth; seizure or expropriation of assets; local legal and regulatory systems; Colombia – less developed country; sanctions by the United States government; and guerilla and other criminal activity;
    - Venezuela*;*
- Use of and reliance on experts outside Canada;
- Operating history in Colombia;
- Integration risks;
- Governmental regulation and permitting;
- Decommissioning liabilities;
- Shortage of experienced personnel and equipment;
- Potential conflicts of interest;
- Possible volatility of stock price;

- Repatriation of earnings;
- Enforcement of civil liabilities;
- Forward-looking information may prove inaccurate;
- Infrastructure;
- Joint ventures;
- Competition;
- Dividends;
- Service of process and enforcement of judgments outside Canada;
- Resettlement of the town of Marmato; 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 31, 2015 which is 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.

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Judgments and estimates are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ significantly from the amounts included in the interim financial statements.

The critical judgments and estimates applied in the preparation of the Company's consolidated financial statements are consistent with those applied and disclosed in Notes 3 and 4 to the Company's consolidated financial statements for the year ended December 31, 2015, including:

- Exploration and evaluation;
- Assets' carrying values and impairment charges;
- Income taxes;
- Mineral reserves and resources;
- Purchase price allocations;
- Impairment;
- Amortization and depletion of mineral properties;
- Fair values of the Gold and Silver Notes; and
- Decommissioning liabilities.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure controls and procedures and internal controls over financial reporting 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 evaluating the disclosure controls and procedures and internal controls over financial reporting. In making this assessment, management used the *Internal Control – Integrated Framework (2013)* published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures and internal controls over financial reporting were effective as at December 31, 2015. There have been no changes in the Company's internal control over financial reporting during the three months and year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believes that any disclosure controls and procedures and internal controls over financial reporting, no matter how well designed and operated, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

Additional Financial Measures

The Company has included additional financial performance measures in this MD&A, such as adjusted EBITDA, adjusted net income or loss and total cash costs (by-product) and AISC on a per ounce basis. The Company reports total cash costs and AISC 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 underlying performance of its core operations and its 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.

"Adjusted EBITDA" represents earnings before interest (including non-cash accretion of financial obligations), income taxes and depreciation and amortization ("EBITDA"), adjusted to exclude impairment charges, allowance for doubtful accounts, gains or losses on asset dispositions, equity and wealth taxes, share-based compensation, gains/losses on financial instruments and foreign exchange gains/ losses.

"Adjusted net income or loss" excludes gains/losses and other costs incurred for acquisitions and disposals of mining interests, impairment charges, unrealized and non-cash gains/losses on financial instruments, foreign exchange gains/ losses, foreign exchange impacts on deferred income tax as well as other significant non-cash, non-recurring items.

"Total cash costs per ounce" on a by-product basis is calculated by deducting by-product silver sales revenues from production cash costs, workforce reduction costs and production taxes and dividing the sum by the number of gold ounces sold. Production cash costs include mining, milling, mine site security and mine site administration costs.

"All-in sustaining cash costs per ounce" includes total cash costs per ounce (as defined above) and adds the sum of G&A, sustaining capital and certain exploration and evaluation ("E&E") costs and a provision for environmental discharge fees, if applicable, all divided by the number of ounces sold. As this measure seeks to reflect the full cost of gold production from current operations, new project capital is not included in the calculation of AISC per ounce. Additionally, certain other cash expenditures, including income and equity tax payments and financing costs, are not included.

The following tables provides a reconciliation of ***adjusted EBITDA*** to the consolidated financial statements and the primary components of ***adjusted EBITDA***:

	Fourth Quarter		Year	
	2015	2014	2015	2014
Net (loss) income	**$ (19,425)**	**$ 11,487**	**$ (13,089)**	**$ (3,650)**
Depreciation and amortization	3,136	3,985	12,497	15,934
Impairment charges	41,280	16,659	41,280	16,659
Allowance for doubtful accounts	-	812	-	812
Share-based compensation	-	-	-	789
Finance income	(31)	(22)	(98)	(792)
Finance costs	3,491	3,506	12,874	12,169
Wealth tax	(114)	-	3,269	-
Gain on financial instruments	(17,872)	(38,352)	(14,987)	(40,556)
Gain on sale of CIIGSA	-	-	(668)	-
Foreign exchange losses (gains)	146	(2,558)	(10,286)	(3,548)
Income taxes	(627)	10,037	7,631	13,019
Adjusted EBITDA	**$ 9,984**	**$ 5,554**	**$ 38,423**	**$ 10,836**
Represented by:				
Revenue	$ 33,751	$ 33,528	$ 134,949	$ 123,027
Cost of sales, net of depreciation and amortization	(21,915)	(26,558)	(88,866)	(103,386)
G&A, net of depreciation and amortization	(1,340)	(898)	(5,671)	(7,121)
Social contributions	(512)	(518)	(1,989)	(1,684)
Adjusted EBITDA	**$ 9,984**	**$ 5,554**	**$ 38,423**	**$ 10,836**

The following table provides a reconciliation of ***adjusted net loss attributable to shareholders*** and ***adjusted net loss per share*** to the consolidated financial statements:

	Fourth Quarter		Year	
	2015	2014	2015	2014
Net (loss) income attributable to shareholders	**$ (19,425)**	**$ 11,610**	**$ (13,020)**	**$ (3,310)**
Impairment charges, net of tax	27,246	16,659	27,246	16,659
Allowance for doubtful accounts	-	812	-	812
Gain on financial instruments, net of tax	(11,363)	(38,352)	(8,478)	(40,556)
Gain on sale of CIIGSA	-	-	(668)	-
Foreign exchange gains	146	(2,558)	(10,286)	(3,548)
Unrealized losses on foreign exchange translation of deferred income tax assets and liabilities	847	9,088	12,468	12,061
Benefit of previously unrecognized income tax losses	(405)	-	(8,376)	-
Adjusted net loss attributable to shareholders	**$ (2,954)**	**$ (2,741)**	**$ (1,114)**	**$ (17,882)**
Adjusted net loss per share	**$ (0.12)**	**$ (0.12)**	**$ (0.05)**	**$ (0.82)**

The following table reconciles ***total cash costs per ounce sold*** and ***AISC per ounce sold*** as disclosed in this MD&A to the consolidated financial statements:

	Fourth Quarter		Year	
($000's except ounces and per ounce data)	2015	2014	2015	2014
Gold sales (ounces)	31,090	28,287	118,446	97,628
Total cash costs				
Production costs	$ 18,557	$ 24,691	$ 80,359	$ 93,142
Production taxes	1,623	1,409	6,087	5,478
Workforce reduction costs	2,102	-	2,170	1,619
Supplier contract termination	-	-	(475)	1,900
Silver revenues	(363)	(416)	(1,826)	(2,140)
Total cash costs on a by-product basis	$ 21,919	$ 25,684	$ 86,315	$ 99,999
Total cash costs per ounce sold	**$ 705**	**$ 908**	**$ 729**	**$ 1,024**
AISC				
Total cash costs on a by-product basis	$ 21,919	$ 25,684	$ 86,315	$ 99,999
G&A, net of depreciation and amortization	1,340	898	5,671	7,121
Sustaining capital and E&E costs	3,591	1,106	9,514	3,395
Provision for environmental charges	(367)	458	725	1,247
Total AISC	$ 26,483	$ 28,146	$ 102,225	$ 111,762
AISC per ounce sold	**$ 852**	**$ 995**	**$ 863**	**$ 1,145**

Sustaining capital expenditures are defined as those expenditures which do not increase annual gold ounce production and excludes all expenditures at the Company's projects and certain expenditures at the Company's operations which are deemed by management to be expansionary in nature.

The following table reconciles ***sustaining capital expenditures and E&E costs*** to the Company's total additions as reported in the consolidated statement of cash flows:

	Fourth Quarter		Year	
	2015	2014	2015	2014
Additions to mining interests				
Segovia expansion project, net of finance leases [(1)]	$ (160)	$ 231	$ 1,554	$ 22,636
Sustaining capital and E&E costs	3,591	1,106	9,514	3,395
Change in accounts payable and accrued liabilities related to capital expenditures	(228)	995	1,585	5,100
	$ 3,203	$ 2,332	$ 12,653	$ 31,131

(1) Commencing 2015, comprises only expenditures, including amounts paid in respect of accounts payable and accrued liabilities from prior years, related to the new 2,500 tpd processing plant. Expenditures in respect of additional mine equipment and mine development incurred starting in 2015 are included in sustaining capital.

Outlook

With the successful completion of the comprehensive debt restructuring in January 2016, the Company will focus its attention in the coming year on the continued execution of the optimized mine plan at its Segovia Operations and improving its working capital deficit.

The Company expects to see an increase in total annual gold production in 2016 to approximately 120,000 to 138,000 ounces. This includes production at the Segovia Operations of 96,000 to 110,000 ounces and a total of 24,000 to 28,000 ounces at the Marmato Underground mine in 2016.

The Company anticipates that its all-in sustaining cost will be between $850 and $950 per ounce in 2016. This includes total cash cost per ounce ranging between $700 and $750 per ounce, which will be influenced by the exchange rate of the Colombian peso relative to the U.S. dollar and by production volumes. G&A expenses are expected to remain at approximately $5.5 million to $6 million for 2016 or approximately $40 to $50 per ounce. Sustaining capital expenditures, predominantly associated with development and modernization activities in the Company-operated areas within the Segovia Operations and the commencement of shafts at Providencia and El Silencio to improve access to the mines and ventilation, are projected to range from $125 to $170 per ounce in 2016.

The Company has a number of ongoing payment plans with suppliers and the local environmental authority in Segovia in addition to certain equity and wealth tax obligations in arrears at December 31, 2015. The Company will be continuing to address these obligations in 2016 as it strives to improve its working capital deficit.

Since the debt restructuring closed in January 2016, holders of the 2018 Debentures and the 2020 Debentures have elected to convert $1.1 million and $0.5 million, respectively, into a total of 12 million common shares, reducing the principal amounts of the 2018 Debentures and 2020 Debentures to $103.5 million and $70.1 million, respectively at March 30, 2016. While the Company has a reasonable expectation that holders will continue to exercise their conversion rights over time, to the extent possible, the Company may also consider using its excess free cash flow, as permitted by the indentures for the 2018 Debentures and the 2020 Debentures, to make open market purchases or redemptions to reduce its future obligations under these senior debt instruments.

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, reductions of total cash cost and AISC per ounce and interest payments on the 2018 Debentures and the 2020 Debentures, 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 30, 2016, which is 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.