GRAN COLOMBIA GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED DECEMBER 31, 2016
March 30, 2017

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, 2016, 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 28 of this MD&A and the Company's Annual Information Form dated as of March 30, 2017, also available on the Company's web site and SEDAR. 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 2016 Highlights

- Gran Colombia's ***adjusted EBITDA*** of $16.4 million in the fourth quarter of 2016 brought the total adjusted EBITDA for the full year 2016 to $66.0 million, a 72% increase over 2015. See page 25 for the computation of this non-IFRS measure. The increased annual adjusted EBITDA in 2016 led to improved operating cash flow which in turn enabled the Company to meet its objective to reduce its working capital deficit, which decreased in 2016 by $14.2 million to $11.3 million as of the end of the year. The 2016 working capital deficit reduction included an $8.7 million decrease in accounts payable to suppliers, including bringing the aging of accounts payable back to normal trade terms, and a $5.5 million decrease in equity and wealth taxes in Colombia which were in arrears and are now fully settled.
- Gran Colombia also generated $2.9 million of ***excess cash flow*** in 2016 that was deposited into the sinking funds for the Senior Secured Convertible Debentures due 2020 (the "2020 Debentures") and Senior Unsecured Convertible Debentures due 2018 (the "2018 Debentures" and collectively, the "Senior Debentures"). The Company expects to increase its excess cash flow and sinking fund deposits in 2017 to approximately 10% of its total Senior Debentures currently issued and outstanding.
- ***Gold production*** in the fourth quarter of 2016 totalled 40,879 ounces, up 36% from the fourth quarter of 2015, bringing the total for the full year 2016 to a new Company record of 149,708 ounces, a 28% improvement over 2015 led by strong performance at its Segovia Operations. For 2017, the Company expects to produce a total of 150,000 to 160,000 ounces of gold.
- The ***comprehensive restructuring*** of the Company's Senior Secured Gold-Linked Notes due October 2017 (the "Gold Notes") and Senior Unsecured Silver-Linked Notes due August 2018 (the "Silver Notes) into Senior Debentures was completed on January 20, 2016 (the "Exchange Date") and paved the way for an 18% reduction in the total aggregate principal amount of the Company's outstanding senior debt by the end of 2016. Refer to page 4 for the latest information on the issued and outstanding securities of the Company. In 2016, holders converted a total aggregate principal amount of $33.0 million of Gold Notes, Silver Notes and Senior Debentures into a total of 254.0 million common shares of the Company. The Company also repurchased and cancelled an aggregate principal amount of $2.9 million of Senior Debentures in 2016 at discounts to par value in the open market under Normal Course Issuer Bids ("NCIBs") using the excess cash flow deposited into the sinking funds for the Senior Debentures.

- ***Revenue*** of $50.4 million in the fourth quarter of 2016 was 49% better than the fourth quarter of 2015. Annual revenue for 2016 totaled $184.1 million, up 36% over last year, reflecting the stronger spot gold prices in 2016 and the increased gold production this year that contributed to a 26% increase in gold ounces sold over last year.
- Gran Colombia's ***total cash costs*** and ***all-in sustaining costs ("AISC")*** averaged $725 per ounce and $899 per ounce, respectively, in the fourth quarter of 2016. For the full year 2016, total cash costs and AISC averaged $706 per ounce and $850 per ounce, respectively, at the low end of the Company's guidance for 2016, benefitting from the favorable impact of the increased gold production reducing fixed costs on a per ounce. In 2017, the Company expects that its total cash cost will remain below $720 per ounce sold. The Company also expects that with an increased level of exploration spending at Segovia and the continuation of capital investment at its Segovia Operations, its AISC for the full year 2017 will remain below $900 per ounce. See page 26 for the computation of these non-IFRS measures.
- The ***net loss attributable to shareholders*** was $15.3 million, or $0.05 per share, for the fourth quarter of 2016 compared with $19.4 million, or $0.82 per share, in the fourth quarter of 2015. For the full year 2016, net income attributable to shareholders amounted to $3.7 million, or $0.02 per share, compared with a net loss of $13.0 million, or $0.55 per share, in 2015. The fourth quarter and full year results included after-tax impairment charges of $11.4 million in 2016 and $24.6 million in 2015.
- ***Adjusted net income attributable to shareholders*** was $3.4 million, or $0.01 per share, in the fourth quarter of 2016 compared with an adjusted net loss of $3.0 million, or $0.12 per share, in the fourth quarter of 2015. For the full year 2016, adjusted net income attributable to shareholders was $15.6 million, or $0.08 per share, compared with an adjusted net loss of $1.1 million, or $0.05 per share, in 2015. See the reconciliation on page 26 for the computation of this non-IFRS measure. The increase in adjusted EBITDA, net of an increase in income taxes, in 2016 was the primary driver behind the improved adjusted net income results this year.
- The Company completed a diamond infill drilling program in 2016 at the Segovia Operations to increase confidence levels of the mineral resources at both the Providencia and Sandra K mines. The Company also recently announced some encouraging drill results from a small underground infill drilling program completed in 2016 to explore the extension of the mineralization in the Marmato Underground mine. The Company is currently preparing updated mineral resource estimates incorporating the new drill results for Segovia and Marmato Underground that are expected to be completed in the second quarter of this year.
- The Company recently announced that it has signed an option agreement with IAMGOLD Corp. for the exploration and potential purchase of an interest in the Company's Zancudo Project.
- In September 2016, Gran Colombia announced it had engaged GMP Securities L.P. ("GMP") as its exclusive financial advisor to conduct a broad ***strategic review process*** to explore opportunities to enhance stakeholder value. On March 6, 2017, the Company announced two proposals aimed at improving its capital structure following the comprehensive debt restructuring completed in 2016. These proposals include a ***one-for-fifteen consolidation*** of its issued and outstanding common shares and an offer to holders of 2020 Debentures to voluntarily ***extend the maturity date*** on some or all of their debentures to 2024 in exchange for an increase in their annual interest rate from 6% to 8%. Refer to pages 4 and 5 for additional information on these proposals. The strategic review process has since been concluded.

Selected Financial Information

	Fourth Quarter 2016	Fourth Quarter 2015	Year 2016	Year 2015	Year 2014
Operating data:					
Gold produced (ounces)	40,879	30,050	149,708	116,857	98,622
Gold sold (ounces)	41,357	31,090	148,962	118,446	97,628
Average realized gold price ($/oz sold)	$ 1,201	$ 1,074	$ 1,218	$ 1,124	$ 1,237
Total cash costs ($/oz sold) (1)	725	705	706	729	1,024
All-in sustaining costs ($/oz sold) (1)	899	852	850	863	1,145
Financial data ($000's, except per share amounts):					
Revenue	$ 50,366	$ 33,751	$ 184,074	$ 134,949	$ 123,027
Adjusted EBITDA (1)	16,447	9,984	66,044	38,423	10,836
Impairment charges, net of tax	11,395	24,648	11,395	24,648	16,659
Net (loss) income attributable to shareholders	(15,254)	(19,425)	3,709	(13,020)	(3,310)
Basic and diluted (loss) income per share	(0.05)	(0.82)	0.02	(0.55)	(0.15)
Adjusted net (loss) income attributable to shareholders (1)	3,430	(2,954)	15,641	(1,114)	(17,882)
Basic and diluted adjusted (loss) income per share (1)	0.01	(0.12)	0.08	(0.05)	(0.82)

(1) Refer to "Additional Financial Measures" on pages 24-27.

	December 31, 2016	December 31, 2015	December 31, 2014
Balance sheet ($000's):			
Cash and cash equivalents	$ 2,783	$ 3,004	$ 767
Cash in trust for Senior Debentures (2)	537	-	-
Senior debt (3)	84,602	100,740	114,340
Other debt, including current portion	1,652	3,012	5,958

(2) Represents amounts deposited into sinking funds for the Senior Debentures, net of amounts used for the NCIBs.

(3) Represents carrying amounts, which are at a discount to principal amounts, for the Senior Debentures at December 31, 2016 and the Gold Notes and Silver Notes at December 31, 2015 and 2014. Refer to Note 9 to the audited consolidated financial statements for the year ended December 31, 2016 for additional details regarding the Senior Debentures.

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 continuing its expansion and modernization project at its Segovia Operations.

Issued and Outstanding Securities and NCIBs for Senior Debt

At March 30, 2017, the Company had the following securities issued and outstanding:

Securities	Number	Exercise price per unit	Expiry date
Common shares (TSX: GCM)	306,755,502		
Stock options	705,000	CA$1.84	July 2019
	11,850,000	CA$0.17	April 2021
	12,555,000		
Senior convertible debentures			
2018 Debentures (TSX: GCM.DB.U)	45,970,282	$0.13	August 11, 2018
2020 Debentures (TSX: GCM.DB.V)	101,160,085	$0.13	January 2, 2020
Warrants			
Unlisted	1,000,000	CA$18.75	October 30, 2017
Listed (TSX: GCM.WT.A)	4,211,918	CA$3.25	March 18, 2019

On July 19, 2016, the Company announced that it had received approval from the Toronto Stock Exchange (the "TSX") to commence NCIBs for its Senior Debentures. The NCIBs commenced on July 21, 2016 and will remain open until the earlier of July 20, 2017 or the date on which the Company has purchased the maximum number of debentures permitted under each bid. Under the terms of the bids, the Company will have the right to purchase for cancellation up to a maximum of $6,633,471 aggregate principal amount of 2018 Debentures and a maximum of $9,629,597 aggregate principal amount of 2020 Debentures through the facilities of the TSX or alternative Canadian trading systems. These amounts represent approximately 10% of the public floats of the Senior Debentures issued and outstanding as of July 11, 2016, determined in accordance with the applicable rules of the TSX. Management of the Company will determine the actual number of Senior Debentures that may be purchased and the timing of any such purchases, subject to compliance with applicable TSX rules. Daily purchases will be limited to $17,154 principal amount of 2018 Debentures and $12,279 principal amount of 2020 Debentures, other than block purchase exceptions. The price that the Company will pay for any debentures purchased will be the market price at the time of the acquisition. The Company will not purchase debentures when the market price per $100 aggregate principal amount of the debentures exceeds $100. To date, the Company has purchased and cancelled $782,000 aggregate principal amount of 2018 Debentures and $2,133,817 aggregate principal amount of 2020 Debentures.

Subsequent Event – Proposals to Extend Maturity of 2020 Debentures and Consolidate Shares

On March 6, 2017, the Company announced it is seeking approval from holders of the 2020 Debentures to amend the Indenture through a consent solicitation process (the "Consent Solicitation") to provide an option for holders to extend the maturity date of the debentures to January 2, 2024 (the "Proposed Indenture Amendments"). The extended 2020 Debentures will carry largely the same terms and conditions as the other 2020 Debentures except that the maturity date will be extended and interest will be paid monthly over the remaining term of the extended 2020 Debentures at an annual rate of 8%.

The Company expects materials regarding the Consent Solicitation will be distributed to all holders of the 2020 Debentures in early April 2017. Holders will be asked to provide their consent to amend the Indenture through the Consent Solicitation process. The Company will also be seeking shareholder approval of the Proposed Indenture Amendments pursuant to Multilateral Instrument 61 101 – Protection of Minority Security

Holders in Special Transactions ("MI 61 101"). In order for the Company to proceed with the Proposed Indenture Amendments, the following are required: (i) consent from a simple majority of the aggregate principal amount of the issued and outstanding 2020 Debentures and (ii) approval by a simple majority of the votes validly cast by "minority" shareholders, present in person or by proxy at the shareholder meeting, being the shareholders of the Company other than any "related parties" in respect of the Proposed Indenture Amendments (as determined in accordance with MI 61 101) who hold 2020 Debentures and such other shareholders as are required to be excluded in determining such "minority" approval pursuant to MI 61 101. The Consent Solicitation is expected to remain open until early May 2017, following which the Company will announce the results. If approved, holders of 2020 Debentures will then have the opportunity following the Consent Solicitation process to elect to extend some or all of their 2020 Debentures. The Consent Solicitation and the Proposed Indenture Amendments are subject to certain conditions and approvals including, but not limited to, the receipt of all necessary regulatory and stock exchange approvals. Terms outlined herein may be amended as required to receive such approvals.

The Company also announced on March 6, 2017, with a further update on March 23, 2017, that it is also proposing to consolidate its issued and outstanding common shares on the basis of one post-consolidation share for every 15 pre-consolidation shares (1:15), subject to approval of the Toronto Stock Exchange. On March 24, 2017, the Company began disseminating information related to the Special Meeting of Shareholders to be held on April 24, 2017 to consider its share consolidation proposal and to approve the proposed extension of the Company's 2020 Debentures, as described above.

2016 Exploration and Resources

The following table summarizes the Company's resource estimates at the Segovia Operations and the Marmato Project as of December 31, 2016:

	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	36.1	53	0.6	16.9	349	0.7	18.1	402	3.8	10.4	1,278
Marmato Project (2)	49.2	1.0	1,661	350.9	0.9	9,782	400.0	0.9	11,443	79.0	1.0	2,581

(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 Consulting (UK) Limited ("SRK") and updated for production to December 31, 2016 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, 2016 and a reduction of approximately 246,000 ounces of gold resulting from the lapse of certain licenses in the open pit area at the Marmato Project.

Segovia Operations

In 2016, the Company carried out a diamond infill drilling program at the Segovia Operations to increase confidence levels of the mineral resources at both the Providencia and Sandra K mines. The program was carried out in areas where sparse previous surface drilling had intersected high gold grades and focused on providing increased definition and confidence in the near-term mine operation within the Indicated Mineral Resources. High gold grades generated from 74 drill holes (9,472 metres) were intersected on both vein systems with maximum grades of 134.6 g/t Au and 95.4 g/t Ag over 0.73 metres on the Providencia Vein, and 43.2 g/t Au with 37.5 g/t Ag over 2.05 metres on the Sandra K Techo Vein, part of the Sandra K vein system.

Drilling results from the Providencia Mine confirmed the widening of the high-grade ore shoot to the west of Level 13, currently one of the deepest levels. This ore shoot remains open at depth and the Company believes that it offers the potential for another significant phase of resource growth at Segovia. Additional drilling also allowed the Company to better define a second high-grade ore shoot previously discovered underground at the east end of Level 12 of the Providencia Mine. The high-grade gold mineralized intercepts related to the main ore shoot confirm the higher grade mineralization at depth, and could potentially increase mining production at Providencia. At Sandra K, drilling results from surface drilling confirmed the extension and grade of the two main ore shoots down plunge. The Providencia and Sandra K drill programs continue to increase the confidence in the geological model of both ore bodies through increased drill density.

The Company, in conjunction with SRK, is currently preparing an updated mineral resource estimate based on the results of the 2016 drilling program and expects that this will be completed in the second quarter of 2017.

Marmato Project

A small underground drilling campaign was carried out at Marmato in 2016 to explore the extension of the vein mineralization between Level 21, the deepest level of the underground mine, down to Level 24. One of these holes, MND-11-16, intersected 8.98 m at 20.99 g/t Au and 7.11 g/t Ag from 112.32 m to 121.30 m depth, followed by 50.40 m at 2.20 g/t Au and 3.32 g/t from 121.30 m to the end of the hole at 171.70 m. The mineralization in both intersections related to narrow veinlets, with a higher veinlet density in the higher grade zone, and resembles the style of mineralization that was intersected in previous drill holes that characterize the deep body (refer to the Company's press release dated October 10, 2012). Drilling results from this drill hole are interpreted to form the top of the deep zone of veinlet-hosted mineralization, which begins about 100 metres down below the current mine workings, forming a deep body that could be suitable for underground bulk mining. The strike extent of this deep body is approximately 800 metres, while the vertical extent is approximately 850 metres, with a width not less than 100 meters. This body is still open along strike and at depth. The deep gold mineralization is related to narrow veinlets of quartz-pyrrhotite with minor amounts of pyrite and chalcopyrite and a narrow halo of intermediate argillic alteration. These change upwards to pyrite veinlets with pervasive intermediate argillic alteration. They overprint earlier potassic alteration with porphyry-style quartz veinlets, and propylitic alteration. The porphyry style alteration and veining does not carry significant mineralization. The copper values are very low and are not of economic interest. The Marmato Deep Zone mineralization is not included in the current mineral resource estimate for Marmato dated August 7, 2012 and lies below the open pit resource.

The Company, in conjunction with SRK, is preparing an updated mineral resource estimate for Marmato Underground incorporating the new drill results that is expected to be completed in the second quarter of 2017.

In connection with the Company's initiative to improve its working capital deficit and to reduce its future commitments, it has been carrying out negotiations with counterparties to various agreements entered into in prior years for the acquisition of mining titles at the Marmato Project to either extend the timing for payment of amounts due or to cancel the agreements altogether. In 2015 and 2016, the Company reached agreement to cancel several mining titles acquisition agreements that has reduced its future payment obligations by approximately $6.0 million. These cancellations will have no impact on the mineral resource estimate for the Marmato Underground area and represent a reduction of less than 2% of the total mineral resource estimate for the Marmato Project.

Results of Operations and Overall Performance

Gold production

(Ounces)	Fourth Quarter 2016	Fourth Quarter 2015	Year 2016	Year 2015
Segovia Operations				
Company-operated mines	9,977	5,516	30,174	15,867
Contract mining cooperatives	24,849	18,352	96,087	77,027
Total Segovia Operations	34,826	23,868	126,261	92,894
Marmato Underground	6,053	6,182	23,447	23,963
Total	40,879	30,050	149,708	116,857

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

	2016				2015			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Segovia Operations								
Company-operated mines								
Tonnes milled	39,448	38,951	34,106	33,036	31,944	28,129	22,459	21,815
Head grade (g/t)	4.77	3.67	4.35	4.07	3.75	3.67	3.73	3.61
Gold produced (ozs) (1)	9,977	7,146	7,962	5,089	5,516	4,920	3,114	2,317
Contract mining cooperatives								
Tonnes milled	36,153	33,749	36,030	33,423	30,404	27,022	26,097	23,179
Head grade (g/t)	23.80	27.01	22.67	21.56	20.59	29.12	25.60	24.00
Gold produced (ozs) (2)	24,849	26,406	23,922	20,910	18,352	23,028	19,436	16,211
Total Segovia Operations								
Tonnes milled	75,601	72,700	70,136	66,459	62,348	55,151	48,556	44,994
Tonnes per day (tpd)	822	790	771	730	678	599	534	500
Head grade (g/t)	13.87	14.51	13.76	12.87	11.96	16.14	15.48	14.12
Mill recovery	89.7%	90.1%	90.7%	89.8%	90.2%	90.6%	90.2%	90.6%
Gold produced (ozs) (1) (2)	34,826	33,552	31,884	25,999	23,868	27,948	22,550	18,528
Silver produced (ozs)	33,215	27,993	33,997	30,434	37,740	33,505	25,227	16,851
Marmato Underground								
Tonnes milled	88,024	88,883	89,788	74,613	79,137	80,168	70,772	73,202
Tonnes per day (tpd)	957	966	987	820	860	871	778	813
Head grade (g/t)	2.55	2.40	2.64	2.64	2.79	2.81	2.94	2.64
Mill recovery	83.9%	81.0%	83.3%	86.7%	87.2%	88.3%	89.0%	87.6%
Gold produced (ozs)	6,053	5,559	6,345	5,490	6,182	6,391	5,945	5,445
Silver produced (ozs)	9,174	9,639	9,725	7,992	8,764	9,514	7,722	8,494
Total Company								
Gold produced (ozs)	40,879	39,111	38,229	31,489	30,050	34,339	28,495	23,973
Silver produced (ozs)	42,389	37,632	43,722	38,426	46,504	43,019	32,949	25,345

(1) Gold production includes additional ounces recovered from the mill circuit during the period. Tonnes milled, head grade and mill recovery statistics do not include any data related to these additional gold ounces produced.

(2) Includes a small amount of gold produced for the Company from ore milled by a contract mining cooperative within the Company's mining title and shipped directly to the refinery. Tonnes milled, head grade and mill recovery statistics do not include any data related to these gold ounces produced.

At the Segovia Operations, gold production in the fourth quarter of 2016 totalled 34,826 ounces, up 46% from the fourth quarter of 2015 which had been adversely impacted by external security challenges as described below. The Company processed an average of 822 tonnes per day ("tpd") with head grades averaging 13.87 g/t at Segovia in the fourth quarter of 2016, an improvement from 678 tpd at an average head grade of 11.96 g/t in the fourth quarter of 2015. Segovia's annual gold production for 2016 reached a new record since being acquired by the Company in 2010, totaling 126,261 ounces, up 36% over 2015 and ahead of the Company's original guidance for 2016 of 96,000 to 110,000 ounces. Segovia's annual gold production benefitted in 2016 from development and modernization initiatives, focused primarily at the Providencia and El Silencio mines that contributed to a 39% increase in tonnes processed and 90% increase in ounces recovered from the Company-operated areas. Annual gold production from the contract mining cooperatives reflected a 31% increase in tonnes processed in 2016 and a 25% increase in ounces recovered. In 2017, the Company expects to produce a total of 126,000 to 134,000 ounces of gold from its Segovia Operations.

In the fourth quarter of 2015 and again in the third quarter of 2016, the Company's mining operations at Segovia were disrupted for short periods of time by external security challenges and civil strikes aimed at exerting pressure in ongoing negotiations between a local mining collective, comprised in its majority by illegal miners, and the government of the Department of Antioquia, the National Mining Agency, Procuraduria, the Ministry of Energy and Mines, and the Company. The Company's employees were not directly involved in these disruptions but their ability to safely report to work was affected and the Company was required to take appropriate security measures, supported by increased numbers of governmental authorities in the area, to control the situation. The Company's objective is ultimately to enter into contractual relations with the mining collective similar to those it has with 41 other mining cooperatives working within its mining title under which more than 2,500 miners in Segovia and Remedios are currently working with the Company. This mining collective had been in discussion with the various levels of government and the Company since February of 2016 related to the Colombian government's national program to formalize illegal mining in the country, including Decree 1421 from the Ministry of Mining and Energy, which became effective on September 1, 2016. Decree 1421 requires small processing plants to obtain a registration with the Colombian government and an environmental license and to only process and sell gold with a proper certificate of origin. Although discussions between the various parties have been ongoing since the end of September 2016 when they agreed to create a Mesa Institucional (a roundtable) with representatives from all parties, to analyze and propose solutions to improve social and economic matters in Segovia and Remedios, a solution has not yet been reached. The Company is continuing its efforts to bring the illegal mines within its title into its contract mining model.

At the Marmato Operations, tonnes processed averaged 957 tpd in the fourth quarter of 2016, up 11% compared with the fourth quarter of 2015. This helped to partially mitigate the impact of lower head grades, which averaged 2.55 g/t in the fourth quarter of 2016, and lower mill recovery on gold production which amounted to 6,053 ounces in the fourth quarter of 2016, down 2% from the fourth quarter of 2015. Annual gold production at the Marmato Operations in 2016 totalled 23,447 ounces, down 2% from 2015 and slightly below the Company's guidance range for 2016 of 24,000 to 26,000 ounces. For 2017, the Company expects that recent improvements in mill recovery will result in annual gold production of between 24,000 and 26,000 ounces.

Revenues

($000's except ounce and $/oz data)	Fourth Quarter 2016	Fourth Quarter 2015	Year 2016	Year 2015
Gold				
Ounces sold	41,357	31,090	148,962	118,446
Average realized price ($/oz)	1,201	1,074	1,218	1,124
Silver				
Ounces sold	47,786	29,114	179,569	135,176
Average realized price ($/oz)	15	12	14	14
Revenues				
Gold	$ 49,671	$ 33,388	$ 181,503	$ 133,139
Silver	695	363	2,571	1,826
Refining	-	-	-	(16)
	$ 50,366	$ 33,751	$ 184,074	$ 134,949

Revenues of $50.4 million in the fourth quarter of 2016 were up 49% from the fourth quarter of 2015. Gold sales volumes, benefitting from the increased gold production, were up 33% in the fourth quarter of 2016 over the same period in 2015. Realized gold prices in the fourth quarter of 2016 averaged $1,201 per ounce, 12% higher than the fourth quarter of 2015 due to generally stronger spot gold prices in 2016.

Annual revenues in 2016 totalled $184.1 million, up 36% over 2015 on the strength of the 28% year-over-year increase in total gold production which improved gold sales volumes by 26%. For the full year 2016 and 2015, realized gold prices averaged $1,218 per ounce and $1,124 per ounce, respectively, equivalent to 97.5% and 97% of the average London P.M. fix spot gold prices for the respective periods. The Company currently pays approximately 2.5% of spot gold prices for refining and smelting charges at the CIIGSA refinery in Medellin under a long-term supply agreement entered into in May 2015.

Cost of sales

	Fourth Quarter 2016	Fourth Quarter 2015	Year 2016	Year 2015
Production costs	$ 28,406	$ 18,557	$ 99,003	$ 80,359
Production taxes	2,259	1,623	7,990	6,087
Workforce reduction costs	-	2,102	728	2,170
Supplier contract termination	-	-	-	(475)
Provision for environmental discharges	(150)	(367)	86	725
Depreciation, depletion and amortization	3,933	3,133	12,546	12,472
Total cost of sales	$ 34,448	$ 25,048	$ 120,353	$ 101,338
Total cash costs per ounce [(1)]				
Production costs	$ 687	$ 597	$ 664	$ 679
Production taxes	55	52	54	51
Workforce reduction costs	-	68	5	18
Supplier contract termination	-	-	-	(4)
By-product credits (silver)	(17)	(12)	(17)	(15)
	$ 725	$ 705	$ 706	$ 729

(1) See "Additional Financial Measures" on pages 24-27.

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

	2016				2015			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Segovia Operations	$664	$672	$627	$659	$670	$614	$742	$795
Marmato Underground	1,023	1,094	933	847	817	778	941	914
Company average	$725	$728	$680	$685	$705	$644	$779	$824

The adverse impact of lower head grades and mill recovery on gold production at Marmato Underground increased its total cash cost per ounce in the fourth quarter of 2016 compared with the fourth quarter of 2015. This in turn contributed to the increase in the Company's total cash costs to $725 per ounce in the fourth quarter of 2016 compared with $705 per ounce in the fourth quarter of 2015. The total cash cost for the full year 2016 averaged $706 per ounce, at the low end the Company's guidance for 2016 and 3% better than 2015, benefitting from the favorable impact of the increased gold production at Segovia in 2016 that helped to reduce fixed operating costs on a per ounce. The Company expects that its total cash cost will continue to average below $720 per ounce in 2017.

Social contributions

	Fourth Quarter		Year	
($000's)	2016	2015	2016	2015
Segovia social contributions	$ 836	$ 512	$ 3,158	$ 1,989

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. The amount of the contributions is determined by a formula based on gold production and tied to the spot price of gold. The social contribution expense for the fourth quarter and full year 2016 increased significantly compared with the same periods in 2015 as a result of the year-over-year increase in Segovia's gold production and the impact of higher spot gold prices in 2016 increasing the contribution rate from an average of $21 per ounce in 2015 to $25 per ounce in 2016.

Other items

	Fourth Quarter		Year	
($000's)	2016	2015	2016	2015
G&A expenses	$ 2,573	$ 1,343	$ 7,082	$ 5,696
Impairment charges	-	37,344	-	37,344
Loss on disposal of mining interests	1,195	3,936	1,195	3,936
Share-based compensation	-	-	548	-
Finance costs	7,614	3,491	32,843	12,874
Wealth tax	-	(114)	2,231	3,269
Loss (gain) on financial instruments	346	(17,872)	(18,815)	(14,987)
Gain on sale of CIIGSA	-	-	-	668

G&A expenses in 2016 were $7.0 million, approximately $1.0 million higher than expectations for the year, compared with $5.7 million in 2015. G&A expenses in 2016 included additional costs, predominantly in the fourth quarter, for legal fees incurred by the Company in connection with the ongoing discussions with the

Colombian government and others involved in the illegal miner issues at Segovia and costs associated with the recently concluded strategic review process.

The Company recorded ***share-based compensation expense*** of $0.5 million in the first quarter of 2016 related to the approval on March 30, 2016 of the grant and vesting of 11,850,000 stock options at an exercise price of CA$0.17 per common share to directors, management and employees effective on April 1, 2016.There was no share-based compensation granted in 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 2016, the Company completed an assessment of the carrying value of the remaining construction in process assets associated with the new 2,500 tpd processing plant at Segovia. Based on its current mine plan, the Company has determined that for the foreseeable future, the new plant will not be required. Certain equipment originally acquired for the new plant has already been incorporated into upgrades at the existing Maria Dama plant and the Company expects that it will recover the carrying value of certain other components through upgrades of its existing processing plants or sale. However, the Company has recorded an impairment charge of $17.0 million in the fourth quarter of 2016 for expenditures associated with earthworks, buildings and project related overheads which may not be recoverable. In the fourth quarter of 2015, the Company recorded an impairment charge of $37.3 million related 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 estimate in its 2015 annual impairment review 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 recorded a loss on disposal of mining interests in the fourth quarter of 2016 of $1.2 million compared with $3.9 million in the fourth quarter of 2015. Linked to the Company's strategic initiative to reduce its working capital deficit and commitments, these losses arise from the cancellation by the Company 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 $4.2 Million in 2016 and $2.1 million in 2015 from the Company's commitments at Marmato. The fourth quarter 2015 asset disposal loss also included $0.8 million for leasehold improvements of an office closed by the Company as part of its cost savings initiatives.

Finance costs amounted to $7.6 million in the fourth quarter of 2016, bringing the full year 2016 total to $32.8 million, $20.0 million higher than the full year 2015. Finance costs comprise four primary categories as follows:

- Interest expense - $9.8 million in the full year 2016, up $1.1 million compared with 2015. However, including capitalized interest amounts, total interest costs in the full 2016 were down 47% compared with 2015, principally reflecting the reduction in interest rates on the Company's 2018 Debentures and 2020 Debentures to 1% and 6%, respectively, compared with 5% and 10% for the previous Silver Notes and Gold Notes, respectively. Debt conversions in 2016 have also helped to reduce total interest costs compared with last year. Principal components of the $9.8 million of total interest costs incurred in the full year 2016 included $0.8 million related to the Company's Gold Notes and Silver Notes through to the Exchange Date, $5.8 million related to the Company's Senior Debentures from the Exchange Date through to the end of 2016, 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. The Company ceased capitalization of interest at the beginning of 2016 as construction activities related to the new 2,500 tpd processing plant at Segovia have generally been suspended.

- Non-cash accretion of the debt discount on the Senior Debentures - $19.2 million in the full year 2016 compared with $Nil in 2015. The fair values assigned by the Company to the Senior Debentures on the Exchange Date totalled $75.2 million, a total discount of approximately 57% of their total principal amount of $17.2 million at the Exchange Date. The total debt discount of approximately $100.0 million is being accreted to the carrying values of the Senior Debentures over the remaining terms of the debentures using the amortized cost approach. Under this method, the effective interest rates, including the cash coupons on the debentures, of the 2018 Debentures and the 2020 Debentures are 47.9% and 22.7%, respectively.
- Non-cash accretion of financial obligations - $1.6 million in the full year 2016 compared with $1.9 million 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 obligations. Non-cash finance costs are recognized as these liabilities are accreted with the passage of time.
- Notes restructuring costs - $2.2 million in the full year 2016 compared with $2.3 million in 2015. The costs incurred in the full year 2016 include $1.6 million for the fair value of the additional Gold Notes and Silver Notes issued to holders at the Exchange Date for the 2% restructuring fee included in the terms of the comprehensive debt restructuring; the balance pertains to the success fee paid to GMP, fees paid to the Company's various legal advisors and listing and other fees associated with the issuance of the 2018 and 2020 Debentures. The notes restructuring costs in 2015 comprised fees paid to GMP, technical and legal advisors in connection with the defaults of the Gold and Silver Notes and the debt restructuring process concluded in early 2016.

On December 23, 2014, a tax reform bill amending the Colombian Tax Statute introduced a new ***wealth tax*** applicable for 2015 through 2017, inclusive. The taxable basis accrues annually on January 1st of each year and is payable in two instalments in May and September. In the full year 2015, the Company recorded a wealth tax expense of $3.3 million that was based on a rate of up to 1.15% of gross equity in Colombia (minus allowable debts) held through branches or permanent establishments located in Colombia. In the full year 2016, the Company's wealth tax expense decreased to $2.2 million, reflecting the impact of the devaluation of the COP and a reduction in the maximum wealth tax rate to 1.00%. In 2017, the maximum wealth tax rate decreased further to 0.40%. See additional comments related to the future wealth taxes in connection with the latest Colombian tax reform proposals.

The Company recorded a pre-tax ***gain on financial instruments*** totalling $18.8 million in the full year 2016 that included mark-to-market ("MTM") gains on the estimated fair values of the Gold Notes and the Silver Notes at the Exchange Date of $7.1 million and $9.9 million, respectively, in the period prior to the Exchange Date. The estimated fair values were determined using a valuation methodology that captures all the features of the revised terms for the Senior Debentures under the comprehensive restructuring, as set out on pages 17-20 of this MD&A, in a set of partial differential equations that are then solved to arrive at the value of the notes. The gain on financial instruments in the full year 2016 also included gains totalling $2.7 million on the settlement of the unpaid and arrears interest on the Gold Notes and the Silver Notes at the Exchange Date that were realized through the issuance of additional Gold Notes and Silver Notes to holders in lieu of cash. In addition, the Company recognized losses on financial instruments totalling $0.8 million in the second half of 2016 related to the repurchase of its Senior Debentures for cancellation under the NCIBs (see page 4). In the full year 2015, the Company recorded MTM gains on its Gold and Silver Notes totalling $15.0 million.

The Company reported a ***provision for income taxes*** for the full year 2016 of $14.8 million compared with $7.6 million in the full year 2015. The increase in the provision for income taxes in 2016 reflects the impact of the increased adjusted EBITDA on the profitability of the Company's operating subsidiaries in Colombia. The effective income tax rate on the Company's reported pre-tax income will ordinarily vary from the expected provision for income taxes based on the statutory tax rates in Canada as a result of non-deductible expenses, differences in tax rates in foreign jurisdictions, the impact of foreign exchange on the provision for income taxes, the tax impact of Senior Debentures' conversions and other less individually significant items. The effective tax rate in 2016 was also impacted by a change in the Company's functional currency for tax reporting in Canada from Canadian dollars to U.S. dollars effective January 1, 2016.

On December 29, 2016, the Colombian Government enacted Law 1819 of 2016, reforming the Colombian tax code with important changes to corporate income taxes, wealth tax and value-added tax ("VAT") that came into effect in 2017 including:

- The current corporate income tax rate of 25% has increased to 34% and 33% in 2017 and 2018, respectively;
- In 2017 and 2018, a tax surcharge of 6% and 4%, respectively is applicable, resulting in an effective corporate income tax rate of 40% in 2017, 37% in 2018 and 33% for 2019 and thereafter;
- The current income tax for equality (CREE) of 9% and its surcharge of 8% in 2017 and 9% in 2018 have been eliminated;
- A new 5% tax on dividends paid to non-resident recipients out of previously-taxed profits originated as of 2017, subject to applicable treaty relief;
- The tax reform measures accelerate the adoption of IFRS for tax purposes;
- The tax loss carryforward period, previously unlimited, is now limited to 12 years;
- The wealth tax is set to expire after 2017; and
- The general VAT rate has been increased from 16% to 19%.

The Company reported a ***net loss attributable to shareholders*** of $15.3 million, or $0.05 per share, for the fourth quarter of 2016 compared with $19.4 million, or $0.82 per share, in the fourth quarter of 2015. For the full year 2016, net income attributable to shareholders amounted to $3.7 million, or $0.02 per share, compared with a net loss attributable to shareholders of $13.0 million, or $0.55 per share, in the full year 2015. The fourth quarter and full year results included after-tax impairment charges of $11.4 million in 2016 and $24.6 million in 2015.

After adjustments for the after-tax impact of impairment charges and losses on disposals of mining interests, after-tax MTM gains, the tax recovery on the Senior Debentures' conversions, the after-tax accretion of the Senior Debentures' discounts and certain other items as set out in the reconciliation on page 26 of this MD&A, the Company reported ***adjusted net income attributable to shareholders*** of $3.4 million, or $0.01 per share, in the fourth quarter of 2016 compared with an adjusted net loss attributable to shareholders of $3.0 million, or $0.12 per share, in the fourth quarter last year. The adjusted net income attributable to shareholders for the full year 2016 was $15.6 million, or $0.08 per share, compared with an adjusted net loss attributable to shareholders of $1.1 million, or $0.05 per share, in the full year 2015. The improvement in the Company's adjusted EBITDA, net of increases in the provision for income taxes, in 2016 is largely responsible for the year-over-year improvements in adjusted net income attributable to shareholders for the fourth quarter and full year 2016.

Summary of Quarterly Results

	2016				2015			
$000's except ounce, per ounce and per share data	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Operating data:								
Gold produced (ounces)	40,879	39,111	38,229	31,689	30,050	34,339	28,495	23,973
Gold sold (ounces)	41,357	39,017	38,902	29,686	31,090	35,501	26,523	25,332
Average realized gold price (1)	$ 1,201	$ 1,296	$ 1,216	$ 1,144	$ 1,074	$ 1,090	$ 1,163	$ 1,193
Silver sold (ounces)	47,786	39,723	50,705	41,355	29,114	44,684	30,308	31,070
Average realized silver price (1)	$ 15	$ 17	$ 14	$ 13	$ 12	$ 13	$ 14	$ 15
Total cash costs (1, 2)	725	728	680	685	705	644	779	824
All-in sustaining cost (1, 2)	899	863	811	790	852	789	904	938
Financial data:								
Revenue								
Gold	$ 49,671	$ 50,567	$ 47,316	$ 33,949	$ 33,388	$ 38,696	$ 30,838	$ 30,217
Silver	695	657	698	521	363	571	435	457
Other	-	-	-	-	-	-	-	(16)
Total	50,366	51,224	48,014	34,470	33,751	39,267	31,273	30,658
Cost of sales	34,448	32,383	30,083	23,439	25,048	27,257	24,543	24,490
G&A	2,573	1,541	1,663	1,305	1,343	1,479	1,383	1,491
Impairment charges and loss on disposals of mining interests	18,203	-	-	-	41,280	-	-	-
Share-based compensation	-	-	-	548	-	-	-	-
Social contributions	836	808	957	557	512	649	413	415
(Loss) income from operations	(5,694)	16,492	15,311	8,621	(34,432)	9,882	4,934	4,262
Finance costs, net of income	(7,542)	(7,815)	(8,033)	(9,132)	(3,460)	(3,517)	(2,897)	(2,902)
Gain (loss) on financial instruments	(346)	(528)	-	19,689	17,872	(2,510)	766	(1,141)
Wealth tax	-	-	61	(2,292)	114	-	(129)	(3,254)
Foreign exchange and other	(151)	103	(8)	(188)	(146)	7,146	786	3,168
(Loss) income before taxes	(13,733)	8,252	7,331	16,698	(20,052)	11,001	3,460	133
Income tax recovery (provision)	(1,521)	(180)	(7,266)	(5,872)	627	(4,322)	(419)	(3,517)
Net (loss) income	(15,254)	8,072	65	10,826	(19,425)	6,679	3,041	(3,384)
Attributable to shareholders	(15,254)	8,072	65	10,826	(19,425)	6,679	3,041	(3,315)
Basic and diluted (loss) income per share	(0.05)	0.03	0.00	0.15	(0.82)	0.28	0.13	(0.14)
Adjusted EBITDA (3)	16,447	19,712	18,299	11,586	9,984	13,260	8,036	7,143
Adjusted net income (loss) attributable to shareholders (3)	3,430	8,103	3,857	251	(2,954)	1,993	1,663	(1,816)
Adjusted basic and diluted income (loss) per share (3)	0.01	0.03	0.03	0.00	(0.12)	0.08	0.07	(0.08)

(1) Per ouncesold.
(2) Refer to "Additional Financial Measures" on pages 24-27.
(3) Refer to pages 25-26 for reconciliations of adjusted EBITDA and adjusted net income and adjusted income per share to the Interim Financial Statements for the third quarters of 2016 and 2015.

Liquidity and Capital Resources

In January 2016, the Company rectified the defaults on its Gold Notes and Silver Notes through the successful completion of its comprehensive restructuring (as discussed herein and further disclosed on pages 17-20 of this MD&A).

In 2016, the Company reduced its operating working capital deficit by $14.2 million to $11.3 million at December 31, 2016 (December 31, 2015 - $26.5 million, excluding the Gold and Silver Notes), key components of which include:

- *Cash - $2.8 million*; down $0.2 million from the end of 2015 as the Excess Cash Flow (as defined on page 19 of this MD&A) is being set aside in the sinking funds for the Senior Debentures. The Company generated $2.9 million of Excess Cash Flow in 2016 after making the monthly interest payments on the Company's Senior Debentures, working capital requirements (including supplier and other payment programs), local debt service and capital expenditures.
- *Accounts receivable – current portion of $11.4 million*, up from $6.2 million at December 31, 2015 principally due to a $4.2 million increase in recoverable VAT and an increase in gold sales in 2016 that increased trade receivables by $0.7 million. The largest component of accounts receivable is recoverable VAT, primarily related to the Segovia Operations, which increased to $8.2 million at the end of December 2016 as (i) the amount of VAT being paid by the Company has increased with the higher volume of contract mining production at Segovia in 2016 and (ii) the processing of one refund request by the local tax authority was delayed until early 2017 for administrative reasons. Recoverable VAT is expected to increase further in 2017 due to the increase in the general VAT rate from 16% to 19% as a result of Colombian Tax Reform as outlined on page 13.
- *Income taxes recoverable - $Nil*, down from $1.7 million at December 31, 2015 due to the April 2016 receipt of a refund requested from the local tax authority in 2015.
- *Accounts payable and accrued liabilities - $16.6 million*, down from $25.3 million at the end of December 2015 as the Company has reduced its overdue accounts payable and improved the aging of its accounts payable through the payment plans it had arranged with numerous suppliers. In addition, the improvement in operating cash flow has alleviated the need to receive advances against gold sales from the refinery, contributing $1.2 million to the reduction in accounts payable in 2016.
- *Amounts payable for acquisitions of mining interests - $11.0 million* related to the Marmato Project, down from $11.5 million at December 31, 2015 as foreign exchange adjustments and additional interest accruing on amounts in arrears partially offset $1.5 million of payments under these agreements in 2016. As described on page 6 of this MD&A, the Company has cancelled several mining titles acquisition agreements in 2016 and is continuing its efforts to negotiate with the counterparties to the compensation agreements with artisanal miners in the Croesus area of the Marmato Project (which represents approximately $10.1 million of the total obligation at December 31, 2016) to amend or to cancel these agreements to reduce its future obligations. There can be no assurance that these negotiations will be successful.
- *Equity tax payable - $Nil*, down from $3.7 million at December 31, 2015, as the Company used its operating cash flow in 2016 to fully repay the remaining amounts owing from prior years, including the arrears interest.
- *Wealth tax payable - $Nil*, down from $1.8 million at December 31, 2015. On January 1, 2016, the Company's liability increased by $2.2 million for its 2016 wealth tax expense (as discussed on page 12). In 2016, the Company used its operating cash flow to pay a total of $4.1 million, including the amounts in arrears from 2015.
- *Current portion of long-term debt (excluding the Gold and Silver Notes) - $1.2 million*, down from $1.4

million at December 31, 2015, representing the remaining scheduled payments over the next eight months totalling $0.9 million to repay the local Colombian bank term loan due August 2017 and $0.3 million for payments over the next 12 months under finance leases for mining and other equipment at the Segovia Operations.

- *Current portion of provisions - $3.3 million*, up from $1.8 million at December 31, 2015. The December 31, 2016 balance includes $0.8 million for the next 12 monthly payments to fund the ongoing Frontino health obligations and $1.9 million related to the payments due over the next 12 months under a four-year monthly payment plan arranged with Corantioquia, the local environmental authority, in June 2016 related to the 2012-2015 environmental discharge fees at Segovia. The Company has also included its estimated 2016 environmental discharge fees, which have not yet been invoiced by Corantioquia, totalling approximately $0.6 million, in current liabilities as it also expects to pay this obligation within the next 12 months.
- *Income tax payable - $6.1 million,* up from $1.1 million at December 31, 2015. The increase in 2016 reflects the current provision for income taxes of $14.7 million recorded against earnings for the full year 2016, principally associated with the Company's Colombian mining operations, net of $9.5 million of income taxes paid in 2016, including statutory withholdings in Colombia related to gold and silver sales.

Operating activities

As outlined under *Results of Operations and Overall Performance* (pages 7-13 of this MD&A), increased gold production combined with stronger realized gold prices and the reduction in total cash costs per ounce sold in 2016 helped the Company to improve its adjusted EBITDA compared with 2015. This improvement enabled the Company to address various overdue elements in its working capital deficit (including accounts payable and accrued liabilities, equity and wealth taxes as discussed above), to fund an increased level of income tax instalments and still generate net cash flow from operating activities in the full year 2016 of $33.3 million. Net cash flow from operating activities in the full year 2015 was $32.9 million.

Investing activities

Cash used in investing activities in the full year 2016 represented additions to mining interests in the amount of $16.7 million as follows:

- *Sustaining capital expenditures*. The Company spent a total of $14.4 million on sustaining capital in 2016 including $11.7 million at the Segovia Operations (including $5.6 million on mine development and mine exploration/geology), $2.4 million at the Marmato Underground mine and $0.3 million on the Marmato Project.
- *New Segovia processing plant*. The Company spent $1.1 million in 2016 (mainly in the first quarter) related to certain contractual obligations for the new 2,500 tpd processing plant. Construction work on the new plant has been halted. The Company has also transferred certain equipment components in 2016 from the new plant to upgrade the existing Maria Dama processing plant at Segovia.
- A $1.5 million net decrease in *amounts payable for the acquisitions of mining interests,* principally related to mining titles at the Marmato Project (refer to discussion on page 15), offset partially by a $0.3 million increase in *accounts payable and accrued liabilities* related to capital additions during 2016.

In 2016, the Company received $0.2 million of the amounts receivable from the sale of its CIIGSA refinery interest in May 2015. As of December 31, 2016, there is a balance of $1.1 million to be received in instalments through April 2018.

Financing activities

In 2016, the Company used $17.2 million of its operating cash flow to fund financing activities, including $10.5 million of net interest payments, of which $7.2 million related to the Senior Debentures, Gold Notes and Silver Notes and the balance to local debt and other financial obligations. The Company also repaid $1.5 million of long-term debt, paid $1.7 million of costs and expenses related to the debt restructuring, paid $0.1 million of commissions related to the NCIBs and set aside $3.4 million for future debt repayments, including $2.9 million of its Excess Cash Flow deposited into the sinking funds for the Senior Debentures.

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 Columbia, 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. 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 89.9 million additional common shares at a conversion price of $0.13 per share 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.

Immediately after closing of the Arrangement, there were $71.2 million and $104.0 million in principal amount 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.

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

During the period following the Exchange Date through to and including March 30, 2017, holders elected to convert a total of $24.4 million of 2018 Debentures in exchange for 187.8 million common shares of the Company. During this same period, holders elected to convert a total of $0.7 million of 2020 Debentures in exchange for 5.4 million common shares of the Company. Including amounts converted on the Exchange Date, to date holders have elected to convert a total of $35.9 million aggregate principal amount of 2018

Debentures and a total of $0.9 million aggregate principal amount of 2020 Debentures into a total of 283.1 million common shares of the Company.

On July 21, 2016, as described more fully on page 4 of this MD&A, the Company launched NCIBs for its Senior Debentures. To date, a total of $2.9 million aggregate principal amount of the Senior Debentures have been repurchased at a discount in the open market and subsequently cancelled.

Reference should be made to the table on page 4 of this MD&A for a summary of the current issued and outstanding securities of the Company as of March 30, 2017.

2018 Debentures

Key terms of the 2018 Debentures include:

i. The aggregate principal amount, before conversions elected on the Exchange Date as noted above, 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.
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 adjusted 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.

2020 Debentures

Key terms of the 2020 Debentures include:

i. The aggregate principal amount, before conversions elected on the Exchange Date as noted on page 17, 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.
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.

Excess Cash Flow Sinking Funds for 2018 Debentures and 2020 Debentures

As noted on page 19 and above, the Company is obligated to pay 25% and 75% of its Excess Cash Flow (as defined on page 19) into separate sinking funds for the 2018 Debentures and the 2020 Debentures, respectively. The payments are to be made no later than five business days following the date on which the Company files its financial information each quarter. To date, the Company has deposited $0.7 million and $2.2 million into the sinking funds for the 2018 Debentures and the 2020 Debentures, respectively, in connection with its Excess Cash Flow for 2016. As noted on page 4 of this MD&A, the Company commenced NCIBs in July 2016 to repurchase debentures on the open market for cancellation to be funded by these sinking funds as permitted under the indentures for the Senior Debentures. As of December 31, 2016, non-current cash in trust includes $0.1 million and $0.4 million of cash on deposit in the sinking funds for the 2018 and 2020 Debentures, respectively.

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, 2016 include:

- The Company has COP 2.8 billion, equivalent to $0.9 million (December 31, 2015 – COP 6.6 billion or $2.1 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, 2016 – 6.86%) 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 $0.15 million) into a restricted cash account to meet the debt service obligations. At December 31, 2016, there was $0.2 million of cash in trust for this term loan.
- The Company has four finance leases amounting to a total of approximately COP 2.1 billion (net of future interest) at December 31, 2016, equivalent to approximately $0.7 million, relating to the acquisition of mining and other equipment in Segovia. These finance leases are paid on a monthly basis over terms expiring through 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.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments, short-term debt, amounts payable for mining interests, 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:

- Liquidity risks;
- Indebtedness of the Company;
- Servicing indebtedness;
- Metal price volatility;
- Future production rates;
- Financing risks;
- 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 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; 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 unlisted 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 30, 2017 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.

Accounting Policy Changes

In January 2016, the Company determined that, as a result of the changes in its USD debentures and the conversion price being based in USD, its functional currency for Gran Colombia Gold Corp., the non-operating parent company, should be changed from CA to USD. The Company also determined that as a result of the change in the source of funding for the activities of its non-operating Colombian exploration subsidiaries, the functional currency for these entities should be changed from USD to COP. The translation procedures, applicable to the new functional currencies, have been applied prospectively from January 1, 2016.

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 unaudited condensed 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.

Recent Accounting Pronouncements

Accounting Standards Not Yet Adopted

The following new standards, and amendments to standards and interpretations, were not effective for the year ending December 31, 2016, 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, 2018, 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.

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payments* which include guidance on how to measure the fair value of the liability incurred in a cash-settled share-based payments and clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments (i.e. the modified grant date method). The amendments also clarify the conditions under which a share-based payment transaction with employees settled net of tax withholding is accounted for as equity-settled. Additional amendments clarify the accounting for modifications to plans that result in plans changing from equity to cash settled. Companies are required to apply the amendments for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company will evaluate the impact of adopting these amendments in its consolidated financial statements in future periods.

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, 2016. There have been no changes in the Company's internal controls over financial reporting during the three months and year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls 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. These non-IFRS measures are 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. These measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to other issuers.

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.

Additional financial measures referred to in this MD&A are defined as follows:

"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.

"AISC 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 table provides a reconciliation of ***adjusted EBITDA*** to the consolidated financial statements:

	Fourth Quarter		Year	
	2016	2015	2016	2015
Net (loss) income	**$ (15,254)**	**$ (19,425)**	**$ 3,709**	**$ (13,089)**
Depreciation and amortization	3,938	3,136	12,563	12,497
Impairment charges	17,008	37,344	17,008	37,344
Loss on disposals of mining interests	1,195	3,936	1,195	3,936
Share-based compensation	-	-	548	-
Finance costs, net of finance income	7,542	3,460	32,522	12,776
Wealth tax	-	(114)	2,231	3,269
(Gain) loss on financial instruments	346	(17,872)	(18,815)	(14,987)
Foreign exchange loss (gain)	151	146	244	(10,286)
Gain on sale of CIIGSA	-	-	-	(668)
Income taxes	1,521	(627)	14,839	7,631
Adjusted EBITDA	**$ 16,447**	**$ 9,984**	**$ 66,044**	**$ 38,423**

The following table provides details of the primary components of ***adjusted EBITDA***:

	Fourth Quarter		Year	
	2016	2015	2016	2015
Revenue	$ 50,366	$ 33,751	$ 184,074	$ 134,949
Cost of sales, excluding depreciation and amortization	(30,515)	(21,915)	(107,807)	(88,866)
G&A, excluding depreciation and amortization	(2,568)	(1,340)	(7,065	(5,671)
Social contributions	(836)	(512)	(3,158)	(1,989)
Adjusted EBITDA	**$ 16,447**	**$ 9,984**	**$ 66,044**	**$ 38,423**

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 2016	Fourth Quarter 2015	Year 2016	Year 2015
Net (loss) income attributable to shareholders	**$ (15,254)**	**$ (19,425)**	**$ 3,709**	**$ (13,020)**
Impairment charges and loss on disposals of mining interests, net of tax	12,196	27,246	12,196	27,246
Loss (gain) on financial instruments, net of tax	254	(11,363)	(13,829)	(8,478)
Gain on sale of CIIGSA	-	-	-	(668)
Tax impact of conversions of Senior Debentures	-	-	(3,729)	-
Accretion of senior debt discount, net of tax	3,788	-	14,092	-
Foreign exchange loss (gain), net of tax	119	146	266	(10,286)
Impact of foreign exchange on provision for income taxes	2,327	847	2,936	12,468
Benefit of previously unrecognized income tax losses	-	(405)	-	(8,376)
Adjusted net income (loss) attributable to shareholders	**$ 3,430**	**$ (2,954)**	**$ 15,641**	**$ (1,114)**
Adjusted net income (loss) per share	**$ 0.01**	**$ (0.12)**	**$ 0.08**	**$ (0.05)**

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:

($000's except ounces and per ounce data)	Fourth Quarter 2016	Fourth Quarter 2015	Year 2016	Year 2015
Gold sales (ounces)	41,357	31,090	148,962	118,446
Total cash costs				
Production costs	$ 28,406	$ 18,557	$ 99,003	$ 80,359
Production taxes	2,259	1,623	7,990	6,087
Workforce reduction costs	-	2,102	728	2,170
Supplier contract termination	-	-	-	(475)
Silver revenues	(695)	(363)	(2,571)	(1,826)
Total cash costs on a by-product basis	$ 29,970	$ 21,919	$ 105,150	$ 86,315
Total cash costs per ounce sold	**$ 725**	**$ 705**	**$ 706**	**$ 729**
AISC				
Total cash costs on a by-product basis	$ 29,970	$ 21,919	$ 105,150	$ 86,315
G&A, excluding depreciation and amortization	2,568	1,340	7,065	5,671
Sustaining capital and E&E costs	4,777	3,591	14,361	9,514
Provision for environmental charges	(150)	(367)	86	725
Total AISC	$ 37,165	$ 26,483	$ 126,662	$ 102,225
AISC per ounce sold	**$ 899**	**$ 852**	**$ 850**	**$ 863**

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	
	2016	2015	2016	2015
Additions to mining interests				
Segovia plant expansion project [(1)]	$ 168	$ (160)	$ 1,163	$ 1,554
Sustaining capital and E&E costs	4,777	3,591	14,361	9,514
Change in accounts payable and accrued liabilities related to capital expenditures	112	(230)	(321)	1,202
Decrease in amounts payable for acquisitions of mining interests	470	2	1,501	383
	$ 5,527	**$ 3,203**	**$ 16,704**	**$ 12,653**

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

Outlook

The Company started off 2017 with a total of 24,585 ounces of gold production in the first two months and expects to produce a total of 150,000 to 160,000 ounces of gold for the full year compared with the 149,708 ounces produced in 2016.

The Company's total cash cost and AISC averaged $706 and $850 per ounce sold, respectively, in 2016. In 2017, the Company expects that its total cash cost will remain below $720 per ounce sold. The Company also expects that with an increased level of exploration spending at Segovia and the continuation of capital investment at its Segovia Operations, its AISC for the full year will remain below $900 per ounce.

In early February 2017, the Company completed the 10,000 meters drilling campaign it commenced at Segovia in May of 2016. In the second half of 2016, the Company also completed a small underground drilling program to explore the extension of the current mineralization in the upper level of the existing Marmato mine. In 2017, the Company plans to execute a 20,000 meters drilling campaign to further its efforts to upgrade and extend its mineral resources at its Segovia Operations. Capital investment in 2017 at the Segovia Operations will continue to focus on ongoing mine development at its Providencia and El Silencio mines along with additional investments in mine infrastructure upgrades, ventilation, health, safety and environmental initiatives, mine equipment and expansion of tailings storage facilities.

In 2016, the Company repurchased and cancelled a total of $2.9 million aggregate principal amount of its 2018 and 2020 Debentures at a discount under the normal course issuer bids launched in July 2016. These transactions were funded by excess cash flow generated in 2016 and deposited into the sinking funds. The Company also used the increased cash flow generated by its operations in 2016 to honor its supplier payment programs, successfully restoring the aging of its accounts payable to normal terms by the end of 2016, and fully settled its overdue equity and wealth taxes which carried very high interest rates on the amounts in arrears. In 2017, provided gold prices remain at least at the current levels, the Company intends to generate excess cash flow equivalent to approximately 10% of the aggregate principal amount of its 2018 and 2020 Debentures currently issued and outstanding for deposit into the sinking funds in accordance with their respective indentures. Sinking fund balances may be used to fund open market repurchases of debentures for cancellation, redemptions at par or repayment at maturity.

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 costs and AISC per ounce sold and interest payments, sinking funds and NCIBs related to the Senior 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, 2017, 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.