GRAN COLOMBIA GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED MARCH 31, 2018
May 10, 2018

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 unaudited condensed consolidated financial statements and related notes thereto for the three months ended March 31, 2018 (the "Interim Financial Statements"), 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 30 of this MD&A and the Company's Annual Information Form dated as of March 27, 2018, also available on the Company's website and SEDAR. The financial information in this MD&A is derived from the Interim Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Reference should also be made to pages 26-29 for information about non-IFRS measures referred to in this MD&A. ***All figures contained herein are expressed in United States dollars ("USD"), except for production, share data or as otherwise stated.***

First Quarter 2018 Highlights

- The Company ***successfully closed its $98 million Offering of Units*** on April 30, 2018 to refinance its 2020 Debentures and 2024 Debentures (collectively the "Senior Secured Debentures"), providing the Company with greater access to its internally generated free cash flow to explore, expand and modernize its mining operations, and significantly reducing the potential dilution to the Company's shareholders compared with the existing capital structure. On the Closing Date, the Company deposited sufficient net proceeds from the Offering with the trustee for the Senior Secured Debentures to fund their redemption on May 14, 2018 (the "Redemption Date"). By extinguishing the full amount of the issued and outstanding Senior Secured Debentures with the net proceeds of the Offering, the $9.6 million of cash in trust as of March 31, 2018, representing the sinking fund for the Senior Secured Debentures, has since been released for inclusion in the Company's unrestricted cash balance, which stood at $3.4 million at March 31, 2018. Since the Closing Date, a further $2.3 million aggregate principal amount of Senior Secured Debentures have been converted by holders into common shares, decreasing the ultimate amount required to be redeemed. At the Redemption Date, the excess funds deposited with the trustee for the redemption of the Senior Secured Debentures will be returned to the Company, further bolstering its cash position.

- The Company also ***settled $7.3 million aggregate principal amount of its 2018 Debentures*** on April 30, 2018 through a concurrent offer to holders of its 2018 Debentures to voluntarily settle their debt prior to maturity with a combination of 19% in cash, funded by the sinking fund, and 81% in common shares at the conversion price. The Company continues to expect that it will use its option to settle its remaining 2018 Debentures, of which $34.4 million aggregate principal amount is currently issued and outstanding, at maturity in August 2018 with common shares to the maximum extent possible. In accordance with the 2018 Debenture holders consent solicitation process to facilitate the Offering, the Company has increased the annual interest rate on the remaining issued and outstanding 2018 Debentures from 1% to 5% effective the Closing Date and through to their maturity.

- ***The Company is on track to meet its guidance for 2018 with total gold production of 52,672 ounces in the first quarter of 2018***, up 35% over the first quarter of 2017, and a further 16,119 ounces produced in April 2018. Fueled by continued growth in the Company's high-grade Segovia Operations, the Company's trailing 12-months' total gold production increased to 187,485 ounces as of March 2018, up 8% over the total for 2017 of 173,821 ounces and within the Company's guidance range for 2018 of between 182,000 and 193,000 ounces.

- ***Revenue*** increased 42% in the first quarter of 2018 over the first quarter last year to $64.8 million, positively impacted this year by the increased level of gold production as described above and 10% better realized gold prices in the first quarter of 2018 as spot gold prices rose 9% compared with the first quarter last year.

- ***Total cash costs*** and ***all-in sustaining costs ("AISC")*** averaged $670 per ounce and $896 per ounce, respectively, for the first quarter of 2018, down from $748 per ounce and $941 per ounce, respectively, in the first quarter last year. See page 29 for the computation of these non-IFRS measures. An increase in the proportion of the Company's total gold sales coming from the lower cost Segovia Operations coupled with a reduction in Segovia's total cash cost to $616 per ounce as a result of head grade improvement in the Company-operated areas of the Providencia mine and further reduction of fixed costs on a per ounce basis, led to the improved total cash cost per ounce for the Company in the first quarter of 2018 compared with the first quarter last year. AISC in the first quarter of 2018 included $180 per ounce of sustaining capital expenditures, up from $143 per ounce in the first quarter of 2017, reflecting the Company's continuing commitment to explore, develop and modernize its high-grade Segovia Operations in the improving gold price environment.

- ***Adjusted EBITDA*** doubled in the first quarter of 2018 to $27.4 million compared with $13.6 million in the first quarter of 2017, bringing the trailing 12-months' total adjusted EBITDA at the end of March 2018 to $89.3 million, up 18% compared with 2017. See page 27 for the computation of this non-IFRS measure.

- The Company generated $2.6 million of ***Excess Cash Flow*** (see page 28 for the computation) in the first quarter of 2018, up from $2.3 million in the first quarter last year. The Company took advantage of its improved operating cash flow in the first quarter of 2018 to accelerate $5.6 million of its income tax payments that ordinarily would have been made in the second quarter of 2018 to facilitate the commencement in May 2018 of the monthly physical gold deliveries to the Gold Trust Account under the new gold-linked notes issued pursuant to the Offering.

- The Company reported ***net income*** for the first quarter of 2018 of $5.4 million, or $0.25 per share, compared with a net loss of $0.8 million, or $0.04 per share, in the first quarter last year, with the year-over-year improvement principally attributable to the increased income from operations in the first quarter of 2018 driven by higher gold sales volumes and realized gold prices and lower total cash costs per ounce.

- ***Adjusted net income*** for the first quarter of 2018 of $9.8 million, or $0.46 per share, up from $3.1 million, or $0.16 per share, in the first quarter last year, also reflected the improvement in income from operations as noted above. See the reconciliation on page 28 for the computation of this non-IFRS measure.

- On May 10, 2018, the Company filed a NI 43-101 independent technical report on its website and SEDAR profile that comprises the final ***Preliminary Feasibility Study ("PFS") for the Segovia Operations*** effective December 31, 2017, including the detailed information on the key assumptions, parameters and methods used in determining the Mineral Reserves and Mineral Resource estimate of its Segovia Operations as previously announced on March 27, 2018.

Selected Financial Information

	First Quarter 2018	First Quarter 2017
Operating data		
Gold produced (ounces)	52,672	39,008
Gold sold (ounces)	49,610	38,434
Average realized gold price ($/oz sold)	$ 1,293	$ 1,174
Total cash costs ($/oz sold) (1)	670	748
All-in sustaining costs ($/oz sold) (1)	896	941
Financial data *($000's, except per share amounts)*		
Revenue	$ 64,786	$ 45,717
Adjusted EBITDA (1)	27,443	13,591
Net income (loss)	5,352	(784)
Per share - basic	0.25	(0.04)
Per share - diluted	0.12	(0.04)
Adjusted net income (1)	9,846	3,084
Per share - basic	0.46	0.16
Per share - diluted	0.12	0.04
Excess Cash Flow	2,554	2,276

	March 31, 2018	December 31, 2017
Balance sheet ($000's):		
Cash and cash equivalents	$ 3,400	$ 3,272
Cash in trust for Senior Debentures (2)	14,465	11,911
Senior debt, including current portion (3)	101,042	98,713
Other debt, including current portion	394	439

(1) Refer to "Non-IFRS Measures" on pages 26-29.

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

(3) Represents carrying amounts, which are at a discount to principal amounts, for the Senior Debentures. At March 31, 2018, the aggregate principal amounts of the 2018 Debentures, 2020 Debentures and 2024 Debentures issued and outstanding were $44.0 million, $48.0 million and $43.3 million, respectively (December 31, 2017 - $45.2 million, $48.7 million and $47.0 million, respectively). Refer to *"Subsequent Event - Refinancing of 2020 and 2024 Debentures and Early Settlement of $7.3 Million of 2018 Debentures"* below.

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 401 Bay Street, Suite 2400, Toronto, Ontario, M5H 2Y4 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 exploration, expansion and modernization activities at its high-grade Segovia Operations.

Issued and Outstanding Securities

At May 9, 2018, the Company had the following securities issued and outstanding:

Securities	TSX Symbol	Number	Shares Issuable	Exercise price per share	Expiry date
Common shares	GCM	29,317,798			
Stock options		47,000	47,000	CA$27.60	July 2019
		709,999	709,999	CA$2.55	April 2021
		1,006,328	1,006,328	CA$2.55	April 2022
		81,666	81,666	CA$2.55	December 2022
		1,844,993	1,844,993		
Senior convertible debentures					
2018 Debentures	GCM.DB.U	34,399,642	17,640,842	$1.95	August 11, 2018
2020 Debentures	GCM.DB.V	47,722,513	24,473,083	$1.95	January 2, 2020
2024 Debentures	GCM.DB.X	40,828,953	20,937,924	$1.95	January 2, 2024
Warrants	GCM.WT.A	4,211,918	280,795	CA$48.75	March 18, 2019
Units (1)	Unlisted	97,992	12,151,008	CA$2.21	April 30, 2024

(1) Represent Units issued by the Company on April 30, 2018 pursuant to the Offering. Each Unit consists of $1,000 principal amount of Notes and 124 Warrants. The Notes and Warrants comprising each Unit will not separate until 45 days following the Closing Date. The Notes and the Warrants are also subject to a hold period equal to four months and a day following the Closing Date and the Company will take commercially reasonable steps to obtain approval for the listing and trading of the Notes and the Warrants on the TSX by the end of the hold period.

Subsequent Event - Refinancing of 2020 and 2024 Debentures and Early Settlement of $7.3 Million of 2018 Debentures

On April 30, 2018, the Company completed a private placement of 97,992 units (the “Units”) of the Company for aggregate gross proceeds of $97,992,000 (the “Offering”) to refinance its Senior Secured Debentures. Each Unit consists of $1,000 principal amount of senior secured gold-linked notes (the “Notes”) and 124 common share purchase warrants (the “Warrants” and each, a “Warrant”) of the Company (12,151,008 Warrants in aggregate). Each Warrant has an exercise price of CA$2.21 and entitles the holder thereof to purchase one common share in the capital of the Company at any time prior to the maturity of the Notes. The Notes and Warrants comprising each Unit will not separate until 45 days following the Closing Date. The Notes and the Warrants are also subject to a hold period equal to four months and a day following the Closing Date, and the Company will take commercially reasonable steps to obtain approval for the listing and trading of the Notes and the Warrants on the Toronto Stock Exchange (“TSX”) by the end of the hold period. On the Closing Date, the Company provided notice (the “Redemption Notice”) to the trustee (the “Trustee”) of its Senior Debentures that, on May 14, 2018, the Company will redeem all of the principal amount of its outstanding Senior Secured Debentures at a redemption price equal to $1 for each $1 principal amount, plus accrued and unpaid interest up to (but excluding) the Redemption Date. A portion of the proceeds of the Offering is from the purchases of Units by certain holders of the Senior Secured Debentures who elected to use the proceeds payable to them for the redemption of their debentures at the closing of the Offering to make such purchases of Units. On the Closing Date, the Company deposited sufficient cash proceeds from the Offering with the Trustee to complete the redemption. Excess funds not required by the trustee on the

Redemption Date, due to holders' conversions to common shares between the Closing Date and the Redemption Date, will be returned to the Company.

The Notes bear interest at 8.25% per annum, to be paid monthly, and have a six-year term. The Company is required to set aside an amount of physical gold each month in a trust account (the "Gold Trust Account") and the proceeds from the quarterly sale of the gold will be used to repay the principal amount of the Notes based on a guaranteed floor price of $1,250 per ounce. The scheduled annual number of physical gold ounces to be deposited into the Gold Trust Account will vary by year, representing approximately 10% of the projected annual gold production from the Company's Segovia Operations and ranging from 15,594 ounces in the first year down to 10,000 ounces in the final year of the term of the Notes.

On the Closing Date, the Company also completed the early redemption of $7,260,659 aggregate principal amount of 2018 Debentures from holders who elected to exchange their 2018 Debentures for a cash payment equal to 19% of the principal amount of their 2018 Debentures, representing a total payment of approximately $1.4 million funded by cash held in the sinking fund for the 2018 Debentures, and the remaining 81% of the principal amount settled with common shares, representing the issuance of a total of 3,015,966 common shares, based on the conversion price of $1.95 per common share. Furthermore, in accordance with the 2018 Debenture holders consent solicitation process to facilitate the Offering, the Company has increased the annual interest rate on the remaining issued and outstanding 2018 Debentures from 1% to 5% effective the Closing Date and through to maturity in August 2018.

Debentures Conversions

From January 1 through May 9, 2018, debenture holders elected to convert $3.5 million aggregate principal amount of 2018 Debentures, $1.0 million aggregate principal amount of 2020 Debentures and $6.1 million aggregate principal amount of 2024 Debentures into a total of 5,436,083 common shares.

NCIBs for Senior Debentures

The Company has utilized NCIBs, funded by Excess Cash Flow allocated to the sinking funds for the Senior Debentures, as part of its strategy to reduce its Senior Debentures prior to maturity to reduce ongoing interest costs and dilution from the potential conversion of the Senior Debentures. On July 21, 2017, the Company commenced a second 12-month term for the NCIB related to its 2020 Debentures that will expire on the Redemption Date. The Company has not made any purchases under this NCIB in 2018.

Reserves and Resources

Mineral Reserves

On March 27, 2018, the Company announced that SRK Consulting (U.S.), Inc. ("SRK") had completed preliminary results of a PFS for the Segovia Operations effective December 31, 2017. On May 10, 2018, the Company filed a NI 43-101 independent technical report on the Company's website and SEDAR profile that includes the final PFS and detailed information on the key assumptions, parameters and methods used in the PFS.

The PFS has provided Segovia's first reported Mineral Reserve of 660,000 ounces of gold based on 1.7 million tonnes of material at an average head grade of 12.4 g/t. Although the preliminary results announced on March 27, 2018 identified all of the Mineral Reserve as probable, the final results included in the NI 43-

101 independent report comprise 68,000 ounces of proven Mineral Reserve and 592,000 ounces of probable Mineral Reserve as set out in the table below.

For this PFS, SRK included the geological and resource modelling of the various deposits and mining areas that comprise the operating mine site of the Segovia Operations. The following table shows a breakdown of the Mineral Reserve as of December 31, 2017 by classification and area:

	Proven			Probable			Proven & Probable		
	Tonnes (000s)	**Grade (g/t)**	**Oz Au (000s)**	**Tonnes (000s)**	**Grade (g/t)**	**Oz Au (000s)**	**Tonnes (000s)**	**Grade (g/t)**	**Oz Au (000s)**
Providencia	46	45.4	68	144	19.1	88	190	25.5	156
Sandra K	-	-	-	187	8.3	50	187	8.3	50
El Silencio	-	-	-	1,148	11.3	417	1,148	11.3	417
Carla	-	-	-	135	8.6	37	135	8.6	37
Total	46	45.4	68	1,614	11.4	592	1,660	12.4	660

(1) Sourced from the NI 43-101 Technical Report, Prefeasibility Study, Segovia Project, Colombia dated May 10, 2018 and effective as of December 31, 2017, prepared by SRK. Some production at Segovia is sourced from mining areas that are not currently included in the Company's Mineral Reserve.

(2) Ore reserves are reported using a gold cut-off grade (CoG) ranging from 3.5 to 4.6 g/t depending on mining area and mining method. The CoG calculation assume a $1,250.50/oz Au price, 90.5% metallurgical recovery, $24/oz smelting and refining charges, $25/t G&A, $24/t Processing cost, and mining costs ranging from $71 to 110/t. Note that costs/prices used here may be somewhat different than those in the final economic model. This is due to the need to make assumptions early on for mine planning prior to finalizing other items and using long term forecasts for the life of mine plan. The reserves are valid as of December 31, 2017. Mining dilution is applied to a minimum mining height and estimated overbreak (values differ by area/mining method) using a zero grade. Reserves are inclusive of Mineral Resources. All figures are rounded to reflect the relative accuracy of the estimates. Totals may not sum due to rounding. Mineral Reserves have been stated on the basis of a mine design, mine plan, and cash-flow model. The underground Mineral Reserves are effective as of December 31, 2017. Proven reserves are stated for the main Providencia area at depth. Other areas of Measured material did not convert to Proven reserves at this time due to potential survey unknowns. The Mineral Reserves were estimated by Fernando Rodrigues, BS Mining, MBA, MMSAQP #01405, MAusIMM #304726 of SRK, a Qualified Person.

A mining study and schedule was prepared by both SRK's and the Company's technical professionals to create a life-of-mine ("LoM") production schedule, including both Company-operated areas and contractor-operated areas within the Company's Providencia, El Silencio, Sandra K and Carla mines. The PFS production schedule includes only proven and probable Mineral Reserves, and as such, the projected mine life for the PFS will be shorter than the Company's current expectations (which remains at 2026 as per the previous Preliminary Economic Assessment) due to the exclusion of Inferred Resources which the Company currently mines and intends to mine in the future. The contract miner material processed at the Company's Maria Dama plant from the small mines located in the Company's mining title is also not included in the LoM production schedule in the PFS as it falls outside the Company's mines and Mineral Reserves.

The PFS LoM production schedule foresees the total 1.7 million tonnes of material being processed over a six-year mine life resulting in a total gold production of 610,000 ounces at an average LoM total cash cost [(1)] of $669 per ounce and an AISC [(1)] (excluding corporate G&A) of $896 per ounce. At an expected long-term gold price of $1,300 per ounce, total LoM undiscounted after-tax free cash flow from mining operations amounts to $148 million.

(1) *Total cash cost per ounce* and *AISC per ounce* are non-IFRS measures and are disclosed herein in accordance with the Company's basis of calculation as disclosed on page 27. In the PFS, SRK included $26 per ounce of smelting and refining costs in these non-IFRS measures which the Company includes as a deduction in deriving its reported realized gold price per ounce sold.

Mineral Resource Estimates

On March 27, 2018, the Company also announced that it had completed an updated Mineral Resource estimate for its Segovia Operations prepared in accordance with the CIM Definition Standards incorporated by reference in NI 43-101 with an effective date of December 31, 2017. The Segovia Operations' NI 43-101 independent report filed by the Company on May 10, 2018 also includes detailed information on the key assumptions, parameters and methods used in this Mineral Resource estimate.

The following table summarizes the Company's Mineral Resource estimates ("MRE") for gold at the Segovia Operations and the Marmato Project effective as of December 31, 2017:

	Measured			**Indicated**			**Measured & Indicated**			**Inferred**		
	Tonnes (000s)	**Grade (g/t)**	**Oz Au (000s)**	**Tonnes (000s)**	**Grade (g/t)**	**Oz Au (000s)**	**Tonnes (000s)**	**Grade (g/t)**	**Oz Au (000s)**	**Tonnes (000s)**	**Grade (g/t)**	**Oz Au (000s)**
Segovia Operations (1)	213	21.3	146	3,189	10.7	1,100	3,402	11.4	1,246	3,420	10.1	1,107
Marmato Project (2)	2,516	4.8	388	38,467	2.8	3,485	40,983	2.9	3,872	52,219	2.5	4,194

(1) Sourced from the NI 43-101 Technical Report, Prefeasibility Study, Segovia Project, Colombia dated May 10, 2018 and effective as of December 31, 2017, prepared by prepared by Ben Parsons, MSc MAusIMM (CP#222568) of SRK. Some production at Segovia 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 November 20, 2017 and effective as of June 16, 2017, prepared by Ben Parsons MSc MAusIMM (CP#222568) of SRK, an independent Qualified Person under NI 43-101, and updated by SRK for production to December 31, 2017. No open pit Mineral Resources have been declared in this MRE.

Results of Operations and Overall Performance

Gold production

(Ounces)	First Quarter 2018	2017
Segovia Operations		
Company mines (1)		
El Silencio	21,688	19,287
Providencia	20,667	8,408
Sandra K	2,055	775
Total Company mines	44,410	28,470
Other contract mines (2)	2,062	4,298
Total Segovia Operations	46,472	32,768
Marmato Underground	6,200	6,240
Total	52,672	39,008

(1) Includes Company-operated and contractor-operated areas within the mines. Production from the mines is included in the Company's Mineral Resource estimate.
(2) Comprises other small mining operations within the Company's mining title that are operated by miners under contract to deliver the ore mined to the Company's Maria Dama plant for processing. Production from these sources is not included in the Company's Mineral Resource estimate.

At the Company's high-grade Segovia Operations, gold production in the first quarter of 2018 of 46,472 ounces was up 42% compared to the first quarter of 2017 primarily due to improved head grades in the Company-operated areas at the Providencia mine. This brings the Company's trailing 12-months' total gold production from Segovia to 162,363 ounces, up 9% from 2017 fuelled by continuing growth in the Company mines which represented 94% of Segovia's trailing 12-months' production. With a further 14,331 ounces in April, the Company continues to expect Segovia's annual gold production for 2018 will range between 158,000 and 167,000 ounces.

The Company's Marmato mine remained steady, producing 6,200 ounces in the first quarter of 2018 compared with 6,240 ounces in the first quarter of 2017. This brings Marmato's trailing 12-months' total gold production at the end of March 2018 to 25,122 ounces, on par with 2017's annual production. The Marmato mine produced 1,788 ounces of gold in April and the Company continues to expect Marmato's annual gold production for 2018 will range between 24,000 and 26,000 ounces.

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

	2018	2017				2016		
	1st Qtr	4th Qtr	3rd Qtr (3)	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr
Segovia Operations								
Company mines (1)								
Tonnes milled	65,696	59,567	34,262	49,156	51,158	56,534	52,820	47,645
Head grade (g/t)	19.47	21.43	25.72	22.54	16.68	16.82	17.75	18.26
Gold produced (ozs) (2)	44,410	43,484	28,495	36,890	28,470	31,980	30,166	28,989
Other contract mines (4)								
Tonnes milled	18,137	17,564	10,850	27,479	28,165	19,066	19,880	22,491
Head grade (g/t)	3.91	4.11	5.00	4.12	5.24	5.13	5.90	4.24
Gold produced (ozs)	2,062	2,104	1,580	3,338	4,298	2,846	3,386	2,895
Total Segovia Operations								
Tonnes milled	83,833	77,131	45,112	76,635	79,323	75,600	72,700	70,136
Tonnes per day (tpd)	931	838	490	842	881	822	790	771
Head grade (g/t)	16.10	17.48	20.73	15.93	12.62	13.87	14.51	13.76
Mill recovery	90.5%	90.6%	90.6%	90.6%	90.1%	89.7%	90.1%	90.7%
Gold produced (ozs) (2)	46,472	45,588	30,075	40,228	32,768	34,826	33,552	31,884
Silver produced (ozs)	36,692	35,610	23,068	35,810	31,844	33,215	27,993	33,997
Marmato Underground								
Tonnes milled	88,146	90,752	101,234	84,772	89,727	88,024	88,883	89,788
Tonnes per day (tpd)	979	986	1,100	932	997	957	966	987
Head grade (g/t)	2.55	2.44	2.45	2.48	2.48	2.55	2.40	2.64
Mill recovery	85.7%	85.9%	87.4%	86.6%	87.2%	83.9%	81.0%	83.3%
Gold produced (ozs)	6,200	6,111	6,964	5,847	6,240	6,053	5,559	6,345
Silver produced (ozs)	9,114	9,881	11,067	8,881	9,835	9,174	9,639	9,725
Total Company								
Gold produced (ozs)	52,672	51,699	37,039	46,075	39,008	40,879	39,111	38,229
Silver produced (ozs)	45,806	45,491	34,135	44,691	41,679	42,389	37,632	43,722

(1) Comprises the El Silencio, Providencia and Sandra K mines. Includes Company-operated and contractor-operated areas within the mines. Production from these mines is included in the Company's Mineral Reserve and Mineral Resource estimate.

(2) 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.

(3) Segovia Operations' production data for the third quarter of 2017 reflects the impact of a 42-day civil disruption that slowed down mining and milling operations.

(4) Comprises other small mining operations within the Company's mining title that are operated by miners under contract to deliver the ore mined to the Company's Maria Dama plant for processing. Production from these sources is not included in the Company's Mineral Reserve and Mineral Resource estimate.

Revenues

($000's except ounce and $/oz data)	First Quarter 2018	2017
Gold		
Ounces sold	49,610	38,434
Average realized price ($/oz)	1,293	1,174
Silver		
Ounces sold	43,157	41,424
Average realized price ($/oz)	14	15
Revenues		
Gold	$ 64,170	$ 45,106
Silver	616	611
	$ 64,786	$ 45,717

Revenues of $64.8 million in the first quarter of 2018 were up 42% over the first quarter last year, benefitting from 29% higher gold sales volumes, driven by the production growth at the Segovia Operations. Revenues in the first quarter of 2018 also benefitted from 10% higher realized gold prices than the first quarter last year, as spot gold prices in the first quarter of 2018 were up 9% over spot gold prices in the first quarter of 2017.

Cost of sales

	First Quarter 2018	2017
Production costs	$ 31,167	$ 27,364
Production taxes	2,692	1,993
Provision for environmental discharges	-	154
Depreciation, depletion and amortization ("DD&A")	6,078	3,500
Total cost of sales	$ 39,937	$ 33,011
Total cash costs per ounce (1)		
Production costs	$ 628	$ 712
Production taxes	54	52
By-product credits (silver)	(12)	(16)
	$ 670	$ 748

(1) See "Non-IFRS Measures" on pages 26-29.

The Company's total cash cost decreased to $670 per ounce in the first quarter of 2018 from $718 per ounce in the fourth quarter of 2017 and $748 per ounce in the first quarter last year. The improvement in the Company's total cash cost in the first quarter of 2018 reflects, in part, the proportional impact of the continued growth in production from the lower cost Segovia Operations, representing almost 90% of total gold sales in the first quarter of 2018 compared with 87% in the fourth quarter of 2017 and 84% in the first quarter last year. The Company continues to expect to meet its guidance for the full year 2018 with an average total cash cost below $735 per ounce sold, taking into account production and cost expectations for the balance of the year for each of the Segovia Operations and the Marmato Underground mine.

DD&A in the first quarter of 2018 of $6.1 million, up from $3.5 million in the first quarter last year, reflected the increased gold sales volume in the current quarter and an increase in the DD&A rate per ounce sold as a result of the reversal of impairment at Segovia recorded at the end of the second quarter of 2017.

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

	2018	2017				2016		
	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr
Segovia Operations	$616	$662	$700	$620	$690	$664	$672	$627
Marmato Underground	1,141	1,109	958	1,062	1,061	1,023	1,094	933
Company average	$670	$719	$748	$676	$748	$725	$728	$680

At the Company's Segovia Operations, total cash costs per ounce improved in the first quarter of 2018 to $616 per ounce compared with an average of $690 per ounce in the first quarter of 2017. The increased production level at Segovia in the first quarter of 2018 continues to have a positive impact reducing fixed operating costs on a per ounce basis compared with the first quarter of 2017. The improvement in head grades at the Company-operated areas in the Providencia mine also had a positive impact on Segovia's total cash cost per ounce in the first quarter of 2018. The Company continues to expect that Segovia's total cash costs will remain below $700 per ounce in 2018.

At the Company's Marmato Underground mine, total cash costs per ounce increased to $1,141 per ounce in the first quarter of 2018 compared with $1,061 per ounce in the first quarter of 2017 reflecting the impact of the lower mill recovery on gold production in the first quarter of 2018. The Company continues to expect that Marmato's total cash cost in 2018 will remain below 2017's annual average of $1,049 per ounce.

Social contributions

	First Quarter	
($000's)	2018	2017
Segovia social contributions	$ 1,229	$ 846

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 increased production level at Segovia and higher spot gold prices in the first quarter of 2018 compared with the first quarter last year contributed to the year-over-year increase in social contribution expense.

Other items

	Year	
($000's)	2018	2017
G&A expenses	$ 2,259	$ 1,827
Share-based compensation	-	582
Finance costs	9,150	7,888
Wealth tax expense	-	934
Income taxes	6,901	1,592

G&A expenses in the first quarter of 2018 amounted to $2.3 million, up from $1.8 million in the first quarter last year as a result of additional personnel-related costs, including new hires over the past year and bonuses totaling $0.2 million for the Company's executive officers and senior managers recorded in the first quarter of 2018 in respect of the achievement of 2017's corporate objectives, additional activity-based costs associated with investor and public relations, and costs associated with the new corporate office established in Toronto in September 2017. The Company continues to expect that its 2018 annual G&A expenses will remain below $8.0 million.

The Company recorded ***share-based compensation expense*** of $0.6 million in the first quarter 2017 related to the vesting of 1.1 million stock options at an exercise price of CA$2.55 per common share to directors, management and employees. The stock options have a terms of five years. No stock options have been granted in 2018.

Finance costs amounted to $9.2 million in the first quarter of 2018 compared with $7.9 million in the first quarter last year. Finance costs comprise three primary categories as follows:

- *Interest expense - $2.1 million in the first quarter of 2018*, up from $2.0 million in the first quarter last year. Of this total, interest on the Senior Debentures is the largest component, amounting to $1.7 million in the first quarter of 2018, up $0.1 million compared with the first quarter of 2017, as a result of the impact of the 2% increase in the annual coupon of the 2024 Debentures issued on May 31, 2017, partially offset by the reduction in the aggregate principal amounts of the Senior Debentures issued and outstanding through holders' conversions, NCIB purchases and the partial redemption of the 2020 Debentures at the end of July 2017. The balance of the interest expense is primarily related to the local Colombian long-term debt, Segovia environmental discharge fee payment plans, and amounts payable for mining titles and compensation agreements at the Marmato Project. As a result of the Offering completed on April 30, 2018, interest expense on the Company's senior debt is temporarily expected to rise as a result of increasing the annual coupon on the 2018 Debentures from 1% to 5% from the Closing Date to their August 2018 maturity. In addition, the Notes issued pursuant to the Offering bear interest at 8.25% per annum, up from the approximately 7% weighted average annual interest rate on the 2020 Debentures and 2024 Debentures being refinanced with the net proceeds of the Offering.
- *Non-cash accretion of the debt discount on the Senior Debentures - $6.1 million in the first quarter of 2018* compared with $5.3 million in the first quarter of 2017. The fair values assigned by the Company to the 2018 Debentures and the 2020 Debentures on issuance in 2016 and to the 2024 Debentures on May 31, 2017 reflect a discount to their total principal amount. The debt discount is being accreted to the carrying values of the Senior Debentures over the remaining terms of the debentures using the effective interest method. As of March 31, 2018, there is a total of $34.3 million of unamortized debt discount remaining to be accreted, of which $27.4 million is associated with the 2020 Debentures and 2024 Debentures to be redeemed in full on May 14, 2018.
- *Non-cash accretion of financial obligations - $0.9 million in the first quarter of 2018* compared with $0.5 million in the first quarter of 2017. 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.

The Colombian government levied a ***wealth tax*** applicable for the 2015 through 2017 fiscal years. The taxable basis accrued annually on January 1st of each year and was then payable in two instalments in May and September. The Company recorded wealth tax expense of $0.9 million in the first quarter of 2017. Under the December 2016 Colombian tax reform, the wealth tax expired after 2017.

The Company recorded a ***provision for income taxes*** in the first quarter of 2018 of $6.9 million, representing an overall effective tax rate of 56%, up from $1.6 million (197% effective tax rate) in the first quarter of 2017 as a result of the increase in pre-tax income in the first quarter of 2018 to $12.3 million compared with $0.8 million in the first quarter of 2017. In addition, 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 26.5% combined statutory tax rate in Canada as a result of differences in tax rates in Colombia and other foreign jurisdictions, non-deductible expenses, the impact of foreign exchange on the provision for income taxes, the tax impact of future tax rate differences, the tax impact on debt discount of Senior Debentures' conversions and other less individually significant items. Under the December 2016 tax reform, the corporate tax rate (including surcharge) in Colombia is 37% in 2018 and 33% thereafter.

The Company reported ***net income*** of $5.4 million, or $0.25 per share, for the first quarter of 2018 compared with a net loss of $0.8 million, or $0.04 per share, in the first quarter last year, with the year-over-year improvement principally attributable to the increased income from operations in the first quarter of 2018 driven by higher gold sales volumes and realized gold prices and lower total cash costs per ounce.

After adjustments to the net income in accordance with IFRS for the after-tax accretion of the Senior Debentures' discounts included in finance costs and certain other items as set out in the reconciliation on page 28 of this MD&A, the Company reported ***adjusted net income*** of $9.8 million, or $0.46 per share, in the first quarter of 2018, up from $3.1 million, or $0.16 per share, in the first quarter last year, reflecting the improvement in income from operations as noted above.

Summary of Quarterly Results

$000's except ounce, per ounce and per share data	2018 1st Qtr	2017 4th Qtr	2017 3rd Qtr	2017 2nd Qtr (4)	2017 1st Qtr	2016 4th Qtr	2016 3rd Qtr	2016 2nd Qtr
Operating data:								
Gold produced (ounces)	52,672	51,699	37,039	46,075	39,008	40,879	39,111	38,229
Gold sold (ounces)	49,610	56,100	33,932	45,179	38,434	41,357	39,017	38,902
Average realized gold price (1)	$ 1 ,293	$ 1,252	$ 1,246	$ 1,225	$ 1,174	$ 1,201	$ 1,296	$ 1,216
Silver sold (ounces)	43,157	49,145	31,467	44,199	41,424	47,786	39,723	50,705
Average realized silver price (1)	$ 14	$ 14	$ 14	$ 15	$ 15	$ 15	$ 17	$ 14
Total cash costs (1, 2)	670	719	748	676	748	725	728	680
All-in sustaining cost (1, 2)	896	899	970	884	941	899	863	811
Financial data:								
Revenue								
Gold	$ 64,170	$ 70,243	$ 42,287	$ 55,326	$ 45,106	$ 49,671	$ 50,567	$ 47,316
Silver	616	695	450	647	611	695	657	698
Total	64,786	70,938	42,737	55,973	45,717	50,366	51,224	48,014
Cost of sales	39,937	47,794	30,113	35,634	33,011	34,448	32,383	30,083
G&A	2,259	1,899	1,992	1,956	1,827	2,573	1,541	1,663
Impairment (reversal) charges and loss on disposals of mining interests	-	-	-	(45,307)	-	18,203	-	-
Share-based compensation	-	52	-	-	582	-	-	-
Social contributions	1,229	1,274	779	1,200	846	836	808	957
Income (loss) from operations	21,361	19,919	9,853	62,490	9,451	(5,694)	16,492	15,311
Finance costs, net of income	(9,090)	(8,300)	(8,020)	(7,911)	(7,774)	(7,542)	(7,815)	(8,033)
Gain (loss) on financial instruments	-	(1)	(1,196)	1,142	-	(346)	(528)	-
Wealth tax	-	-	-	16	(934)	-	-	61
Foreign exchange and other	(18)	20	(107)	(271)	65	(151)	103	(8)
Income (loss) before taxes	12,253	11,638	530	55,466	808	(13,733)	8,252	7,331
Income tax (provision) recovery	(6,901)	(6,742)	(1,577)	(21,683)	(1,592)	(1,521)	(180)	(7,266)
Net income (loss)	5,352	4,896	(1,047)	33,783	(784)	(15,254)	8,072	65
Per share								
Basic	0.25	0.23	(0.05)	1.65	(0.04)	(0.82)	0.52	0.01
Diluted	0.12	0.11	(0.05)	0.40	(0.04)	(0.82)	0.13	0.01
Adjusted EBITDA (2)	27,443	26,758	13,844	21,263	13,591	16,447	19,712	18,299
Adjusted net income (2)	9,846	9,137	3,835	6,839	3,084	3,430	8,103	3,857
Adjusted per share (2)								
Basic	0.46	0.44	0.19	0.33	0.16	0.19	0.52	0.42
Diluted	0.12	0.11	0.06	0.08	0.04	0.05	0.10	0.05
Excess Cash Flow (3)	2,554	8,659	2,293	3,228	2,276	503	112	2,276

(1) Per ounce sold.
(2) Refer to "Non-IFRS Measures" on pages 26-29.
(3) As defined by the indentures for the Senior Debentures. See page 28 for the reconciliation for the first quarters of 2018 and 2017.
(4) Net income for the second quarter of 2017 was adjusted at December 31, 2017 from the amounts previously reported to correct the amount of reversal of impairment and tax expense related to extension of 2020 Debentures to 2024. The reversal of impairment was reduced by $7.6 million for accumulated foreign exchange impact on the initial impairment of the Segovia Operations and income taxes were reduced by $2.5 million for the related tax effect. Also, income taxes were reduced by $2.7

million for the tax effect on contributed surplus associated with the issuance of the 2024 Debentures. The correction of these amounts will be reflected prospectively in future filings containing financial information for the second quarter and first half of 2017 and for the first nine months of 2017.

Liquidity and Capital Resources

On April 30, 2018, the Company completed its $98 million Offering of Units (refer to details on page 4), the net proceeds of which are being used to fully redeem the issued and outstanding Senior Secured Debentures on May 14, 2018. As a result of the extinguishment of the Senior Secured Debentures, the balance of $9.6 million included in non-current cash in trust at March 31, 2018 related to the sinking fund for this long-term debt has since become unrestricted, increasing the Company's cash balance.

With the 2018 Debentures maturing in August 2018, at March 31, 2018, the $37.1 million carrying value of the debt obligation is included in current liabilities and the corresponding cash in trust in the sinking fund of $4.9 million is included in current assets. Consequently, the Company's working capital deficit at March 31, 2018 amounts to $35.7 million (December 31, 2017 **-** $39.6 million). However, pursuant to the terms of the indenture for the 2018 Debentures, the Company has the option of issuing common shares to fully settle this obligation at maturity in August 2018, subject to the share price being above $1.95 per share. If the share price is below $1.95 per share at maturity, the Company must pay 19% of the principal amount outstanding in cash, equivalent to approximately $8.4 million based on the issued and outstanding balance as of March 27, 2018, and the balance of 81% of the aggregate principal amount can be settled by issuance of common shares.

In April 2018, holders elected to convert $2.3 million aggregate principal amount of their 2018 Debentures into 1,192,307 common shares. The principal amount of the 2018 Debentures outstanding at maturity is subject to further change if holders elect to convert additional debt into shares prior to maturity. In addition, as discussed on page 4 under *Subsequent Event*, holders of $7.3 million aggregate principal amount of 2018 Debentures elected to accept the Company's offer and settled their debt on April 30, 2018 in exchange for 3,015,966 common shares and $1.4 million cash, which was drawn from the sinking fund for the 2018 Debentures, reducing the current aggregate principal amount of 2018 Debentures issued and outstanding to $34.4 million. At May 10, 2018, the Company has $3.5 million of cash remaining in the sinking fund for the 2018 Debentures and the Company believes that it will be able to generate any additional funds required to settle the cash portion of the 2018 Debentures at maturity, if necessary, from its operating cash flow.

Excluding the 2018 Debentures and their sinking fund, the Company's working capital deficit at March 31, 2018 improved to $3.5 million from $9.9 million at December 31, 2017, key components of which include:

- *Cash - $3.4 million*; up $0.1 million from the end of 2017 after reflecting $2.6 million of Excess Cash Flow (see computation on page 28 of this MD&A) generated in the first quarter of 2018 and included in cash in trust for the Senior Debentures.
- *Accounts receivable – current portion of $12.8 million*, down $1.6 million from December 31, 2017 principally due to a $2.5 million decrease in recoverable VAT as certain refund claims delayed from 2017 were received in early 2018.
- *Inventories - $16.3 million,* up $3.3 million from the end of 2017, mainly due to an increase in mineral inventories as a result of the production growth in the Segovia Operations.
- *Accounts payable and accrued liabilities - $20.6 million*, up $1.8 million from December 31, 2017, $0.8 million of which is associated with the Company's capital expenditure program at Segovia and the balance largely driven by foreign exchange impact of the change in the Colombian peso ("COP") relative to the U.S. dollar at the end of the first quarter of 2018.

- *Amounts payable for acquisitions of mining interests - $12.0 million* related to the Marmato Project, up $1.0 million since December 31, 2017 with $0.8 million due to foreign exchange change and the balance to additional interest accruing on the unpaid amounts. Of the total amounts payable at March 31, 2018, $11.7 million relates to compensation agreements with artisanal miners in the Croesus area of the Marmato Project. Payments related to these compensation agreements have been suspended since 2013 and the Company is currently evaluating its options with respect to these obligations in light of its expected future underground development activities.
- *Current portion of long-term debt, excluding the 2018 Debentures - $0.4 million*, about the same as December 31, 2017, for payments over the next 12 months under finance leases for mining and other equipment at the Segovia Operations.
- *Current portion of provisions - $3.9 million*, down from $4.0 million at December 31, 2017. The March 31, 2018 balance includes $0.8 million for the next 12 monthly payments to fund the ongoing health plan obligations at the Segovia Operations and $3.1 million related to the payments to be made over the next 12 months for environmental discharge fees at Segovia related to 2012 through 2017.
- *Income tax payable - $4.2 million,* down from $8.4 million at December 31, 2017. The decrease in the first quarter of 2018 principally reflects $8.9 million of current provision for income taxes recorded against earnings for the first quarter of 2018, primarily associated with the Company's Colombian mining operations, net of $13.3 million of income taxes paid in Colombia. The Company took advantage of its improved operating cash flow in the first quarter of 2018 to accelerate $5.6 million of its income tax payments in Colombia that ordinarily would have been made in the second quarter of 2018 to facilitate the commencement in May 2018 of the monthly physical gold deliveries to the Gold Trust Account under the new Notes issued pursuant to the Offering.

Operating activities

Net cash provided by operating activities in the first quarter of 2018 amounted to $12.7 million, a $3.6 million increase over the first quarter of 2017. Factors contributing to this year-over-year increase included the positive impact of the increased production levels in the first quarter of 2018 on operating cash flow together with higher realized gold prices and lower total cash cost per ounce, partially offset by a $7.2 million increase in income taxes paid in the first quarter of 2017 compared with the first quarter last year.

Investing activities

Cash used in investing activities in the first quarter of 2018 comprised additions to mining interests in the amount of $8.2 million, up from $4.8 million in the first quarter last year. Additions to mining interests in the first quarter of 2018 comprised:

- *Sustaining capital expenditures*. The Company incurred $8.9 million of sustaining capital expenditures in the first quarter of 2018, including $8.6 million at the Segovia Operations, $0.2 million at the Marmato Underground mine and $0.1 million on the Marmato Project;
- A $0.1 million decrease in *amounts payable for the acquisitions of mining interests,* principally related to mining titles at the Marmato Project; and,
- A $0.8 million increase in *accounts payable and accrued liabilities* related to capital expenditures during the first quarter of 2018.

Sustaining capital expenditures at the Segovia Operations of $8.6 million in the first quarter of 2018, the major components of which included (i) $4.0 million for exploration and mine development, including 5,400 meters of the 2018 drilling program, (ii) $2.2 million for the mines including underground equipment and ventilation improvements at the El Silencio mine and completion of a ventilation shaft and further infrastructure upgrades at the Providencia mine, (iii) $1.1 million for further upgrades of equipment in the Maria Dama plant and laboratory together with costs associated with a new filter press and the project to construct the new El Chocho tailings storage facility, and (iv) $0.7 million related to the 44kV connection at the mines.

In 2017, the Company received $0.2 million of the amounts receivable from the sale of its CIIGSA refinery interest in May 2015. The remaining instalment, included in accounts receivable as of March 31, 2018, of $0.8 million was received in early May 2018.

Financing activities

In the first quarter of 2018, the Company used a total of $4.6 million of its operating cash flow to fund financing activities, compared with $4.5 million in the first quarter last year. This included $2.0 million of net interest payments, of which $1.7 million related to the Senior Debentures, and $2.6 million of Excess Cash Flow generated in the first quarter of 2018 that was allocated to the sinking funds for the Senior Debentures.

Excess Cash Flow and Sinking Funds for the Senior Debentures

The Company is obligated to pay 25% and 75% of its Excess Cash Flow (as defined on page 28) into separate sinking funds for the 2018 Debentures and the Senior Secured 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 a total of $5.5 million and $16.4 million into the sinking funds for the 2018 Debentures and the Senior Secured Debentures, respectively, in connection with its Excess Cash Flow for 2016 ($2.9 million), 2017 ($16.4 million) and the first quarter of 2018 ($2.6 million). As noted on page 5 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 March 31, 2018, after NCIB repurchases and the $3.0 million partial redemption of the 2020 Debentures on July 31, 2017, current cash in trust included $4.9 million of cash on deposit in the sinking fund for the 2018 Debentures and non-current cash in trust included $9.6 million of cash on deposit in the sinking fund for the Senior Secured Debentures. As discussed on page 14, subsequent to March 31, 2018, $1.4 million of the sinking fund for the 2018 Debentures was used to settle a portion of the 2018 Debentures ahead of maturity and the $9.6 million in the Senior Secured Debentures' sinking fund was released to the Company in connection with the Offering and redemption of the Senior Secured Debentures to be completed on May 14, 2018.

Colombian Finance Lease Facilities

The Company has three finance leases amounting to a total of approximately COP 1.0 billion (net of future interest) at March 31, 2018, equivalent to approximately $0.4 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 March 2019. The Company has the option to purchase the assets under lease at the end of the lease terms for a total of approximately $0.1 million.

Financial Instruments

The carrying value of accounts payable and accrued liabilities and amounts payable for property acquisitions approximates their respective fair values as they are short-term in nature. The carrying value of the long-term debt (excluding the Senior Debentures) approximates its fair value as it is at floating rates. The Senior Debentures are carried at amortized cost. Based on the quoted TSX closing market prices on March 31, 2018, the estimated fair values of the 2018 Debentures, 2020 Debentures and 2024 Debentures would be approximately $42.2 million, $47.7 million and $42.9 million, respectively.

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;
- Tax risks related to the 2018 Debentures;
    - Change in tax laws; withholding tax and participating debt interest;
- 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; 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 listed above, which are more specifically described in the Company's Annual Information Form dated as of March 27, 2018 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.

In addition, there are certain risk factors associated with the Units issued pursuant to the Offering, as described on page 4, completed on April 30, 2018. These risks include:

Ranking of the Notes

The Notes will not be guaranteed by certain of the Company's subsidiaries. Accordingly, claims against the Notes will be structurally subordinated to the claims of creditors of these non-guarantor subsidiaries, including trade creditors. All obligations of these subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon liquidation or otherwise, to the Company or its creditors, including the Notes.

In addition, the Notes Indenture, subject to some limitations, permits these subsidiaries to incur additional indebtedness and does not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries.

For the twelve months ended March 31, 2018, the Company's non-guarantor subsidiaries accounted for less than 1% of the Company's consolidated revenue and EBITDA, respectively. As of March 31, 2018, the Company's non-guarantor subsidiaries accounted for less than 1% of the Company's consolidated assets and consolidated liabilities.

In addition, the Company's subsidiaries that provide, or will provide, guarantees of the Notes will be automatically released from those guarantees upon the occurrence of certain events, including the following:

- the designation of that guarantor as an unrestricted subsidiary;
- the release or discharge of any guarantee or indebtedness that resulted in the creation of the guarantee of the Notes by such guarantor; or
- the sale or other disposition, including the sale of substantially all of the assets, of that guarantor.

If any guarantor is released, no holder of the Notes will have a claim as a creditor against that subsidiary, and the indebtedness and other liabilities, including trade payables and preferred stock, if any, whether secured or unsecured, of that subsidiary will be effectively senior to the claim of any Notes holders.

Collateral

The value of the collateral which secures the Notes may not be sufficient to satisfy the obligations thereunder.

The Notes and the guarantors' obligations under the guarantees are secured by a) a general pledge of assets of Gran Colombia Gold, S.A. (a Panamanian company) (excluding its interest in the Equity Interests of Unrestricted Subsidiaries or in any joint ventures and any cash or other distributions received on account of such interests); (b) a general pledge of assets registered against Gran Colombia Gold Segovia, S.A. (a Panamanian company); (c) a pledge of the securities of Gran Colombia Gold Segovia, S.A.; (d) a general pledge of assets in Colombia of the Colombian branch of Gran Colombia Gold Segovia, S.A. (which branch is named Zandor Capital, S.A. Colombia), the registered owner of the assets comprising the Segovia/Carla Project; (e) a pledge of the securities of Mineros Nacionales, S.A.S, Minerales Andinos de Occidente, S.A.S. and Minera Croesus, S.A.S. (each a Colombian corporation); (f) a general pledge of assets of Mineros Nacionales S.A.S., Minerales Andinos de Occidente, S.A.S. and Minera Croesus, S.A.S., which are the registered owners of the assets comprising the Marmato Project; (g) direct security on material mining titles to and production from the Segovia/Carla Project and the Marmato Project; (h) mortgages on land where mine and plant relating to the Segovia/Carla Project are located; and (i) additional security documents covering all other property and assets related exclusively to, or useful in the operation of, the Segovia/Carla Project and Marmato Project; but excluding all Excluded Assets.

No appraisal of the collateral has been made in connection with the issuance of the Notes. The value of the collateral in the event of a liquidation may be less than book value and will depend upon, among other things, market and economic conditions, the availability of buyers, the quantity of assets being sold and the speed at which they are to be sold. By their nature, portions of the collateral may be illiquid and may have no readily ascertainable market value. In addition, a significant portion of the collateral includes assets that may only be usable, and thus retain value, as part of the Company's operating business. Accordingly, any such sale of collateral separate from the sale of the Company's operating business may not be feasible or of significant value.

In addition, the Notes Indenture, subject to some limitations, permits the Company to incur certain amounts of indebtedness that have a priority lien on the collateral. In the event that the Company is declared bankrupt, becomes insolvent or is liquidated or reorganized, the lenders under any such priority debt could declare all of the funds borrowed thereunder, together with accrued interest, to be immediately due and payable and terminate all commitments to extend further credit. If the Company is unable to repay such indebtedness, the lenders could foreclose or otherwise realize on the pledged assets to the exclusion of Notes holders, even if an event of default exists under the Notes Indenture. Furthermore, if the lenders foreclose or otherwise realize upon and sell the pledged equity interests in any guarantor under the Notes, then that guarantor will be released from its guarantee of the Notes automatically and immediately upon such sale.

Bankruptcy and Insolvency Laws

Certain bankruptcy and insolvency laws may impair an investor's ability to enforce its rights or remedies under the Notes Indenture. An investor's ability and the rights of the trustee, or any co-trustee or collateral agent, who represents the Notes holders to enforce its rights or remedies under the Notes Indenture may be significantly impaired by the provisions of applicable Colombian and Canadian federal bankruptcy, insolvency and other restructuring legislation or by Colombian and Canadian federal or provincial receivership laws.

For example, the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) and the *Winding-up and Restructuring Act* (Canada) contain provisions enabling an insolvent debtor to obtain a stay of proceedings against its creditors and others and to prepare and file a proposal or a plan of arrangement and reorganization for consideration by all or some of its creditors, to be voted on by the various classes of creditors affected thereby. Such a restructuring proposal or arrangement and reorganization, if accepted by the requisite majority of each class of affected creditors and if approved by the relevant Canadian court, would be binding on all creditors of the debtor within the affected classes, including those creditors who vote against such a proposal. Moreover, certain provisions of the relevant Canadian insolvency legislation permit an insolvent debtor to retain possession and administration of its property in certain circumstances, subject to court oversight, even though such debtor may be in default in respect of certain of its obligations during the period that the stay of proceedings remains in place.

The powers of the court under Canadian bankruptcy, insolvency and restructuring legislation and Canadian federal and provincial receivership laws, and particularly under the *Companies' Creditors Arrangement Act* (Canada), are exercised broadly to protect a debtor and its estate from actions taken by creditors and others. The Company cannot predict whether payments under the Notes would be made during any proceedings in bankruptcy, receivership, insolvency or other restructuring, whether or when a holder or the trustee, or any co-trustee or collateral agent, could exercise their rights under the Notes Indenture or whether, and to what extent, the Notes holders would be compensated for any delays in payment of principal, interest and costs, including fees and disbursements of the trustee, or any co-trustee or collateral agent. Accordingly, if the Company were to become subject to such proceedings, the Company may cease making payments on the Notes and an investor and the trustee, or any co-trustee or collateral agent, may not be able to exercise an investor's rights under the Notes Indenture following commencement of or during such proceedings without leave of the court.

Similarly, insolvency processes involving assets that are located in Colombia could be highly uncertain and potentially be unfavourable to the Notes holders. For example, given that most of the assets of the Company are in Colombia and are held through Colombian entities the insolvency laws of Colombia, including Colombian bankruptcy and liquidation procedures, which differ greatly from Canadian insolvency proceedings, could apply to such assets and entities. Considering the nature and location of the Company's main assets, the tax and labor contingencies of the Company and the potential of a weak market for gold and silver assets, an insolvency process of the Company would be expected to take a substantial amount of time and may not yield proceeds allowing for a substantial repayment of the Notes.

Priority Liens on Collateral

The Notes Indenture permits the Company to incur a certain amount of indebtedness that is secured by a priority lien on the collateral pursuant to the terms of the Company's Collateral Trust Agreement (as defined in the Notes Indenture), and the security interest in the collateral that secures the Notes and any guarantees will be contractually subordinated to any such priority liens. Consequently, a Notes holder's rights to be satisfied out of the proceeds of the collateral will be effectively subordinated to the rights of the lenders of any such priority lien indebtedness. Under the Notes Indenture, at any time that obligations that have the benefit of the priority liens are outstanding, certain actions that may be taken with respect to or in respect of the collateral, including the ability to cause the commencement of enforcement proceedings against the collateral and to control the conduct of such proceedings, will generally be at the direction of the holders of the obligations secured by the priority liens, which may adversely affect a Notes holder's rights.

Reduction of Pool of Assets Securing the Notes

The Company or its Restricted Subsidiaries (as defined in the Notes Indenture) will, in most cases, have control over the collateral, and the sale or pledge of particular assets by the Company or Restricted Subsidiaries could reduce the pool of assets securing the Notes and the guarantees. The Collateral Documents (as defined in the Notes Indenture) generally allow the Company or the Restricted Subsidiaries, as the case may be, to remain in possession of, retain exclusive control over, freely operate, dispose of and collect, and invest and dispose of any income from, the collateral, with certain limited exceptions. Therefore, the pool of assets constituting the collateral will change from time to time, and its fair market value may decrease from its value on the date the Notes are originally issued.

Release of Collateral for the Notes

There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the guarantees will be released automatically, without a Notes holder's consent or the consent of the trustee or collateral agent and a Notes holder may not realize any payment upon disposition of such collateral.

Under various circumstances, all or a portion of the collateral may be released, including:
- to enable the disposition of such collateral to the extent not prohibited under the Notes Indenture;
- to the extent such collateral is comprised of property leased to the Company or a subsidiary Guarantor, upon termination or expiration of such lease; and
- in connection with an amendment to the Notes Indenture or the related Collateral Documents that has received the required consent.

In addition, the guarantee of a subsidiary guarantor will be released in connection with a sale of such subsidiary guarantor in a transaction not prohibited by the Notes Indenture, in which case the liens on the assets of such subsidiary guarantor pledged as collateral, will also be released.

Designation of a guarantor as an Unrestricted Subsidiary (as defined in the Notes Indenture) will reduce the aggregate value of the collateral securing the Notes to the extent that liens on the assets of the Unrestricted

Subsidiary and its subsidiaries are released. In addition, the creditors of any Unrestricted Subsidiary and its subsidiaries will have a senior claim on the assets of such Unrestricted Subsidiary and its subsidiaries.

Perfecting Security Interests of the Notes

Rights of Notes holders in the collateral may be adversely affected by the failure to perfect security interests in the collateral. Applicable law requires that a security interest in certain tangible and intangible assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. The liens on the collateral securing the Notes and the guarantees may not be perfected with respect to the claims of the Notes guarantees if the Collateral Agent (as defined in the Notes Indenture) is not able to take the actions necessary to perfect any of these liens on or prior to the date of the Notes Indenture. If a security interest is not perfected with respect to any portion of the collateral, the Notes guarantees may not be effectively secured by such collateral. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. The Company and the guarantors have limited obligations to perfect the security interest for the benefit of the Notes holders in specified collateral. The Company cannot assure that the trustee or the Collateral Agent will monitor, or that, despite the Company's obligation to do so under the Notes Indenture, that the Company will inform such trustee or Collateral Agent of, the future acquisition of assets and rights that constitute collateral or whether assets have been relocated to a different jurisdiction, and that the necessary action will be taken to properly perfect the security interest in such after-acquired or relocated collateral. Neither the trustee nor the Collateral Agent has an obligation to monitor the acquisition of additional assets or rights that constitute collateral or the perfection of any security interest. Such failure to monitor may result in the loss of the security interest in the collateral or the priority of the security interest in favour of the Notes and the guarantees against third parties. Furthermore, certain actions are required to be taken periodically to maintain certain security interests granted in the collateral, and a failure to do so may result in the loss of the security interest in the collateral or the priority of the security interest in favour of the Notes and the guarantees, in each case, against third parties.

Financing the Change of Control Provision in the Notes

The Company may not have the ability to finance the change of control repurchase offer required by the Notes Indenture. Upon certain change of control events, as defined in the Notes Indenture, the Company shall, within 30 days following any change of control, make an offer to repurchase all or any part of the outstanding Notes at a purchase price in cash of at least 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest, if any, on the Notes to be repurchased. However, the Company shall not be required to make a change of control offer upon a change of control if a third party makes an offer to purchase all of the outstanding Notes in the manner, at the times and otherwise in substantial compliance with the requirements set forth in the Notes Indenture.

The source of funds for any such repurchase would be the Company's available cash or cash generated from operations or other sources, including borrowings, sales of equity or funds provided by a new controlling person or entity. The Company cannot assure that sufficient funds would be available at the time of any change of control event to repurchase all tendered Notes pursuant to this requirement. The Company's failure to offer to repurchase Notes, or to repurchase Notes tendered, following a change of control will result in a default under the Notes Indenture, which could lead to a cross-default under the 2018 Debenture Indenture and under the terms of the Company's other indebtedness. Additionally, the Company may be prohibited from repurchasing the Notes by the terms of the Company's indebtedness. The 2018 Debenture Indenture also provides that, upon certain change of control events, the Company will be required to make an offer to repurchase those 2018 Debentures at a price equal to 101% of the outstanding principal amount of each such 2018 Debenture to be purchased and repaid, plus any accrued interest thereon.

No Public Market for the Notes and Warrants Issued in the Units

There is currently no market through which the Notes and Warrants, issued in conjunction with the Offering, may be sold. The Notes and Warrants comprising each Unit will not separate until 45 days following the Closing Date. The Notes and the Warrants are also subject to a hold period equal to four months and a day following the Closing Date, and the Company will take commercially reasonable steps to obtain approval for the listing and trading of the Notes and the Warrants on the TSX, although there can be no assurance such steps will be successful. In addition, there can be no assurance that a secondary market for trading in such Notes and Warrants will develop or that any secondary market, which does develop, will continue. Also there can be no assurances that any such secondary market will be active.

Voiding the Notes or Guarantees

In certain circumstances, a court could void the Notes and/or the guarantees, and if that occurs, a holder may not receive any payments on the Notes. Canadian and U.S. federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the Notes and the incurrence of the guarantees of the Notes. Other jurisdictions in which the guarantors are organized could have similar laws that could cause a guarantee to be voided. Under Canadian federal bankruptcy laws and comparable provisions of provincial fraudulent conveyance and preferential legislation, payment of money or transfers of property made to a creditor or third party can be attacked as a fraudulent conveyance or preference in circumstances where the party making the payment was insolvent or on the verge of insolvency at the time it entered into the guarantee or entered into the guarantee with the intent to hinder, delay or defraud its creditors.

Accordingly, any payment made by such an insolvent guarantor pursuant to its guarantee could be voided and required to be returned to the guarantor or a fund for the benefit of the creditors of the guarantor in the event that it is determined to be a fraudulent conveyance or preference. If a court voided a guarantee of the Notes by one or more of the Company's subsidiaries, or held it unenforceable for any reason, Notes holders would cease to have a claim against such subsidiary based upon its guarantee.

Accounting Policy Changes

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15 which replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRS Interpretations Committee ("IFRIC") 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 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. Under IFRS 15, revenue is recognized when control of a good or service transfers to a customer and is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Under IAS 18, revenue was recognized when the significant risks and rewards of ownership had been transferred to the customer and was measured at the fair value of the consideration received or receivable. The Company is under a long-term supply agreement to sell all of its production to a single customer. The Company has analyzed the supply agreement and determined that the implementation of

IFRS 15 did not have any impact on the timing of recognition and measurement of the Company's revenue. Under IFRS 15, revenue from the sale of gold and silver is recognized when control has been transferred to the customer, which is considered to occur when products have been delivered to the location specified by the customer and the risks of loss have been passed to the customer. Revenue is measured based on the spot price agreed to between the Company and the customer prior to each delivery, in accordance with the supply agreement, which does not include any provisional pricing arrangements.

IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39, *Financial Instruments* ("IAS 39"). This standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 provides a revised model for recognition and measurement of financial instruments with the following classification categories: amortized cost, fair value through profit or loss ("FVTPL"), and fair value through other comprehensive income ("FVTOCI"). 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 classification and measurement of financial assets under IFRS 9 is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The implementation of the new standard did not have an impact on the Company's financial statements except for certain equity securities that were previously classified as available-for-sale ("AFS") investments. These are now classified as financial assets at FVTOCI, where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be transferred into earnings (loss) upon disposition. The measurement of the investments at FVTOCI is based on level 1 inputs in accordance with the fair value input hierarchy in IFRS 13, *Fair Value Measurement*.

The Company has assessed the classification and measurement of its financial assets and financial liabilities and have summarized below the original classification under IAS 39 and the new classification under IFRS 9:

	Classification category	
	Original (IAS 39)	**New (IFRS 9)**
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivables	Loans and receivables	Amortized cost
Investments	AFS financial assets	FVTOCI
Bank indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Term loans	Other financial liabilities	Amortized cost
Finance leases	Other financial liabilities	Amortized cost
Debentures	Other financial liabilities	Amortized cost

The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, did not have any impact on the transition date given the Company's financial assets are comprised primarily of VAT recoverable and amounts receivable from one customer for which there is no history of default.

IFRIC 22, Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

In December 2016, the IASB issued IFRIC 22 which clarifies that when a foreign currency transaction involves an advance payment or receipt, the exchange rate should be the rate used to initially measure the non-monetary asset (prepaid asset) or liability (deferred credit) when the advance was made. If there were multiple advances, each receipt or payment would be measured at the date the non-monetary asset or liability is recognized. IFRIC 22 is applicable for annual periods beginning on or after January 1, 2018, and is consistent with the Company's existing policies, and therefore did not have any effect on the Company's financial statements.

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 consolidated financial statements.

The critical judgments and estimates applied in the preparation of the Company's Interim 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, 2017, 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 Senior Debentures; and
- Decommissioning liabilities.

Recent Accounting Pronouncements

Accounting Standards Not Yet Adopted

The following new standards, and amendments to standards and interpretations, are not effective for the year ending December 31, 2018, and have not been applied in preparing the Company's 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 is in the process of identifying and evaluating all leasing contracts that may be impacted by IFRS 16.

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23"). The interpretation seeks to provide guidance on the accounting for current and deferred tax liabilities and assets

in circumstances in which there is uncertainty over income tax treatments. IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted. The Company intends to adopt IFRIC 23 in its financial statements for the annual period beginning on January 1, 2019. The Company is in the process of determining the impact of IFRIC 23 on its financial statements.
There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the Company.

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 its assessment of internal controls, 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 design of the Company's disclosure controls and procedures and internal controls over financial reporting was effective as at March 31, 2018. There have been no changes in the Company's internal controls over financial reporting during the three months ended March 31, 2018 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.

Non-IFRS Measures

The Company has included non-IFRS measures in this MD&A, such as adjusted EBITDA, Excess Cash Flow, 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. Non-IFRS 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.

"***Excess Cash Flow***" is a term defined under the amended and restated indentures for the Company's Senior Debentures and represents adjusted EBITDA 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.

"adjusted net income or loss" excludes gains/losses and other costs incurred for acquisitions and disposals of mining interests, impairment charges and reversals, non-cash accretion of the Senior Debentures, 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:

	First Quarter 2018	First Quarter 2017
Net income (loss)	**$ 5,352**	**$ (784)**
Depreciation and amortization	6,082	3,558
Share-based compensation	-	582
Finance costs, net of finance income	9,090	7,774
Wealth tax	-	934
Foreign exchange (gain) loss	18	(65)
Income taxes	6,901	1,592
Adjusted EBITDA	**$ 27,443**	**$ 13,591**

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

	First Quarter 2018	First Quarter 2017
Revenue	$ 64,786	$ 45,717
Cost of sales, excluding depreciation and amortization	(33,858)	(29,511)
G&A, excluding depreciation and amortization	(2,256)	(1,769)
Social contributions	(1,229)	(846)
Adjusted EBITDA	**$ 27,443**	**$ 13,591**

The following table provides a reconciliation of ***Excess Cash Flow***, as defined in the indentures for the Senior Debentures, to the consolidated financial statements:

	First Quarter	
	2018	2017
Adjusted EBITDA	**$ 27,443**	**$ 13,591**
Additions to mining interests	(8,197)	(4,811)
Repayment of long-term debt	(72)	(390)
Change in cash held for debt service	-	125
Interest paid, net	(1,989)	(1,881)
Debt restructuring costs paid	-	(69)
Income taxes paid	(13,277)	(6,069)
Payments of health obligations and increase in cash in trust	(229)	(216)
Environmental discharges fees paid	(724)	(423)
Proceeds received from sale of CIIGSA refinery	-	194
Changes in non-cash working capital items	(401)	2,225
Excess Cash Flow	**$ 2,554**	**$ 2,276**

The following table provides a reconciliation of ***adjusted net income*** to the consolidated financial statements:

	First Quarter	
	2018	2017
Net income (loss)	**$ 5,352**	**$ (784)**
Tax impact of conversions of Senior Debentures	-	67
Accretion of senior debt discount, net of tax	4,498	3,907
Foreign exchange loss (gain), net of tax	(4)	(106)
Adjusted net income	**$ 9,846**	**$ 3,084**

Adjusted basic and diluted earnings per share were determined as follows:

	First Quarter	
	2018	2017
Adjusted net income	$ 9,846	$ 3,084
Add: Interest expense, net of tax	1,279	1,186
	$ 11,125	$ 4,270
Weighted average number of shares (000's)		
Basic	21,568	19,588
Add: Impact of conversions of Senior Debentures	71,509	79,138
	93,077	98,726
Adjusted earnings per share		
Basic	**$ 0.46**	**$ 0.16**
Diluted	**0.12**	**0.04**

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:

	First Quarter	
($000's except ounces and per ounce data)	2018	2017
Gold sales (ounces)	49,610	38,434
Total cash costs		
Production costs	$ 31,166	$ 27,364
Production taxes	2,692	1,993
Silver revenues	(616)	(611)
Total cash costs on a by-product basis	$ 33,242	$ 28,746
Total cash costs per ounce sold	**$ 670**	**$ 748**
AISC		
Total cash costs on a by-product basis	$ 33,242	$ 28,746
G&A, excluding depreciation and amortization	2,256	1,769
Sustaining capital and E&E costs	8,933	5,493
Provision for environmental charges	-	154
Total AISC	$ 44,431	$ 36,162
AISC per ounce sold		
Total cash costs on a by-product basis	$ 670	$ 748
G&A, excluding depreciation and amortization	46	46
Sustaining capital and E&E costs	180	143
Provision for environmental charges	-	4
AISC per ounce sold	**$ 896**	**$ 941**

Sustaining capital expenditures are defined as those expenditures which do not increase annual gold ounce production and, if applicable, excludes all expenditures at the Company's special 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 statements of cash flows:

	First Quarter	
	2018	2017
Additions to mining interests		
Sustaining capital and E&E costs	$ 8,933	$ 5,493
Change in accounts payable and accrued liabilities related to capital expenditures	(798)	(974)
Change in amounts payable for acquisitions of mining interests	62	292
Total additions to mining interests	**$ 8,197**	**$ 4,811**

Outlook

The Company started off 2018 with a total of 52,672 ounces of gold production in the first quarter and another 16,119 ounces in April 2018 with 14,331 ounces from the Segovia Operations and 1,788 ounces from the Marmato Underground mine. The Company continues to expect to produce a total of 182,000 to 193,000 ounces of gold for the full year compared with the 173,821 ounces produced in 2017. Production growth will continue to be fuelled by the Company's mines at its high-grade Segovia Operations which are expected to produce between 158,000 and 167,000 ounces in 2018.

In the first quarter of 2018, the Company executed approximately 5,400 meters or approximately 27% of its planned 20,000 meters drilling campaign for the full year to continue its efforts to upgrade and extend its mineral resources at the Segovia Operations. Capital investment in 2018 at the Segovia Operations will continue to focus on ongoing mine development at its Providencia and El Silencio mines, and commence mine development at its Sandra K mine, along with ongoing investments in mine infrastructure upgrades, ventilation, health, safety and environmental initiatives, mine equipment and expansion of tailings storage facilities.

At Marmato, the Company completed a conceptual study in 2017 to consider the potential for underground mining operations combining the existing operating mine with the Deeps mineralization. In 2018, the Company will follow up with further technical studies and up to 10,000 meters of drilling leading toward the expected completion of a preliminary economic assessment by the end of the year.

The Company's total cash cost averaged $720 per ounce sold in 2017. In 2018, the Company expects that its total cash cost will increase slightly, averaging less than $735 per ounce sold for the full year, as a result of entering contracts in the latter half of 2017 for additional higher cost, high-grade material from the contract miners operating within its Providencia and El Silencio mines. The Company also expects that with its capital investment program in 2018, including the ongoing exploration activities at Segovia and execution of the drilling program and technical studies at Marmato, its AISC for the full year will increase from 2017's full year AISC average of $918 per ounce but will remain below $950 per ounce.

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, gold production, total cash costs and AISC per ounce sold and interest payments, sinking funds and redemption and settlement of 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 27, 2018, 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.