



**ECO ORO MINERALS CORP.**

**Management's Discussion and Analysis**

**September 30, 2017**

## Table of Contents

1.	INTRODUCTION .....	3
2.	OVERVIEW .....	3
3.	ICSID ARBITRATION .....	3
4.	PROJECT PERMITTING STATUS AND LEGAL CHALLENGES .....	8
5.	SUBSEQUENT EVENTS .....	12
6.	OUTLOOK .....	12
7.	RESULTS OF OPERATIONS .....	13
8.	SELECTED FINANCIAL INFORMATION .....	15
9.	SUMMARY OF QUARTERLY RESULTS .....	16
10.	LIQUIDITY AND CAPITAL RESOURCES .....	17
11.	FINANCIAL INSTRUMENTS .....	20
12.	TRANSACTIONS WITH RELATED PARTIES .....	20
13.	CRITICAL ACCOUNTING ESTIMATES .....	21
14.	CHANGES IN ACCOUNTING POLICIES .....	21
15.	INTERNAL CONTROL OVER FINANCIAL REPORTING .....	22
16.	RISKS AND UNCERTAINTIES .....	23
17.	FORWARD-LOOKING STATEMENTS .....	23

## 1. INTRODUCTION

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Eco Oro Minerals Corp. ("Eco Oro", "we", "our" or the "Company"), our operations, financial performance, and current and future business environment. This MD&A is intended to supplement and complement the consolidated financial statements and notes thereto prepared in accordance with International Financial Reporting Standards ("IFRS") for the nine months ended September 30, 2017. This MD&A should be read in conjunction with our annual audited consolidated financial statements for the year ended December 31, 2016 and the most recent Annual Information Form, which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

This MD&A is prepared as of November 14, 2017. All dollar amounts in this MD&A are expressed in thousands of Canadian dollars, unless otherwise specified. United States dollars and Colombian pesos are referred to as "US\$" and "COP," respectively.

## 2. OVERVIEW

Eco Oro is a Canadian publicly-listed, precious metals exploration and development company with operations in Colombia. For over two decades, the Company's focus has primarily been its wholly-owned Angostura gold-silver deposit (the "Angostura Project"), located in northeastern Colombia, during which time it has invested a significant amount in the project's development and in that of the surrounding communities. Historically, the Company has aimed to maximize long-term value for its shareholders by developing its Angostura Project and its satellite prospects through to construction and mining. Despite the Company having diligently complied with Colombian regulations and its obligations under its mining titles, recent measures of the Republic of Colombia (the "Colombian State") have deprived Eco Oro of its rights and have brought into question the viability of the Angostura Project. As explained below, these measures are now the subject of a dispute between Eco Oro and the Colombian State under the Free Trade Agreement between Canada and Colombia signed on November 21, 2008 (the "Free Trade Agreement").

Because of the Colombian State's measures, the Company filed a request for arbitration (the "Request for Arbitration") with the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") against Colombia on December 8, 2016 ("ICSID Arbitration").

While the Company's primary objective had always been the development of the Angostura Project, in light of the Colombian State's measures, the ICSID Arbitration has now become the core focus of the Company.

## 3. ICSID ARBITRATION

### *Status of the ICSID Arbitration*

In the ICSID Arbitration Eco Oro seeks compensation for all of the loss and damage resulting from the Colombian State's wrongful conduct and its breaches of the protections set forth in the Free Trade Agreement against *inter alia* expropriation, unfair and inequitable treatment and discrimination in respect of the Angostura Project and the related licenses, as discussed further below.

On December 8, 2016, Eco Oro filed the Request for Arbitration with ICSID against Colombia. The claim relates to the Colombian State's measures which have deprived Eco Oro of its rights under its main mining title, Concession 3452, comprising the Angostura gold and silver deposit, thereby depriving Eco Oro of the returns that would have resulted from its investment in the development of the Angostura Project, and destroying the value of its investment, in violation of Colombia's obligations under the Free Trade Agreement.

On December 29, 2016, ICSID registered the Request for Arbitration. The three-member tribunal for the ICSID Arbitration ("Tribunal") was constituted on 11 September 2017. The first procedural hearing has been scheduled for 21 November 2017, following which the procedural calendar for the ICSID Arbitration will be

issued. According to the ICSID Rules, the arbitration begins with a written phase, during which parties submit one or more pleadings and accompanying evidence, followed by an oral phase that will consist of one or more hearings during which the parties will present their case and examine any witnesses and experts. The schedule of pleadings and hearings will be established in a procedural order to be issued by the Tribunal following the first procedural hearing on 21 November 2017. Following the closure of proceedings, the Tribunal will deliberate and issue a written award, which will be final and binding, and subject only to the limited post-award remedies set out in the ICSID Convention.

### ***Background to the Dispute***

Eco Oro was one of the first foreign mining companies to invest in Colombia's gold mining sector. Since the mid-1990s, Eco Oro has invested hundreds of millions of dollars to develop the Angostura Project. Eco Oro made these investments in reliance on Colombia's commitments in its mining titles, including Concession 3452, which was stabilized pursuant to Colombia's 2001 Mining Code. The Colombian State made repeated assurances of support for Eco Oro's Angostura Project, even declaring it to be a "project of national interest" in 2011 and again in 2013.

Despite these commitments and assurances, the Colombian State, through the Colombian National Mining Agency (Agencia Nacional de Minería or "ANM") issued a decision in August 2016 depriving Eco Oro of its mining rights in respect of 50.73% of the Concession area that falls within the preservation zone of the Santurbán Páramo, established in Ministry of Environment Resolution 2090 of December 2014 ("Resolution 2090"). This decision was made on the basis of an earlier decision rendered by the Colombian Constitutional Court in February 2016. The ANM's decision came five months after Eco Oro formally notified Colombia, on March 7, 2016, of its intent to submit to arbitration a dispute arising under the Free Trade Agreement. The ANM has since indicated that Eco Oro may also be prohibited from carrying out mining activities within the "restoration" zone of the Santurbán Páramo. Eco Oro has sought clarification from the ANM on this matter and is awaiting a response. Eco Oro's rights are therefore under threat of further encroachments, given the risk that the Colombian Constitutional Court and National Mining Agency will issue future decisions further reducing the area accessible to Eco Oro.

The exploration phase of Concession 3452 will expire in August 2018, by which date Eco Oro must have completed the licensing for the project. However, as a consequence of the uncertainties described above, the Angostura Project cannot currently be licensed.

The Colombian State's measures have rendered the Angostura Project unviable. These measures have not only deprived Eco Oro of the value of the investments that it has already made, but also of the returns that would have resulted from Eco Oro's investment of hundreds of millions of dollars over the past two decades in reliance upon commitments from the Colombian State. Eco Oro is therefore asserting its entitlement to recover the losses to its investment resulting from Colombia's breaches. The amount of those losses will be determined at a later stage in the ICSID Arbitration.

## **Impairment of Project Assets & Financing Arrangements**

### ***Impairment of Project Assets***

In 2016, the Company assessed the Angostura Project for asset impairment based on the guidance in IAS 36 *Impairment of Assets*. Eco Oro has been deprived of its rights in relation to the majority of the area of Concession 3452. Moreover, the exploration phase of Concession 3452 expires in August 2018 by which date the licensing of the project should be completed. However, the regional environmental authority has informed the Company that, in light of the legal uncertainties regarding the regulatory framework applicable to the Angostura Project, it is unable to process a request for or grant an environmental license. In light of these facts, as well as the Company's failure to reach an amicable settlement of the dispute that would enable it to exercise the rights that were granted to it under Concession 3452 and develop the Angostura Project, the Company recorded a non-cash write-down of \$24,574 relating to all mineral property

and \$1,620 of its plant and equipment located in Colombia during the 2016 financial year (the “Impairment”). The Impairment was based on international accounting standards, and thus without prejudice to the legal qualification that the Colombian State measures may be given under Colombian or international law (including the Free Trade Agreement). Given the nature of the assessed impairment indicators that have given rise to the Impairment, there is significant uncertainty over whether it will be appropriate to capitalize future expenditures that the Company may incur in preserving its assets in Colombia.

### ***Financing Arrangements***

In order for the Company to be able to meet its obligations and continue its future operations, including funding to pursue the ICSID Arbitration, as well as for general working capital purposes, the Company entered into various investment agreements during 2016 with respect to an aggregate investment in the Company of US\$18.2 million (the “Investment”). Pursuant to these agreements, the proceeds of the Investment will be used by the Company to fund the ICSID Arbitration and general working capital.

The Investment occurred in two tranches. The first tranche was for US\$3 million and the second tranche was for US\$15.2 million. On July 22, 2016, the Company closed Tranche 1 by issuing 10,608,225 common shares with a fair value of \$3,917 (US\$3 million), which represents 9.99% of the Company’s issued and outstanding common shares. The second tranche was completed on November 9, 2016 by issuing \$7,410 (US\$5.5 million) contingent value rights (“CVRs”), entitling the investors to approximately 71% of the gross proceeds of the ICSID Arbitration, and \$12,969 (US\$9.7 million) convertible notes to Trexs Investments, LLC (“Trexs” or the “Investor”), an entity managed by Tenor Capital Management Company, L.P., and other existing shareholders.

On December 20, 2016, a petition was filed (the “Investment Agreement Petition”) with the Supreme Court of British Columbia (the “Court”) by two shareholders of the Company, against the Company, each of its then directors (other than Kevin O’Halloran), Trexs, Amber Capital LP (“Amber”) and Paulson & Co. Inc. (“Paulson”) seeking to, among other things, set aside and cancel the investment agreement between the Company and Trexs (the “Investment Agreement”) and the CVRs and convertible notes issued by the Company pursuant to the Investment Agreement.

On February 10, 2017, two shareholders of the Company (the “Requisitioners”) delivered a requisition under the *Business Corporations Act* (British Columbia) requiring that the Company call and hold a meeting of its shareholders for the purpose of replacing the Board of Directors of the Company. The Board called an annual general and special meeting of the Company (the “Meeting”) to be held on April 25, 2017.

As a result of various considerations, on March 16, 2017, the Company converted approximately US\$4.7 million of its outstanding unsecured convertible indebtedness through the issuance of 10,600,000 common shares (the “Converted Shares”).

On March 22, 2017, a petition was filed with the Court by the Requisitioners against the Company (the “Conversion Petition”). The Conversion Petition sought various remedies against the Company including that the Converted Shares be cancelled or, alternatively, not be allowed to be voted at the Meeting. The same shareholders also applied to the Ontario Securities Commission (the “OSC”) for orders to set aside the Toronto Stock Exchange’s (the “TSX”) conditional approval of the Converted Shares, requiring shareholder approval for the issuance of the Converted Shares, and an order cease trading the Converted Shares.

In April 2017, the OSC released an order (the “OSC Order”) that, among other things, overturned the March 10, 2017 decision of the TSX to grant conditional approval for the issuance of the Converted Shares. The Company commenced an appeal of the OSC Order.

Shortly after the release of the OSC Order, the Court dismissed the Conversion Petition (the “Court Ruling”). The Court found in favour of Eco Oro on all matters, and dismissed the Conversion Petition, with costs, in favour of Eco Oro ruling that the issuance of the Converted Shares was not oppressive and that it does not deny Eco Oro shareholders their right to a fair election. In a supplementary ruling issued concurrently with the Court Ruling (the “Adjournment Ruling”), the Court ordered that the Meeting “be adjourned to a date to be set by the board of directors prior to September 30, 2017”.

On April 28, 2017, the Requisitioners filed a notice of appeal with the British Columbia Court of Appeal (the “Appeal Court”) to set aside the both the Court Ruling and the Adjournment Ruling. The appeal of the Adjournment Ruling was heard on an expedited basis and, on May 26, 2017, the Appeal Court set aside the Adjournment Ruling. The Court Ruling was withdrawn subsequently.

On May 12, 2017, the Company commenced an application (the “Group Application”) in the Ontario Superior Court of Justice with respect to activities undertaken by a group of shareholders of the Company. Pursuant to the Group Application, the Company sought, among other things, declarations that these shareholders have acted contrary to applicable securities laws.

On July 31, 2017, the Company entered into a comprehensive settlement agreement, as amended on September 11, 2017 (the “Settlement Agreement”) with, *inter alia*, thirteen shareholders representing approximately 66.3% of the issued and outstanding common shares of the Company entitled to vote at the Company’s upcoming annual general and special meeting (the “Meeting”). These shareholders include Trexs, Courtenay Wolfe, Harrington Global Opportunities Fund and Harrington Global Limited (“Harrington” and together with Courtenay Wolfe, the “Shareholder Group”). The transactions contemplated by the Settlement Agreement (the “Transactions”) resolve all outstanding litigation relating to the Company’s board composition, the Investment, the issuance of the Converted Shares and the Meeting and, in connection therewith, Trexs provided a temporary waiver of all existing and future defaults and events of default under the relevant investment documents. The Settlement Agreement specifically provided, among other things, that (i) the Company would enter into a plan of arrangement under the *Business Corporations Act* (British Columbia) that would, subject to compliance with applicable securities laws, result in shareholders (other than persons (the “CVR Holders”) currently holding CVRs having the opportunity to acquire 19.45% of the outstanding CVRs following implementation of the matters to be approved at the Meeting (the “Arrangement”); and (ii) the Company would rescind the conversion of the Converted Shares (the “Note Rescission”) such that the Converted Shares issued in connection therewith would be cancelled and the Company would reinstate and reissue approximately US\$4.7 million principal amount of notes originally converted.

Pursuant to the Settlement Agreement:

- a new five member board of the Company has been constituted and is comprised of Trexs’ nominees, David Kay and Anna Stylianides, the Shareholder Group’s nominees, Courtenay Wolfe and Peter McRae, and an independent director, Lawrence Haber, selected by the Shareholder Group and Trexs pursuant to the terms of the Agreement (the “New Board”). David Kay and Courtenay Wolfe have been named co-executive chairs of the New Board;
- the Company will seek approval of the New Board at the Meeting (which will be held on September 26, 2017), at which meeting shareholders will also be asked to consider and approve the following resolutions (the “Resolutions”):
  - a plan of arrangement under the *Business Corporations Act* (British Columbia) that will, subject to compliance with applicable securities laws, result in shareholders (other than persons (the “CVR Holders”) currently holding contingent value rights certificates (“CVRs”)) following implementation of the matters to be approved at the Meeting (the “Proposed Arrangement”). Pursuant to the

Proposed Arrangement: (i) up to 17.17% of the CVRs, in aggregate, that were issued by the Company to CVR Holders, will effectively be made available for purchase by persons (other than CVR Holders) who are shareholders as of the record date for the 2017 Meeting and entitled to vote in respect of such meeting (the “CVR Acquiring Shareholders”); and (ii) additional CVRs representing 2% of the gross proceeds of the Arbitration Claim shall be made available by the Company to the CVR Acquiring Shareholders;

- an amendment to the management incentive plan (the “MIP”) of the Company, effective as of January 13, 2017, to, among other things, reduce the cash retention amount pool from 7% to 5% of the total gross proceeds of the Arbitration Claim;
- certain amendments to various agreements that shall permit the implementation of the transactions noted above and the terms of the Settlement Agreement, including an amendment to the terms of the notes issued on November 9, 2016 to ensure that the CVR Holders will be entitled to acquire sufficient common shares to enforce the provisions of the Settlement Agreement if a material breach of the Settlement Agreement occurs;
- appointment of auditors; and
- reconfirmation of the amended and restated incentive share option plan of the Company.

Under the terms of the Settlement Agreement, the Meeting must be completed and all Resolutions (including approval of the New Board) must be approved by shareholders by no later than November 10, 2017 (the “**Outside Date**”) with certain exceptions related to, among other things, delays in obtaining all necessary regulatory approvals that are outside of the Company’s control. The Proposed Arrangement will also require final approval from the Supreme Court of British Columbia. Failure to timely approve the Resolutions will result in the termination of the Settlement Agreement and the Proposed Arrangement.

The Settlement Agreement also include the following terms:

- each of the Company, Amber Latin America, LLC, PFR Gold Master Fund Ltd., Anna Stylianides and Trexs have agreed, subject to the approval of the Resolutions at the Meeting, to rescind the conversion of the Converted Shares held by them and reinstate and reissue that portion of the convertible notes originally converted and that existed immediately prior to the issuance of the Converted Shares.
- David Kay and Courtenay Wolfe acting as co-chairs of the Meeting;
- standstill in respect of all pending litigation between the Company and shareholders relating to the matters being settled (the “Litigation”), and all such Litigation will be dismissed following the Meeting and approval of all Resolutions;
- shareholders who are party thereto agreeing to support the New Board and vote in favour of certain other matters until the conclusion of the Company’s 2022 annual general meeting;
- formation of an Arbitration and Budget Committee of the New Board comprised of David Kay and Courtenay Wolfe;
- covenants by the New Board that future financings should, if possible, be structured to enable all shareholders to participate on a pro rata basis;
- payment of the fees and expenses of the Shareholder Group and certain other shareholders in connection with the Litigation, as well as the fees and expenses of certain counsel in connection with

the implementation of the transactions provided for under the Agreement;

- confirmation that the options to purchase common shares issued to directors and executives on May 8, 2017 will not be exercisable until following the completion of the Meeting, and, upon approval of all Resolutions, all such options shall terminate and cease to exist; and
- temporary waiver by Trexs of all existing and future defaults and events of default under the relevant investment documents until the earliest of:
  - (i) implementation of the Proposed Arrangement;
  - (ii) November 10, 2017 (or in certain circumstances December 31, 2017); or
  - (iii) termination of the Settlement Agreement, with such temporary waiver automatically becoming a permanent waiver of any such defaults upon the implementation of the Proposed Arrangement.

On September 11, 2017, in order to fund the implementation of the Transactions and the short-term working capital needs of the Company, Trexs loaned the Company US\$4 million (the "Loan") pursuant to the terms of a loan agreement (the "Loan Agreement"). The Loan is unsecured and for a term of 150 days and bears interest at a rate of 5% per annum. The Loan Agreement was approved by each of the independent directors of the Company.

October 16, 2017, the Arrangement and the Note Rescission became effective. (See "Subsequent Events")

#### **4. PROJECT PERMITTING STATUS AND LEGAL CHALLENGES**

In the context of the above disclosures concerning the ICSID Arbitration, the information set out below and elsewhere in this MD&A relating to the Angostura Project, the mining title, permitting, the pending arbitration proceedings, and other developments, is for background purposes only and should not be interpreted as being indicative of the Company's expectations as at the date of this MD&A regarding the future development of the Angostura Project.

##### *Background*

The Company's Angostura Project in the Department of Santander, Colombia, is located approximately 400 km northeast of the capital city of Bogotá. The Angostura Project consists of the main Angostura deposit and five satellite prospects: Armenia, La Plata, Agua Limpia, Violetal and Móngora.

##### *Mining Title*

The Angostura Project's principal mining title is concession contract 3452 (the "Concession"), which was created by the consolidation of ten previously existing titles, two concession contract requests and one exploration license request. The Concession was granted in 2007 over an area of 5,244 hectares that contains the Angostura and the Móngora deposits and the Violetal prospect, for a period of twenty years (expiring in 2027), renewable for an additional 30 years.

On May 6, 2016, the Company applied to the ANM for a further two-year extension of the exploration phase of its Concession. At the time, Eco Oro's mining rights with respect to the area of the Concession had not been modified by the Colombian State and were fully in force. On July 26, 2016, however, prior to its decision on the Company's extension request, the ANM wrote to the Company requesting payment of the annual canon on the Concession. The ANM indicated that payment should be made only in relation to 49.27% of the total area of the Concession because the remainder fell within the preservation area of the Santurbán Páramo. On August 5, 2016, the Company responded to the ANM's letter noting that it did not understand the basis for the ANM's position since its rights under the Concession had not been terminated or modified in any way. The Company indicated that it had paid the amounts requested by the ANM on the understanding that its rights would be fully respected, and that it remained willing and ready to pay the



cannon corresponding to the total area of the Concession. The Company fully reserved its rights under international law and the Free Trade Agreement.

The Company was subsequently notified on August 8, 2016 of a decision from the ANM by way of Resolution VSC 829 dated August 2, 2016 (the "ANM Resolution"). The ANM Resolution deprived the Company of its mining rights in respect of 50.73% of the Concession that falls within the preservation zone of the Santurbán Páramo which was established pursuant to Ministry of Environment Resolution 2090. In support of this position, the ANM Resolution cited a decision of the Colombian Constitutional Court rendered on February 8, 2016 (the "Constitutional Court Decision"), which struck down exceptions to the restrictions on mining in the Santurbán Páramo that were applicable to Eco Oro.

The ANM's Resolution came five months after the Company announced on March 7, 2016 that it had formally notified Colombia of its intent to submit to arbitration a dispute arising under the Free Trade Agreement between Canada and Colombia (the "Dispute") in connection with Colombia's failure to comply with its obligations under the Free Trade Agreement and international law. Thus, using the Constitutional Court Decision of February 8, 2016 as a pretext, the ANM deprived the Company of its rights under the Concession as well as the returns that would have resulted from the hundreds of millions of dollars of investments that the Company has made for over two decades in reliance upon those rights.

The ANM has since indicated that Eco Oro may also be prohibited from carrying out mining activities within the "restoration" zone of the Santurbán Páramo. Eco Oro has sought clarification from the ANM on this matter and is awaiting a response. Eco Oro's rights are under threat of further encroachments, given the risk that the Colombian Constitutional Court and National Mining Agency will issue future decisions further reducing the area accessible to Eco Oro.

#### *Regional Park*

In a process separate from the determination of the boundaries of Santurbán Páramo, the Autonomous Regional Corporation for the Defense of the Plateau of Bucaramanga (Corporación Autónoma Regional para la Defensa de la Meseta de Bucaramanga or "CDMB") was considering the boundaries of a proposed regional park to protect the Santurbán Páramo, among other ecosystems. In January 2013, the coordinates of the Regional Park of Santurbán (the "Park") were approved by the CDMB. The Company's assessment at the time indicated that the officially-declared Park boundaries did not impede development of the Angostura Project. Indeed, the ANM did not alter Eco Oro's mining titles and concessions as a result of the creation of that Park.

However, as noted above, the August 2016 ANM Resolution has deprived the Company of its mining rights in respect of 50.73% of the Concession area that falls within the preservation zone of the Santurbán Páramo as established by Ministry of Environment Resolution 2090 of December 2014, and there is a risk that Eco Oro's rights may suffer further encroachments, as discussed above.

#### *Permitting*

The Company requested the National Authority for Environmental Licensing (*Autoridad Nacional de Licencias Ambientales* or "ANLA") to provide terms of reference for an Environmental and Social Impact Assessment ("EIA") for an underground operation. In March 2012, the Company received terms of reference for an EIA for the underground Angostura Project that, according to the ANLA, had to consider the delimitation of the Santurbán Páramo. That delimitation was subsequently accomplished through Resolution 2090 of December 2014. That Resolution and the subsequent Law 1753 of 2015 contained exceptions to the restrictions on mining activities in the Santurbán Páramo that applied to Eco Oro.

In January 2016, the Company requested that ANLA provide updated terms of reference for an EIA. These terms of reference were not issued, however, as a consequence of the Constitutional Court Decision of February 8, 2016 that transferred the responsibility for issuing such terms of reference to the regional

environmental agency (the “CDMB”).

In light of current legal uncertainties, the relevant environmental authority, the CDMB, has informed the Company that it is not in a position to process a request of or grant the environmental license for the Angostura Project required to exploit the remaining portion of the Concession.

#### *Other Developments*

In May 2012, the Company applied to the ANM for a two-year extension to its exploration phase of concession 3452. The ANM granted the extension but required the Company to temporarily suspend mining activities in the areas deemed to constitute páramo according to the Atlas of Páramo issued by Von Humboldt Institute until the boundaries of the Santurbán Páramo ecosystem had been determined. In July 2013, the Company filed before the ANM a request to suspend exploration activities in all the area of Concession 3452 until the boundaries of the Santurbán Páramo had been determined. In December 2013, the ANM issued Resolution 001024, allowing the requested suspension for a 6-month term, from July 1, 2013 until December 31, 2013, clarifying that the suspension would be lifted if the boundaries were determined before the expiration of the term. In May 2014, the Company applied to the ANM for a further 2-year extension to its exploration phase of concession 3452. In August 2014, the Company received notice from the ANM that the extension was granted. The Company filed two subsequent requests to suspend its exploration activities, which were both granted by the ANM. The suspensions of activities were finally lifted upon the issuance of Resolution 2090 of December 2014 that provided the coordinates of the Santurbán Páramo. Resolution 2090 provides that no new mining concession contracts may be executed and no environmental licenses may be issued for mining activities in the Santurbán Páramo. However, mining activities carried out under concession contracts and mining titles with environmental licenses or equivalent environmental management and control instruments granted prior to February 9, 2010 that are within the Santurbán Páramo may continue to be carried out until their termination, without extension, subject to strict supervision by mining and environmental authorities. Resolution 2090 also provides that mining may take place within the “restoration zones” of the Santurbán Páramo located in the traditional mining municipalities of Vetás, California and Suratá, subject to strict environmental controls. Pursuant to Law 1753, 2015, known as the “National Development Plan” mining activities are restricted in páramo ecosystems, although, as under Resolution 2090, certain exceptions apply to Eco Oro’s Angostura Project.

On February 9, 2016, the Company announced that the Colombian Constitutional Court had issued Communication No. 4 of 2016 dated February 8, 2016, which indicated that certain provisions of the National Development Plan are unconstitutional. The Court subsequently formally issued ruling C-035 of 2016 (also dated February 8, 2016). Pursuant to this ruling, among other things, the provisions of the National Development Plan that set out certain exceptions to the restrictions on mining in páramo ecosystems were declared unconstitutional. In addition, although the Court endorsed the concept of projects of national interest and the creation of a national system to handle them due to their importance, it declared the provisions of the National Development Plan that provided that the ANLA would have exclusive authority for licensing such projects, regardless of the size of the project, unconstitutional.

As discussed above, in May 2016, the Company applied to the ANM for a further two-year extension to the exploration phase of concession 3452. On August 8, 2016, Eco Oro received a decision from the ANM rendered on August 2, 2016 through ANM Resolution VSC 829 which granted an extension of the exploration phase for Concession 3452, only for the areas that fall outside the “preservation zone” of the Santurbán Páramo established in Resolution 2090, which corresponds to 50.73% of the concession area. In Resolution VSC 829, the ANM cited the February 8, 2016 decision of the Colombian Constitutional Court as the basis for its decision. Consequently, the resources located in the preservation zone of the Santurbán Páramo are no longer accessible for development and extraction.

More recently, the ANM has indicated that Eco Oro may also be prohibited from carrying out mining activities within the “restoration” zone of the Santurbán Páramo. Eco Oro has sought clarification from the

ANM on this matter and is awaiting a response.

In addition, the Company was notified that a lawsuit (*Acción de Tutela*) was filed before the Constitutional Court against the Ministry of Environment and Sustainable Development (*Ministerio de Ambiente y Desarrollo Sostenible*) that seeks to strike down Resolution 2090. The Court's decision on this matter is still pending.

#### *La Plata*

In February 2012, the Company received notice that Sociedad Minera La Plata Ltda. ("SMLPL") was initiating an arbitration pursuant to the arbitration clause contained in the mining title assignment agreement (the "La Plata Assignment Agreement") pursuant to which the Company acquired its La Plata property from SMLPL. An arbitration panel was constituted and there were ten hearings between December 2012 and July 2013. The arbitration panel rendered its decision in September 2013 finding that the two year statute of limitations applied to the La Plata Assignment Agreement and the first of three subordinate partial assignment agreements, in respect of 25% of the property, and found in favour of the Company in that regard. However, the arbitration panel found that the statute of limitations did not apply to the second and third subordinate partial assignment agreements (the "Annulled Agreements"), in respect of 75% of the property, and declared a relative nullity in respect of these agreements with respect to the amounts greater than 500,000 Colombian pesos. The panel ordered SMLPL to pay the Company 1,677,500,686 Colombian pesos (plus interest and indexation), which relates to the amount paid to SMLPL by the Company under each of the Annulled Agreements (less 500,000 Colombian pesos X 2), within thirty days of the decision becoming final.

The arbitration panel recognized in its decision that it lacked the power to order the relevant Colombian authorities to annul the administrative acts relating to the property and related environmental management plan registered in the name of the Company. The La Plata property and related environmental management plan remain in the name of the Company. In October 2013, the Company filed with the Judicial District Tribunal Superior Court of Bucaramanga a motion for annulment of the arbitration panels' decision on the basis, among other things, that: the arbitration tribunal lacked jurisdiction to rule on the subordinate partial assignment agreements as they did not contain arbitration clauses; and the statute of limitations should have been applied to the Annulled Agreements as they were subordinate to the La Plata Assignment Agreement. In February 2014, the Company was notified of the decision rendered by the Judicial District Tribunal Superior Court with respect to the motion for annulment and the Company was not successful. In August 2014, the Company filed with the Supreme Court an action (*Acción de Tutela* or "Tutela Action") seeking the revocation of the decisions of the arbitration panel and Judicial District Tribunal Superior Court. In September 2014, the Company was notified of the decision rendered by the Supreme Court in the Tutela Action and the Company was not successful. This decision was appealed to the Supreme Court and, in November 2014, the Company was notified of the decision rendered by the Supreme Court in the appeal and the Company was not successful. To date, the ANM has rejected SMLPL's request to register the decision of the arbitration panel and cancel registration of the Annulled Agreements and, as such, the Company remains the registered owner of the entire La Plata property. On July 21, 2015, the Company received notice that SMLPL had filed a Tutela Action with the Tenth Criminal Circuit Court of Bucaramanga seeking an order that the ANM register the arbitration decision and its 75% interest in the La Plata property. On August 4, 2015, the Company was notified of the decision rendered by the Court that SMLPL was not successful and the Tutela Action was dismissed. As the La Plata Assignment Agreement (and the first of three subordinate partial assignment agreements) remains valid, if necessary, the Company may commence a legal action against SMLPL to require SMLPL to comply with its obligations thereunder, including the obligation to legally assign the remaining portion of the La Plata property, which was the subject of the Annulled Agreements, to the Company. The Company has approached SMLPL with a view to reaching an amicable resolution to the dispute.

## **5. SUBSEQUENT EVENTS**

- On October 10, 2017, the Company held the Meeting. At the Meeting, Shareholders representing 82.39% of the issued and outstanding common shares voted to approve, among other things, the Arrangement and the Note Rescission.
- On October 16, 2017, the Arrangement and the Note Rescission became effective.
- On October 23, 2017, the Company received final approval from the CSE to list its common shares on the CSE. The Company's common shares began trading on the CSE under the trading symbol "EOM" at the opening of trading on October 24, 2017. The Company had been originally notified on September 22, 2017 that the TSX had determined to delist the Company's common shares effective at the close of market on October 23, 2017. The Company proceeded to submit an application to list its common shares on the Canadian Securities Exchange (the "CSE") at that time.
- On October 24, 2017, the Company was notified by the ANM that it had decided to allow Sociedad Minera de Santander (also known as Minesa), a Colombian gold mining company, to tunnel underneath part of Eco Oro's Concession, subject to certain conditions. Eco Oro is considering its legal options in relation to this decision.

## **6. OUTLOOK**

Notwithstanding the continuation of the ICSID Arbitration process, the Company remains open to engagement with the Colombian authorities in order to achieve an amicable resolution of the dispute.

In the meantime, the Company's immediate plans for the ensuing year are as follows:

- to advance the ICSID Arbitration, the establishment of a procedural calendar, and filing of its memorial in support of its claim;
- to continue to assess the Company's activities, including monetization of certain of the Company's assets (including the potential disposition of assets, plant and equipment acquired for the Project) and cost reduction to support the preservation of its core assets and rights, in an effort to mitigate losses;
- to carefully manage its cash resources;
- to continue to assess the Company's mining titles and related on-going regulatory requirements;
- the protection of its rights and interests in Colombia; and
- to seek additional financing for the Company's operations.

## 7. RESULTS OF OPERATIONS

Three months ended September 30, 2017

	For the three months ended		Change	
	September 30, 2017	September 30, 2016	in \$	Note
<b>Exploration and evaluation expenses:</b>				
Administrative expenses	\$ 164	\$ 124	\$ 40	
Depreciation	2	72	(70)	
Environmental expenses	(110)	47	(157)	a
Legal fees	120	158	(38)	b
Other exploration and evaluation expenses	-	55	(55)	
Salaries and benefits	219	791	(572)	c
Surface rights	64	78	(14)	
	459	1,325	(866)	
<b>General and administrative expenses:</b>				
Administrative expenses	120	53	67	d
Legal and other professional fees	6,218	24	6,194	e
Management and directors' fees	324	38	286	f
Share-based compensation	70	20	50	g
	6,732	135	6,597	
	\$ 7,191	\$ 1,460	\$ 5,731	
<b>Other items</b>				
Finance cost	\$ 139	\$ 167	\$ (28)	h
Foreign exchange loss	206	42	164	i
Gain on disposal of plant and equipment	-	(34)	34	
Other income	(13)	(3)	(10)	
	332	172	160	
<b>NET LOSS FOR THE PERIOD</b>	<b>\$ 7,523</b>	<b>\$ 1,632</b>	<b>\$ 5,891</b>	
Foreign currency translation differences for foreign operations	\$ (41)	\$ (248)	\$ 207	
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ 7,482</b>	<b>\$ 1,384</b>	<b>\$ 6,098</b>	

- Environmental expenses include the impact of the current year's changes in the site restoration provision. The cost estimates are updated periodically to reflect known developments and are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations. The decrease during the three months ended September 30, 2017 was due mainly to change on the costs and timing of the restoration work required to be done.
- The legal fees is primarily related to the legal dispute with the Colombian State.
- The decrease in salaries and benefits is mainly related the termination of 24 employees in Colombia in the second quarter of 2017 and the resignation of the former CEO of the Company.
- The increase in administrative expenses in the current period was due to the increase in transfer agent fees.
- The increase in general and administrative legal fees and other professional fees in the current period was primarily associated with legal and regulatory proceedings and activities related to the implementation of the Transactions and the preparation of the Company's principal submission in the ICSID Arbitration .
- The increase in management and directors' fee is primarily related to the consulting fees paid to the Company's former Chairman, the severance payments made to the Company's former directors and the directors fees paid to the current directors. In addition, the management fees paid to the Company's current CEO incurred for this quarter was classified as general and administrative expenses instead of evaluation and exploration expenses.
- This increase in share-based payments resulted from an increase in the number of options vesting and a corresponding increase in recognition of expense during the period.

- h) The increase in finance costs was primarily related to the interest of the convertible notes and the loan payable.
- i) The foreign exchange loss was primarily a result of the retranslation of the Company's US cash and loan payable which is denominated in USD into Canadian dollars.

#### Nine months ended September 30, 2017

	For the nine months ended		Change	
	September 30, 2017	September 30, 2016	in \$	Note
<b>Exploration and evaluation expenses:</b>				
Administrative expenses	\$ 568	\$ 576	\$ (8)	
Depreciation	2	237	(235)	
Environmental expenses	(53)	155	(208)	a
Legal fees	728	226	502	b
Other exploration and evaluation expenses	97	144	(47)	
Salaries and benefits	1,670	1,730	(60)	c
Surface rights	92	107	(15)	
	3,104	3,175	(71)	
<b>General and administrative expenses:</b>				
Administrative expenses	336	204	132	d
Legal and other professional fees	16,083	766	15,317	e
Management and directors' fees	442	126	316	f
Share-based compensation	293	96	197	g
	17,154	1,192	15,962	
	\$ 20,258	\$ 4,367	\$ 15,891	
<b>Other items</b>				
Equity tax	\$ 46	\$ 113	\$ (67)	h
Finance cost	459	338	121	i
Foreign exchange loss	335	95	240	j
Gain on disposal of plant and equipment	(505)	(171)	(334)	k
Other income	(134)	(8)	(126)	
	201	367	(166)	
<b>NET LOSS FOR THE PERIOD</b>	<b>\$ 20,459</b>	<b>\$ 4,734</b>	<b>\$ 15,725</b>	
<b>OTHER COMPREHENSIVE EXPENSES</b>				
Foreign currency translation differences for foreign operations	\$ (310)	\$ (294)	\$ (16)	
<b>TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ 20,149</b>	<b>\$ 4,440</b>	<b>\$ 15,709</b>	

- a) Environmental expenses include the impact of the current year's changes in the site restoration provision. The cost estimates are updated periodically to reflect known developments and are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations. The decrease during the nine months ended September 30, 2017 was due mainly to change on the costs and timing of the restoration work required to be done.
- b) The increase in legal fees in the current period was primarily due to the legal dispute with the Colombian State.
- c) The decrease in salaries and benefits is mainly related to the termination during the second quarter of 2016 and the second quarter of 2017 and the resignation of the former CEO of the Company. The increase was partially offset by the severance payments of \$606 made during the current period for terminating 24 employees in Colombia.
- d) The increase in administrative expenses in the current period was due to the increase in transfer agent fees and other administration expenses related to the proxy contest and shareholders' meeting.
- e) The increase in general and administrative legal fees and other professional fees in the current period was primarily associated with legal and regulatory proceedings and activities related to the Litigation the implementation of the Transactions and the preparation of the Company's principal submission in the ICSID Arbitration.
- f) The increase in management and directors' fees is primarily related to the consulting fees paid to the Company's former Chairman, the severance payments made to the Company's former directors and the directors fees paid to the current directors. In addition, the management fees paid to the Company's current CEO incurred for this period was classified as general and administrative expenses instead of evaluation and exploration expenses.

- g) Share-based payments increased primarily due to more options vesting in the current quarter. During the nine months ended September 30, 2017, the Company granted 3,630,000 options, of which 2,150,000 options were rescinded following the Meeting.
- h) The equity tax is based on the Colombian entity's net equity position at the beginning of each year with 25% minimum and maximum change in the net equity from the prior year. The decrease in equity tax is primarily due to impairment of the plant and equipment and exploration and evaluation assets during the year ended December 31, 2016.
- i) The increase in finance costs was primarily related to the interest of the convertible notes and loan payable and accretion of interest related to the site restoration provision.
- j) The foreign exchange loss was primarily a result of the retranslation of the Company's US cash and loan payable which is denominated in USD into Canadian dollars.
- k) Gain on disposal of plant and equipment was primarily related to the proceeds from the disposition of the plant and equipment in Colombia which were impaired to \$nil during the year ended December 31, 2016.

## 8. SELECTED FINANCIAL INFORMATION

<i>As at:</i>	<b>September 30, 2017</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Total assets	\$ 4,673	\$ 18,751	\$ 28,805
Total long-term liabilities	6,042	6,601	3,886

  

<i>For the nine months ended:</i>	<b>September 30, 2017</b>	<b>September 30, 2016</b>	<b>September 30, 2015</b>
Loss and comprehensive loss	\$ 20,149	\$ 4,440	\$ 1,429
Basic and diluted loss per share	0.18	0.05	0.05

The decline in total assets as of September 30, 2017 when compared to December 31, 2016 is mainly due a significant reduction in cash relating to ongoing administrative costs and professional and legal fees incurred to maintain and respond to multiple legal proceedings in multiple jurisdictions in connection with the implementation of the Transactions. The decrease in total long-term liabilities as of September 30, 2017 when compared to December 31, 2016 is mainly due to conversion of the convertible notes during the nine months ended September 30, 2017. Subsequent to September 30, 2017, the conversion of the Converted Shares were rescinded; as a result fo the Note Rescission, the Company reinstated and reissued approximately US\$4.7 million principal amount of convertible notes that originally converted.

The decline in total assets in 2016 when compared to 2015 is mainly due to the impairment of exploration and evaluation assets and property and equipment during the year ended December 31, 2016. In addition, the increase in total liabilities in 2016 when compared to 2015 is mainly due to the issuance of convertible debentures and CVRs for gross proceeds of \$20,380 (US\$15,200,000) during the year ended December 31, 2016. In addition, during the year ended December 31, 2016, the Company issued 10,608,225 common shares with a fair value of \$3,917. The Company has no operating revenue and relies primarily on equity financing to fund its activities. There have been no distributions or cash dividends declared for the periods presented.

## 9. SUMMARY OF QUARTERLY RESULTS

	Three months ended			
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Exploration and evaluation expenditures	\$ 459	\$ 1,636	\$ 1,009	\$ 2,253
General and administrative expenses	6,732	7,415	3,007	3,169
Other items	332	(397)	266	26,593
Net loss for the period	7,523	8,654	4,282	32,015
Basic and diluted loss per share	0.06	0.07	0.04	0.30

	Three months ended			
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Exploration and evaluation expenditures	\$ 1,325	\$ 908	\$ 942	\$ 1,276
General and administrative expenses	135	750	307	383
Other items	172	(58)	253	(395)
Net loss for the period	1,632	1,600	1,502	1,264
Basic and diluted loss per share	0.02	0.02	0.02	0.01

The decrease in exploration and evaluation costs in the third quarter of 2017 is mainly the result of the termination of 24 employees in Colombia in the second quarter of 2017 and the adjustment of the environmental expenses due to the change in estimates of the site restoration provision. In conjunction with the termination, the Company paid \$606 severance payments in the second quarter of 2017. The increase in exploration and evaluation costs in the third and fourth quarter of 2016 and the first and second quarters of 2017 is mainly related to compliance with regulatory requirements and in legal fees due to the legal dispute with the Colombian State. In the fourth quarter of 2016, the Company recognized \$614 environmental expenses due to the change in estimates of the site restoration provision. Except for these increases, the exploration and evaluation costs remained at relatively constant levels due to the cost reduction initiatives.

Except for the significant increase in legal fees and other expenses associated with the Litigation and the implementation of the Transactions in the first three quarters of 2017 and fourth quarter of 2016, general and administrative costs remained at relatively constant levels in the past quarters as the Company continued with certain cost reduction initiatives. In addition, the increase in general and administrative expense in the second quarter of 2017 and the third quarter of 2015 is related to the recognition of the share-based payments of the options granted in those quarters.

“Other Items” mainly consists of foreign exchange gain / loss, finance costs, equity tax expense, gain / loss on disposal of plant and equipment and impairment loss on plant and equipment. The fluctuation in exchange rate for the USD and COP triggered a swing of exchange gain / loss for each quarter. The increase in finance costs in the first three quarters of 2017 is mainly due to the recognition of the accretion of interest of the convertible notes issued in the fourth quarter of 2016. The increase in finance costs in 2016 was primarily a result of the payment of surface canons and related interest charges (COP\$631,474,949) to the Colombian State related to titles EJ1-163 and 22346. In the fourth quarter of 2016, the Company recognized an impairment loss on plant and equipment of \$1,620) and exploration and evaluation assets of \$24,574. In the second quarter of 2017, the Company recognized a gain on disposal on plant and equipment of \$505 due to the disposition of certain plant and equipment which the carrying value was written down to \$nil. In the first quarter of 2017 and 2016, the Company recognized an equity tax expense of \$46 and \$113, respectively.



## 10. LIQUIDITY AND CAPITAL RESOURCES

### Liquidity and Cash Flows

	Three months ended			
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Cash used in operating activities	\$ (4,797)	\$ (13,084)	\$ (2,041)	\$ (3,106)
Cash flows from financing activities	-	-	-	20,171
Cash flows from (used in) investing activities	(394)	394	-	4
Effects of exchange rate changes on cash and cash equivalents	43	(36)	(7)	16
Total cash flow	14,774	(12,726)	(2,048)	17,085
Cash and cash equivalents	3,926	3,842	16,568	18,616
Guaranteed investment certificate	-	-	-	-
Working capital (deficiency)	(5,516)	1,725	10,040	14,202

	Three months ended			
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Cash used in operating activities	\$ (2,093)	\$ (662)	\$ (1,188)	\$ (1,643)
Cash flows from financing activities	3,461	-	-	159
Cash flows from (used in) investing activities	130	179	35	3
Effects of exchange rate changes on cash and cash equivalents	52	5	(57)	412
Total cash flow	1,550	(478)	(1,210)	(1,069)
Cash and cash equivalents	1,531	31	459	1,669
Guaranteed investment certificate	-	-	-	35
Working capital (deficiency)	(728)	(3,067)	(1,758)	(565)

Except for the significant cash used in legal fees and other expenses associated with the Litigation, the implementation of the Transactions and the legal dispute with the Colombian State in the first three quarters of 2017 and fourth quarter of 2016, the trend of lower quarterly cash burn is primarily due to the implementation of cost reduction initiatives commencing in the second quarter of 2013 that deferred of all discretionary spending on the Angostura Project and decreased general and administrative expenses in both Canada and Colombia through reductions in salaries and benefits, rent and other administrative expenses.

The Company has not yet achieved profitable operations and expects to incur further losses in the development of its business. Until there is a satisfactory resolution of the investment dispute, management's current forecasts includes cash outflows to continue its trend consistent with the last four quarters and cash inflows from anticipated future equity financing(s).

During the first and third quarter of 2015, the Company completed a private placement for net aggregate proceeds of \$2,722 and \$3,301, respectively.

In order for the Company to be able to meet its obligations and continue its future operations, as well as for general working capital purposes, the Company entered into the Investment Agreement, with respect to an aggregate investment in the Company of US\$14 million. Pursuant to the Investment Agreement, the proceeds of the investment will be used by the Company to fund the Company's arbitration with Colombia under the Free Trade Agreement and general working capital. The Investment occurred in two tranches. The first tranche ("Tranche 1") was for US\$3 million and the second tranche was for US\$11 million. On July 22, 2016, the Company closed Tranche 1 by issuing 10,608,225 common shares with a fair value of \$3,917 (US\$3 million), which represents 9.99% of the Company's issued and outstanding shares. The second tranche was completed on November 9, 2016 by issuing \$5,363 (US\$4 million) contingent value rights and \$9,386 (US\$7 million) convertible notes to Trexs.

In addition, during the fourth quarter of 2016, the Company issued convertible notes in the amount of \$3,583 (US\$2,672,727) and four contingent value rights certificates in the amount of \$2,047 (US\$1,527,273) to existing shareholders of the Company.

Commencing in the third quarter of 2016, the Company has been involved in the Litigation which has resulted in significant and unbudgeted expenditures by the Company. The costs of the Litigation have affected the ability of the Company to forecast cash requirements over the short to mid-term and ultimately

the impact upon the liquidity of the Company.

On September 11, 2017, in order to fund the implementation of the Transactions and the short-term working capital needs of the Company, Trexs loaned the Company the Loan pursuant to the Loan Agreement. The Loan is unsecured and for a term of 150 days and bears interest at a rate of 5% per annum. The Loan Agreement was approved by each of the independent directors of the Company.

As of the date of this MD&A, on the basis of the Company's balance of cash and cash equivalents as at September 30, 2017, the Company is uncertain as to whether it has sufficient funding to satisfy all of the costs of its budgeted activities over the remainder of 2017.

The Company will require additional funding to finance its operations. Management continues to review the Company's activities in order to identify areas to further reduce expenditures. There are no guarantees that the Company will be able to secure additional financings in the future and at terms that are favorable.

The ability of the Company to continue as a going concern is dependent upon the Company's ability to: obtain additional financing as required to implement the terms of the Settlement Agreement, fund its operations, and maintain a listing on a recognized stock exchange in Canada. These matters result in material uncertainties that may cast significant doubt on whether the Company will continue on as a going concern. Risk factors potentially influencing the Company's ability to raise financing include: the outcome and timing of the investment dispute, metal prices, the political risk of operating in a foreign country other uncertainties described above, and the buoyancy of the equity markets. For a more detailed list of risk factors, see the Company's most recent Annual Information Form.

## **Commitments, Contractual Obligations & Contingencies**

### *Commitments*

	2017	2018	2019	2020	2021 and thereafter	Total
Site restoration provision <sup>(1)</sup>	\$ 84	\$ 1,804	\$ 1,461	\$ 869	\$ 1,701	\$ 5,919
	<b>\$ 84</b>	<b>\$ 1,804</b>	<b>\$ 1,461</b>	<b>\$ 869</b>	<b>\$ 1,701</b>	<b>\$ 5,919</b>

1) Represents the undiscounted cash flow.

### **Management Incentive Plan**

During the first quarter of 2017, the Company implemented a management incentive plan (the "MIP") to incentivize certain key personnel toward the successful prosecution and collection of the Company's arbitration claim against Colombia under the Free Trade Agreement. Implementation of a management incentive plan was a requirement under the terms of the Investment Agreement.

Pursuant to the terms of the MIP, a committee of the board of directors of the Company (the "Committee") was appointed to administer the MIP and be responsible for, among other things, determining whether to grant participants under the MIP certain cash retention amounts that will not in aggregate exceed 7% of the gross proceeds of the Arbitration.

On October 16, 2017, pursuant to the Settlement Agreement, the MIP was amended such that the cash retention amount pool was decreased from 7% to 5% of the total gross proceeds of the Arbitration Claim and was amended to ensure that other participants (including current or former employees, consultants or directors of the Company) may benefit from the MIP.

Awards under the MIP will be at the sole discretion of the Committee taking into consideration, among other things, the amount of the proceeds received from the Arbitration and the time dedicated by each

participant to the Arbitration proceedings. No member of the Committee is currently a participant under the MIP.

### **Contingencies**

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. We have disclosed certain of these uncertainties in note 14 of our audited condensed consolidated financial statements for the year ended December 31, 2016 and note 13 of the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2017. Other than these, the Company does not believe that adverse decisions in any other ongoing, pending or threatened proceedings related to any matter, or any amount which it may be required to pay damages in any form by reason thereof, will have a material adverse effect on the financial condition or future results of operations of the Company. In addition, any adverse decision in resolving the Dispute under the Free Trade Agreement through an arbitration process would have a material adverse effect on the Company.

For a discussion on the contingencies, refer to note 13(b) of the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2017.

### **Outstanding Share Data**

The Company's authorized share capital consists of an unlimited number of common shares issued without par value. The Company has issued warrants for the purchase of common shares and has a stock option plan.

#### **During the nine months ended September 30, 2017:**

- On March 16, 2017, the Company converted its outstanding convertible notes with a face value of US\$4,721,258 through the issuance of the Converted Shares.
- The Company issued 269,852 common shares through a cashless exercise provision in exchange of 457,000 options.
- On May 8, 2017, the Company granted 1,480,000 options with an exercise price of \$0.483 to certain employees of the Company. The options are exercisable for a period of five years. One-third vest the date of grant and one-third will vest every twelve months thereafter.
- On May 8, 2017, the Company granted 500,000 options with an exercise price of \$0.483 to certain officers of the Company. The options are exercisable for a period of five years. One-third vest the date of grant and one-third will vest every twelve months thereafter.
- On May 8, 2017, the Company granted 1,650,000 options with an exercise price of \$0.483 to an officer and certain directors of the Company. The options are exercisable for a period of five years. All the options are fully vested at the date of grant.
- On May 26, 2017, the Company entered into an agreement with Harrington Global Opportunities Fund Ltd. and Courtenay Wolfe regarding the 2,150,000 options granted to the directors and officers of the Company on May 8, 2017. The Company agreed to rescind the 400,000 options granted to one of the directors and agreed that the remaining 1,750,000 options (the "Options") would not be exercisable until following the Meeting. Pursuant to the Settlement Agreement, upon approval of the all of resolutions submitted to shareholders at the Meeting, such options would terminate and cease to exist.
- On October 16, 2017, pursuant to the Arrangement, the Note Rescission was effected, such that the Converted Shares were cancelled and the Company reinstated and reissued approximately US\$4.7 million principal amount of convertible notes that originally converted.
- October 16, 2017, pursuant to the Settlement Agreement, the Company rescinded the Options.
- 162,500 options expired unexercised.

Subsequent to September 30, 2017

- 15,000 options expired unexercised.

The following are outstanding as at November 14, 2017:

Common shares	106,524,953
Shares issuable on the exercise of outstanding stock options	3,502,000
Fully diluted shares outstanding	110,041,953

## 11. FINANCIAL INSTRUMENTS

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in note 15 of our unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2017. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to note 3(d) of the consolidated financial statements for the year ended December 31, 2016.

## 12. TRANSACTIONS WITH RELATED PARTIES

### Key management personnel

Key management personnel include the members of the Board of Directors and executive officers of the Company.

	For the nine months ended	
	September 30, 2017	September 30, 2016
Short-term benefits	\$ 761	\$ 448
Share-based payments	9	77
	\$ 770	\$ 525

Certain executive officers are entitled to termination benefits. In the event of termination without sufficient advance written notice, these executive officers are entitled to an amount of 6 months of their base compensation by way of lump sum payment.

The Company is also a party to certain management contracts. These contracts contain clauses requiring that \$270 be paid upon a change of control of the Company. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements.

### Other related parties

The aggregate value of transactions with other related parties, including entities over which key management personnel have control or significant influence, is as follows:

	For the nine months ended	
	September 30, 2017	September 30, 2016
<b>Fintec Holdings Corp. ("Fintec")</b>		
Management fees	\$ 150	\$ 90
<b>Quantum Advisory Partners LLP ("Quantum")</b>		
Management and accounting services	\$ 211	\$ 124
<b>James H. Atherton Law Corporation ("Law Corp")</b>		
Legal services	\$ -	\$ 39

Fintec is a company owned by the Company's former Executive Chairman and current director, Anna Stylianides. The services provided by Fintec were in the normal course of operations related to director and management fees.

An incorporated partner and a senior manager of Quantum (a B.C. limited liability partnership) are the Company's Interim Chief Executive Officer (CEO) and Interim Chief Financial Officer (CFO), respectively. The services provided by Quantum were in the normal course of operations related to CEO, CFO, accounting and corporate secretarial services.

Law Corp. is a professional corporation owned by the Company's former Corporate Secretary. The services provided by Law Corp. related to day-to-day legal services provided to the Company.

As of September 30, 2017 and December 31, 2016, the amount due to the Company's officers and directors was as follows:

	September 30, 2017	December 31, 2016
Trade and other payables	\$ 143	\$ 12
Loan payable	4,960	-
Convertible notes	4,160	8,204
	\$ 9,263	\$ 8,216

### 13. CRITICAL ACCOUNTING ESTIMATES

The preparation of our consolidated financial statements requires management to use judgment and make estimates and assumptions that affect the reported amounts assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results could materially differ from these estimates. Refer to note 2 of our annual audited consolidated financial statements for the year ended December 31, 2016 for a more detailed discussion of the critical accounting estimates and judgments.

### 14. CHANGES IN ACCOUNTING POLICIES

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2017. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company and are being evaluated to determine their impact:

- IFRS 9 – New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 15 - New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2018.

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

## **15. INTERNAL CONTROL OVER FINANCIAL REPORTING**

### **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company under Canadian Securities laws is recorded, processed, summarized and reported within the time periods specified under those laws and include controls and procedures designed to ensure such information is accumulated and communicated to management, including the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), to allow timely decisions regarding required disclosure.

Management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the design and effectiveness of the Company’s disclosure controls and procedures as of December 31, 2016, and based upon this evaluation, the CEO and the CFO have concluded that these disclosure controls and procedures, as defined by National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings, are effective for the purposes set out above. Since the December 31, 2016 evaluation, there have been no adverse changes to the Company’s disclosure controls and procedures and they continue to remain effective.

### **Internal Controls over Financial Reporting**

Management is responsible for the establishment, maintenance and testing of adequate internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company’s management and the board of directors do not expect that its disclosure controls and procedures or internal controls over financial reporting will prevent all errors or all instances of fraud. Control system, no matter how well designed and operated, can provide only reasonable (not absolute) assurance that the control system’s objectives will be met.

Further, the design, maintenance and testing of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control gaps and instances of fraud have been detected. These inherent limitations include the reality that judgment in decision-making can be faulty, and that simple errors or mistakes can occur. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design, maintenance and testing of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any control system may not succeed in achieving its stated goals under all potential future conditions.

Management, with the participation of the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the design and the effectiveness of the Company’s internal control over financial reporting as of December 31, 2016 based on Internal Control – Integrated Framework that was updated in 2013 (originally published in 1992) by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that the Company’s internal control over financial reporting, as defined by National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings, was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

Since December 31, 2016, there has been no change in our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company’s internal controls over financial

reporting.

## **16. RISKS AND UNCERTAINTIES**

The business of the Company is subject to a variety of risks and uncertainties, including but not limited to, the ability of the Company to obtain a permanent solution with respect to any defaults that may exist under the Investment Agreement, contingent value rights certificates or convertible notes. For a discussion of additional risks and uncertainties faced by the Company, please refer to the most recent Annual Information Form. These risks could materially adversely affect the Company's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A and as described in under "Forward-Looking Statements" section below.

## **17. FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this Management Discussion and Analysis constitute forward-looking statements. Forward-looking statements include, but are not limited to, statements with respect to the settlement or potential outcome of the ICSID Arbitration under the Free-trade Agreement, the Company's ability to obtain additional funding, the Company's ability to comply with its covenants under the Investment Agreement, defaults under the Investment Agreement, the Company's plans with respect to the Angostura Project and future announcements relating thereto, estimated capital expenditures, estimated internal rates of return, currency fluctuations, requirements for additional capital, government regulation of mining operations and environmental risks or claims.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks relating to the outcome and timing of the ICSID Arbitration, conclusions of economic evaluations; changes in project parameters as plans continue to be refined; risks related to the business being subject to environmental laws and regulations which may increase costs of doing business and restrict the Company's operations; risks relating to all the Company's properties being located in Colombia, including political, economic and regulatory instability; accidents, labour disputes and other risks of the mining industry; as well as those factors discussed in the section entitled "Risk and Uncertainties" above.

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 statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management as of the date the statements are made, including, without limitation, the potential settlement or outcome of the ICSID Arbitration, that the Company can access financing, and the Company does not assume any obligation to update any forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, readers should not place undue reliance on forward-looking statements.