GRAN COLOMBIA GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
March 31, 2011

The following discussion and analysis of the results of operations and financial condition ("MD&A") for Gran Colombia Gold Corp. (the "Company") should be read in conjunction with the audited consolidated financial statements and related notes thereto for the period from incorporation on January 4, 2010 to December 31, 2010. The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All figures contained herein are expressed in United States dollars unless otherwise stated.

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

Forward Looking Information

Certain statements in this MD&A constitute forward-looking information. Often, but not always, forward-looking statements use words or phrases such as: "expects", "does not expect" or "is expected", "anticipates" or "does not anticipate", "plans" or "planned", "estimates" or "estimated", "projects" or "projected", "forecasts" or "forecasted", "believes", "intends", "likely", "possible", "probable", "scheduled", "positioned", "goal", "objective" or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Such forward-looking statements, including but not limited to statements with respect to anticipated business plans or strategies involve known and unknown risks, uncertainties and other factors which may cause the actual actions, events and results to be materially different from estimated actions, events or results expressed or implied by such forward-looking statements. The Company believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the caption "*Risk Factors*" in the Company's Annual Information Form dated as of March 31, 2011 which is available for view 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.

Non-GAAP Measures

The Company has included non-GAAP performance measures, total cash costs and total production costs (by-product) per gold ounce, throughout this MD&A. The Company reports total cash and production costs on a sales basis. In the gold mining industry, this is a common performance measure but does not have any standardized meaning. The Company follows the recommendations of the Gold Institute Production Cost Standard. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Total cash costs on a by-product basis are calculated by deducting by-product silver sales revenues from operating cash costs. Total production costs on a by-product basis are calculated by adding depreciation and depletion to total cash costs. Refer to page 7 for a reconciliation of total cash and production costs to reported cost of sales.

2010 Highlights

- Completed the acquisition of the Gran Colombia mine in August 2010 with proceeds from a CA$275 million private placement, resuming mining operations on September 6^{th}, 2010, commencing infrastructure and exploration programs, and steadily increasing monthly gold production to more than 4,600 ounces by the end of 2010;
- Acquired several other near term production and exploration-stage properties in Colombia's most prolific areas and commenced aggressive exploration that will continue through 2011 aimed at identifying new ore blocks and reserves;
- Acquired 60% interest in a local refining and smelting facility providing vertical integration with the Company's existing and planned mining operations and other strategic benefits; and
- Established a senior management team, with extensive experience in Colombia, committed to increasing shareholder value and initiating an improved culture of safety and community relations.

Description of Business

The Company, incorporated under the laws of the Province of British Columbia, had previously been actively engaged in the acquisition and exploration of natural resource properties. Effective as of July 26, 2010, the Company entered into an agreement whereby it agreed to purchase (the "Gran Colombia Transaction") all the issued and outstanding common shares in the capital of Gran Colombia Gold, S.A. ("Gran Colombia Panama"). Gran Colombia Panama, a Panamanian incorporated company, is focused on the acquisition, exploration, development and operation of gold properties in Colombia. The Company also agreed to assume all of Gran Colombia Panama's obligations relating to its mineral properties. In August 2010, the Company changed its name to Gran Colombia Gold Corp. and on August 19, 2010, it completed the Gran Colombia Transaction as described below. Trading on the TSX Venture Exchange ("TSXV") of the Company's common shares under the symbol "GCM" commenced on August 24, 2010.

Effective November 11, 2010, the Company consolidated its issued and outstanding common shares on a one-for-four basis after receiving shareholder and regulatory approvals. On December 1, 2010, the Company consolidated its issued and outstanding listed share purchase warrants on a one-for-four basis. All references herein to common shares, listed share purchase warrants, compensation and stock options and per share and per option amounts have been retroactively adjusted to reflect this share consolidation.

On December 22, 2010, the Company graduated from the TSXV to the Toronto Stock Exchange ("TSX"). The Company's common shares and listed share purchase warrants trade under the symbols "GCM" and "GCM.WT", respectively.

Gran Colombia Private Placements

On April 27, 2010, Gran Colombia Panama completed its first brokered private placement, raising net proceeds of approximately $20.4 million toward funding its property acquisition commitments, repayments of bridge loans and general and administrative costs. Together with the initial seed shares, Gran Colombia then had 31,250,000 common shares issued and outstanding and 1,350,000 compensation options outstanding. The compensation options were granted to the agent in connection with the first private placement and entitled the holders to acquire one Gran Colombia common share at CA$1.00 per share for a two-year period ending April 27, 2012.

In mid-August 2010, Gran Colombia Panama completed a second brokered private placement of subscription receipts (the "Subscription Receipts"), at a post-consolidation equivalent price of CA$1.60 per Subscription Receipt, receiving gross proceeds of CA$275 million (equivalent to $263.4 million). The Subscription Receipts resulted in the issuance of 171,875,000 Gran Colombia Panama common shares and 85,937,493 Gran Colombia Panama share purchase warrants, each warrant entitling the holder to purchase one additional Gran Colombia Panama common share at an exercise price of CA$2.60 per warrant for a five-year period ending August 24, 2015. For the agent's services in connection with the second Gran Colombia Panama private placement, Gran Colombia Panama paid the agent a cash commission equal to 6.0% of the gross proceeds of the offering and granted 10,312,500 compensation options to the agent. These compensation options are exercisable at CA$1.60 per unit for a two-year period ending August 24, 2012 and entitle the agent to acquire one common share of Gran Colombia Panama and one-half of one Gran Colombia Panama share purchase warrant, each whole warrant entitling the holder to purchase one additional Gran Colombia Panama common share at an exercise price of CA$2.60 per common share for a five-year period ending August 24, 2015. The net proceeds of the second private placement were used to fund the acquisition of a 95% interest in Zandor Capital, S.A. ("JVCo") as described below and the balance of the net proceeds will be used to fund the Company's other commitments related to acquisitions of mineral and exploration properties in addition to its exploration and operating activities over the next 12 months.

Following the second private placement, Gran Colombia Panama had 203,125,000 common shares issued and outstanding, 85,937,493 share purchase warrants issued and outstanding, and 11,662,500 compensation options outstanding.

Acquisition of 95% Interest in Zandor Capital S.A. ("JVCo")

On August 17, 2010, Gran Colombia Panama loaned 372,500,000,000 Colombian pesos ("COP") (the "Principal Amount") to JVCo, a wholly-owned Panamanian subsidiary of Medoro Resources Ltd. ("Medoro") pursuant to a convertible promissory note (the "Convertible Note"). The Principal Amount comprised COP 365,000,000,000 (approximately $201.7 million) of cash advanced on August 17, 2010 from the proceeds of its second Gran Colombia private placement and COP 7,500,000,000 (approximately $3.9 million) relating to half of the COP 15,000,000,000 deposit already paid by Medoro.

On August 18, 2010, JVCo used these funds to complete the acquisition (the "Frontino Acquisition") of all of the assets (the "Gran Colombia mine") of Frontino Gold Mines Ltd. ("Frontino").

On August 19, 2010, the Principal Amount was converted into such number of shares of JVCo that resulted in Gran Colombia holding a 95% interest in JVCo with Medoro retaining a 5% interest in JVCo. Concurrent with the conversion of the Convertible Note, Gran Colombia, Medoro and JVCo entered into an Exploration, Development and Mine Operating Agreement and Shareholders' Venture Agreement (the "Joint Venture Agreement") setting out the parties' rights and obligations with respect to their ownership in the shares in the capital of JVCo. The Joint Venture Agreement includes, among other provisions, the back-in right pursuant to which Medoro has the right to increase to a 50% interest in JVCo within one year by paying 50% of all costs, including acquisition costs, capital costs and the $3 million success fee (as described under *"Transactions with Related Parties"*) paid by Gran Colombia, from the date of closing of the acquisition up to the date of the exercise of such option, plus a premium of 25% of such costs. The Joint Venture Agreement also provides that on expiry of the back-in right, Medoro has the right to require the Company to purchase its 5% interest in JVCo for $5.9 million. This put option issued to a non-controlling interest gives rise to a financial liability to be recognized at the amount payable upon the exercise of the option. The fair value of this put option has been included in other liabilities.

On September 7, 2010, the Company announced that it had completed all required steps to take management and operational control of the mining assets of Frontino. This followed a two-week mine transition period set out for the liquidation and payment of severance of all former employees of Frontino, for the training of personnel and for handing over of the operations to the Company. During the mine transition period, no mining operations took place and the Company incurred costs of approximately $1.2 million, including those incurred through a vision care program offered to employees during this period as part of the Company's commitment to social initiatives. Mining operations resumed on September 6, 2010 in all three acquired underground mining areas (El Silencio, Providencia and Sandra K) located within the Gran Colombia mine.

Pursuant to the terms of the Frontino Acquisition agreement, the liquidator responsible for the sale of FGM's assets was required to use the proceeds from the disposition to fund unpaid and accrued pension liabilities that were estimated at the time of closing to amount to approximately COP 380,000,000,000. This was expected to be accomplished through the assignment of these pension obligations to the Colombian Social Security Institute (the "ISS"), a governmental entity responsible for the administration and payment of the pension obligations. As of the date of the closing of the Frontino Acquisition, the ISS had not completed the necessary calculations required in order to formally accept the assignment of the pension obligations. Consequently, the Company agreed with the FGM liquidation advisory board that if, within twelve months from closing the Frontino Acquisition, the ISS did not accept the assignment of the pension obligations, the Company would arrange for a private firm to accept these obligations and would fund additional costs, as required.

On March 11, 2011, Frontino successfully completed the assignment of its pension obligations to the ISS. On this date, COP 364,922,530,792 was transferred from the escrow account to the ISS. The ISS will now assume responsibility for the administration and payment of all remaining pension obligations to the former employees of Frontino and the Company will have no further obligations in respect of these pensions. The balance of the cash held in trust will be used by the Frontino liquidator to settle other liabilities of Frontino incurred prior to the Frontino Acquisition.

During the interim period between closing of the Frontino Acquisition and the assignment of the pension obligations to the ISS in March 2011, the Company advanced the funds required to pay the monthly pensions to the plan's participants. At December 31, 2010, "other assets" on the Company's consolidated balance sheet represent advances receivable of COP 3,944,703,000, equivalent to approximately $2.1 million. These advances are recoverable against the Company's future obligation for social contributions. Pursuant to the terms of the Frontino Acquisition agreement, the Company must make contributions to a trust account to fund local social programs in each quarter in which it produces a minimum of 15,000 ounces of gold. The contribution rate is $4 per ounce of gold production at the minimum gold price of $700 per ounce and increases by $2 per ounce for each $50 increment in the price of gold. The terms of the agreement also provide that the Company may retain up to 70% of these quarterly contributions, if applicable, to recover these advances.

In connection with the completion of the Frontino Acquisition, the Company also agreed to provide the funds required to pay all of the obligatory ongoing health contributions of the pension plan participants. At the date of acquisition, the fair value of this obligation recorded in “other liabilities” on the Company’s consolidated balance sheet, based on an inflation rate of 4.5% and a discount rate of 9.5%, was COP 30,433,245,000, or approximately $16.8 million. The Company is currently paying approximately COP 165,000,000 (equivalent to about $0.1 million) monthly toward the health contributions of the pension plan participants.

Gran Colombia Transaction

On August 19, 2010, the Gran Colombia Transaction was effected by way of a three-cornered amalgamation, pursuant to which a wholly-owned Panamanian subsidiary of the Company amalgamated with Gran Colombia, with the amalgamated Panamanian company being a wholly-owned subsidiary of the Company. Under the terms of the Gran Colombia Transaction, each shareholder of Gran Colombia received one common share in the capital of the Company for every common share of Gran Colombia held. Gran Colombia share purchase warrants and compensation options, as described above, were also exchanged for share purchase warrants and compensation options in the Company.

Legally, the Company is the parent of Gran Colombia Panama. However, as a result of the share exchange described above, control of the combined companies passed over to the former shareholders of Gran Colombia Panama. This type of share exchange is referred to as a reverse takeover (“RTO”). An RTO involving a non-public operating enterprise and a non-operating public enterprise is a capital transaction in substance rather than a business combination. That is, the transaction is equivalent to the issuance of shares of Gran Colombia Panama for the net assets of the Company, accompanied by a recapitalization of Gran Colombia Panama. Under RTO accounting, the annual and interim consolidated financial statements of the amalgamated entity will be issued under the legal name of the Company but will be a continuation of the financial statements of the Gran Colombia Panama. Since Gran Colombia Panama was incorporated on January 4, 2010, there are no comparative figures presented in the interim consolidated financial statements for the periods ended September 30, 2010.

Trading on the TSXV of the Company’s common shares under the symbol “GCM” commenced on August 24, 2010.

Acquisition of 60% Interest in CIIGSA Refining and Smelting Facility

On December 2, 2010, the Company signed an agreement to acquire all of the shares of Nova Partners International Corp., a Panamanian Company, which owns a 60% interest in Comercializadora Internacional de Metales Preciosos y Metales Comunes Inversiones Generales S.A. (“CIIGSA”), a Colombian entity, for $2.2 million in cash. The acquisition, completed at the end of December 2010, provides the Company with a controlling interest in a fully permitted precious metals refining and smelting facility in Medellin, Colombia. The Company has been selling its gold and silver production to CIIGSA since the resumption of mining operations at the Gran Colombia mine in September 2010. CIIGSA simultaneously sells the precious metals to international buyers. CIIGSA does not enter into any derivative financial instruments in respect of these sales activities.

Selected Financial Information

The following financial data, which has been prepared in accordance with Canadian GAAP, is derived from the Company's consolidated financial statements:

$000's except ounce, per ounce and per share data		Three months ended December 31, 2010		Period from incorporation on January 4, 2010 to December 31, 2010
Gold produced (ounces)		12,522		14,509
Gold sold (ounces)		12,527		14,071
Average realized gold price (per ounce sold)	$	1,401	$	1,385
Total cash costs – by-product (per ounce gold sold)		1,251		1,295
Total production cost – by-product (per ounce gold sold)		1,487		1,537
Total revenues		17,984		20,170
Loss from mining operations		(919)		(2,947)
Net loss for the period		(4,241)		(16,909)
Basic and diluted loss per share		(0.02)		(0.18)
Total assets				299,471

The preparation of financial statements in conformity with Canadian GAAP requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Results of Operations and Overall Performance

Three Months Ended December 31, 2010

Revenues in the fourth quarter of 2010 amounted to $18.0 million, principally resulting from the sale of 12,527 ounces of gold from the Gran Colombia mine production at an average realized gold price of $1,401. The Company is currently unhedged to the rising gold price environment. Revenues also included approximately $0.2 million from the sale of silver from the Gran Colombia mine and $0.2 million of royalties at the El Zancudo property from an acquired scoria (slag) processing agreement.

Cost of sales amounted to $18.9 million during the fourth quarter of 2010. Total cash cost averaged $1,251 per ounce of gold sold during the quarter, a $401 per ounce reduction from the initial 25-day operating period at the end of the third quarter. Including depreciation and depletion of $236 per ounce, total production cost averaged $1,487 per ounce of gold sold during the fourth quarter of 2010. Management has been implementing actions to improve mining operations and to reduce total cash costs per ounce. These improvements include a change to the payroll structure and implementation of an employee incentive program focused on efficiency, quality and lower dilution. In November 2010, the Company started purchasing ore from its small scale mining contractors to increase production and to ensure processing of the ore is conducted in an environmentally compliant manner. Gold sales in the fourth quarter included 1,036 ounces purchased from small miners under a formula whereby the Company pays approximately two-thirds of the estimated gold content in the purchased ore at the mine site and bears the cost of milling and refining the ore.

The Company reported a loss from mining operations of $0.9 million during the fourth quarter of 2010. After corporate administration of $2.5 million, stock-based compensation of $0.1 million and exploration expense of $0.8 million, the fourth quarter loss from operations amounted to $4.3 million. Exploration expense included consulting fees paid to evaluate potential exploration properties and the write-off of a $0.3 million payment in December 2010 for a 90-day due diligence term to review the mining properties and processing assets of Minatura LLC in the Segovia/Remedios area of Antioquia, Colombia. In March 2011, the Company elected not to exercise its option to acquire a 65% interest in these assets.

After other income and expense items, principally comprising interest expense associated with the accretion of the discounted long-term obligation assumed for health contributions in the Frontino Acquisition, and an income tax recovery of $1.2 million, the Company recorded a net loss of $4.2 million, or $0.02 per share during the fourth quarter of 2010.

Period from Incorporation on January 4, 2010 to December 31, 2010

Gold production for the period from resumption of mining operations at the Gran Colombia mine on September 6, 2010 through December 31, 2010 is summarized as follows:

Company mines	
Tonnes of ore milled	42,766
Average mill head grade (grams/ tonne)	10.52
Average recovery rate (%)	92%
Gold produced (ounces)	13,322
Small miners	
Gold produced (ounces)	1,187
Total gold production	14,509

Revenues of $20.2 million in 2010 included the sale of 14,071 ounces of gold at an average realized gold price of $1,385 per ounce, $0.3 million of revenue from silver sales and $0.4 million from the processing royalties at the El Zancudo property.

Cost of sales amounted to $21.9 million in 2010. A reconciliation of total cash cost and total production cost per ounce of gold sold on a by-product basis to the reported cost of sales is as follows:

Cost of sales, as reported (000's)	$	21,936
Less:		
Depreciation and depletion		(3,405)
By-product credits (silver sales)		(304)
Total cash costs	$	18,227
Per ounce sold		
Cash cost (1)	$	1,295
Depreciation and depletion		242
Total production	$	1,537

(1) Includes production taxes of approximately $45 per ounce of gold sold

The Company reported a loss from mining operations in 2010 of $2.9 million. This loss included $1.2 million of mine transition expenses in the two-week period prior to the September 6, 2010 resumption of mining operations at the Gran Colombia mine as described under "*Acquisition of a 95% Interest in Zandor Capital S.A"*.

After corporate administration costs of $3.9 million, stock-based compensation expense of $9.9 million and exploration expense of $1.0 million, the Company reported a loss from operations of $17.8 million. The stock-based compensation expense was attributable to the granting of 10.4 million stock options to executive officers (present and past), directors (present and past), employees and consultants of the Company and its subsidiaries following the RTO. Exercisable at CA$1.60 per common share, the stock options vested immediately and expire in five years. The fair value of these stock options was determined using the Black-Scholes option pricing model, assuming no dividends are to be paid, a weighted average volatility of 145%, a weighted risk-free interest rate of 1.55% and an expected life of 2 ½ years.

The Company reported a net loss recorded for 2010 of $16.9 million, or $0.18 per share, including a $9.9 million charge for non-cash stock-based compensation expense and a $2.9 million loss from mining operations during the initial mine transition and production ramp up period. The Company expects to improve its profitability in 2011 as it implements its initiatives to increase production and reduce operating costs at its mining operations.

Summary of Quarterly Results

$000's except ounce, per ounce and per share data	Three months ended December 31, 2010	Three months ended September 30, 2010	Three months ended June 30, 2010	January 4, 2010 to March 31, 2010
Gold produced (ounces)	12,522	1,987	-	-
Gold sold (ounces)	12,527	1,544	-	-
Average realized gold price (per ounce sold)	$ 1,401	$ 1,255	$ -	$ -
Total cash costs – by-product (per ounce gold sold)	1,251	1,652	-	-
Total production cost – by-product (per ounce gold sold)	1,487	$1,945	-	-
Total revenues	17,984	2,186	-	-
Loss from mining operations	(919)	(2,028)	-	-
Net loss	(4,241)	(12,133)	(472)	(63)
Basic and diluted loss per share	(0.02)	(0.10)	(0.02)	-

Prior to the third quarter of 2010, the Company had no mining operations and was principally engaged in the identification, evaluation and acquisition of interests in several mineral projects in Colombia.

The loss from mining operations in the three months ended September 30, 2010 includes $1.2 million of mine transition costs incurred during a two-week period following the completion of the Frontino Acquisition. Mining operations at the Gran Colombia mine resumed on September 6, 2010 and as such, the results of operations for the third quarter of 2010 include only 25 days of mining activity.

The net loss for the three months ended September 30, 2010 includes $9.8 million of non-cash stock-based compensation expense resulting from the initial grants of stock options following the RTO. Prior to the third quarter of 2010, the Company had no mining operations and was principally engaged in the identification, evaluation and acquisition of interests in several mineral projects in Colombia.

For the period from January 4, 2010 to December 31, 2010, the basic and diluted loss per share amounted to $0.18. This is greater than the sum of the quarterly basic and diluted loss per share amounts due to the significantly higher proportion of common shares issued pursuant to Gran Colombia Panama's second private placement in the third and fourth quarters of 2010 compared with each of the first two previous quarterly periods.

Since Gran Colombia Panama was incorporated on January 4, 2010, there are no historical quarterly financial figures prior to this date.

Liquidity and Capital Resources

At December 31, 2010, the Company's cash position amounted to $23.8 million. Cash balances are held in highly-rated Canadian and Colombian financial institutions and are readily available to the Company to meet its financial obligations as they become due.

The Company raised gross proceeds in 2010 of $286.0 million through the completion two private placements. After share issuance costs of $19.7 million, these equity financings provided the Company with net cash proceeds of $266.3 million to complete the various acquisitions described below in addition to providing funding for future capital and exploration programs and corporate administration.

Cash used in investing activities in 2010 of $237.0 million included:

- $211.3 million paid to close the acquisition of a 95% interest in JVCo;
- $16.5 million in 2010 toward its acquisition commitments for four other mineral and exploration properties and rights. At December 31, 2010, the Company's remaining acquisition obligations for El Zancudo, Mazamorras and Segovia, payable in instalments through November 2012, amount to $18.3 million, of which $5.0 million was paid in February 2011;
- $2.0 million, net of cash acquired, in late December 2010 to complete the acquisition of a 60% equity interest in the CIIGSA refining and smelting facility located in Medellin, Colombia;
- $4.7 million on capital and exploration expenditures. The Company has embarked on a major capital and exploration program, estimated to amount to approximately $45 to $50 million over the next 12 months to increase gold production, reduce operating costs, expand reserves at its mining operations and evaluate the potential of its exploration properties. The program got underway at the Gran Colombia mine in the fourth quarter of 2010 with planned upgrades to the infrastructure assets and the commencement of construction of a 6-kilometre multi-purpose tunnel expected to intersect 23 of 29 known veins and link the existing mining areas at the property. Diamond drilling programs also commenced in the fourth quarter of 2010 at all of the Company's mineral properties;
- $2.1 million of advances to fund monthly pension plan payments during the interim period prior to the assignment of the Frontino pension obligations to the ISS. These advances are recoverable as described under "*Acquisition of 95% Interest in Zandor Capital S.A".;* and
- $0.3 million to fund the monthly health contributions of the Frontino pensioners assumed under the Frontino Acquisition. The Company has an ongoing obligation to fund these monthly contributions, currently amounting to approximately $0.1 million per month.

Cash used in operating activities in 2010 amounted to $6.4 million. Mining operations contributed $1.6 million of operating cash flow during the approximately four months of operation in 2010, enough to cover the $1.2 million of mine transition expenses incurred during the two-week non-operating period following the Frontino Acquisition, but not yet sufficient enough to fund the $3.9 million of corporate administration. The Company also invested $2.0 million in working capital in 2010, primarily related to prepaids and deposits associated with the forthcoming capital and exploration program. It is expected that cash flow from operating activities will turn positive early in 2011 as operating improvements at the Gran Colombia mine are implemented in accordance with the corporate strategy and gold production begins to grow while cost reduction initiatives are implemented.

At December 31, 2010, the Company has limited credit lines with financial institutions. These include:

- A COP 900,000,000 (approximately $0.5 million) unsecured credit line with a Colombian bank for working capital purposes. At December 31, 2010, this line was fully drawn. The amount borrowed, bearing interest at 5.2% was repaid when due in January 2011. The Company intends to use this credit line for short-term revolving borrowings for terms not to exceed 90 days.
- A credit line with a Colombian bank for the Company's refinery operations that provides a COP 3,630,000,000 (approximately $1.9 million) working capital facility, bearing interest at the Colombian market weekly average of fixed-term deposits ("DTF") rate (December 31, 2010 – 3.47%) plus 4%, under which it may borrow funds for up to 90 days. The credit line also includes a COP 2,865,000,000 (approximately $1.5 million) overdraft facility bearing interest at 8%. At December 31, 2010, bank indebtedness included $1.9 million, due in April and May 2011, of borrowings under the working capital portion of the credit facility with interest averaging 7.32% and $0.1 million of bank overdaft.
- At December 31, 2010, the Company also had borrowings of COP 100,000,000 (approximately $0.1 million) under another credit line bearing interest at 9.51% and repaid in January 2011. This credit line was not renewed after it was repaid.

The Company plans to implement additional working capital lines and other similar banking arrangements with local financial institutions in Colombia to facilitate its cash management activities. The Company may also seek to borrow funds under long-term financing arrangements, subject to receiving satisfactory terms and conditions, to provide a suitable amount of leverage in its capital structure. The proceeds of such debt financing would be used to fund the Company's capital investment program.

The Company also has a source of potential financing through the exercise by warrant and option holders of issued and outstanding share purchase warrants, compensation options and stock options, as detailed under "*Outstanding Shares, Stock Options, Compensation Options and Warrants".* In 2010, the Company received proceeds of $0.5 million through the exercise of stock options and unlisted warrants. In January through March 19, 2011, the Company received additional proceeds of approximately $1.9 million through the exercise of the balance of the unlisted share purchase warrants expiring on March 19, 2011.

Although the Company believes its cash balances and cash flows from operations will be sufficient to fund its investment activities in 2011, the Company's financial strategy is designed to maintain a flexible capital structure consistent with the objective of growing production and expanding its reserves and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may, from time to time, issue new shares, issue new debt (secured, unsecured, convertible and/or other types of debt instruments), acquire or dispose of assets or adjust its capital spending to manage its ability to continue as a going concern.

Transactions with Related Parties

In February 2010, the Company received proceeds of $1.0 million through two unsecured promissory notes payable bearing interest at 12% per annum payable at maturity. A $0.5 million promissory note payable to Blue Pacific Assets Corp. ("Blue Pacific") was immediately repaid following the completion of Gran Colombia Panama's April 2010 private placement. Three directors of the Company indirectly control, or provide investment advice to the holders of, 67.2% of the shares of Blue Pacific. The second $0.5 million promissory note payable to Knottsville Capital, S.A., a shareholder of the Company, was repaid in November 2010. Interest expense related to the two bridge loans amounted to $60,000.

The Company paid a success fee of $3 million subsequent to closing of the Frontino Acquisition to a company controlled by Mr. Serafino Iacono, a shareholder of Gran Colombia Panama and a director of the Company following the Acquisition, in recognition of services rendered in negotiating and completing the Frontino Acquisition.

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Recent Accounting Pronouncement

Business combinations/ consolidated financial statements/ non-controlling interests

In January 2009, the Canadian Institute of Chartered Accountants adopted Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests", which superseded Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements". These new sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it will disclose that fact and apply each of the new sections concurrently. These new sections were created to converge Canadian GAAP with International Financial Reporting Standards ("IFRS"). Adoption of these new sections is not expected to have an impact on the Company's financial statements in 2010 as the Company will be adopting IFRS in 2011.

Transition to IFRS

The Company will be adopting IFRS effective January 1, 2011. Having become a public company through the completion of the RTO in August 2010, the Company did not get started as early as many other companies in the IFRS transition process. However, Gran Colombia Panama was incorporated on January 4, 2010 and therefore does not have an extensive financial history prior to the Gran Colombia Transaction to converge with IFRS. The Company is managing its IFRS conversion project with the assistance of external accounting professionals to ensure it will have the resources and technical expertise to meet the implementation requirements in time for the first quarter ending March 31, 2011.

The Company has identified the following seven areas that are expected to have an impact on its convergence to IFRS: (i) impairment of assets; (ii) property, plant and equipment; (iii) exploration for and evaluation of mineral resources; (iv) share-based payments; (v) asset retirement obligation; (vi) functional currency; and (vii) business combinations. The Company is in the midst of drafting component evaluations for these accounting issues and will be assessing the impact of IFRS on internal controls and any required changes thereto. It is expected the Company will use the extension to June 14, 2011 available for filing the first interim financial statements prepared under IFRS.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities, bridge loans payable, bank indebtedness and other liabilities. The fair value of these financial instruments approximates their carrying values.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Risks and Uncertainties

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

- Metal Price Volatility;
- Operating History in Colombia;
- History of Losses and No Immediate Foreseeable Earnings;
- Current Global Markets and Economic Conditions;
- Exploration, Development and Operations;
- Risks with Title to Mineral Properties;
- Mining Risks and Insurance Risks;
- Regulatory Approvals;
- Changes in Legislation;
- Labour Matters and Employee Relations;
- Economic and Political Factors in Colombia;
- Competition;
- Changes to Environmental Laws;
- Asset Retirement Obligation;
- Shortage of Experienced Personnel and Equipment;
- Potential Conflicts of Interest;
- Possible Volatility of Stock Price;
- Repatriation of Earnings Risk;
- Financing Risks;
- Enforcement of Civil Liabilities;
- Dividends;
- Infrastructure;
- Joint Ventures;
- Currency Risk; and
- Exercise of Back-in Right.

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 material and adversely affected. In such circumstances, the prices of the Company's securities could decline and investors may lose all or part of their investment.

Readers are encouraged to read and consider the risk factors more specifically described in the Company's Annual Information Form dated as of March 31, 2011, 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.

Outstanding Shares, Stock Options, Compensation Options and Warrants

At March 28, 2011, the Company had the following securities issued and outstanding:

Common shares	216,800,134 (TSX: GCM)
Stock Options	10,037,500 stock options vested and exercisable at CA$1.60 per share expiring on August 20, 2015. 25,000 stock options vested and exercisable at CA$1.60 per share expiring on October 14, 2015. 150,000 stock options vested and exercisable at CA$1.83 per share expiring on January 19, 2016. 350,000 stock options vested and exercisable at CA$1.76 per share expiring on January 27, 2016.
Compensation Options	1,350,000 compensation options. Each option enables the agent to acquire one common share at CA$1.00 per share until April 27, 2012. 10,312,500 compensation options. Each option, exercisable at CA$1.60 per unit until August 24, 2012, entitles the agent to acquire one common share and one-half share purchase warrant. Each whole share purchase warrant is exercisable at CA$2.60 per share until August 24, 2015.
Warrants	85,937,493 listed share purchase warrants (TSX: GCM.WT). Each warrant entitles the holder to purchase one common share at CA$2.60 per warrant until August 24, 2015.

Critical Accounting Policies and Estimates

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the consolidated financial statements for the period from incorporation on January 4, 2010 to December 31, 2010.

Management's Report on Internal Control over Financial Reporting

The Company graduated from the TSXV to the TSX on December 22, 2010. The consolidated financial statements and accompanying MD&A for the period ended December 31, 2010 are in respect of the first financial year that ends after the Company became a non-venture issuer. Consequently, as permitted under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company will file an annual certificate in Form 52-109F1 – IPO/RTO with respect to the financial information contained in consolidated financial statements and accompanying MD&A.

In contrast to the usual certificate required for non-venture issuers under NI 52-109, Form 52-109F1 – IPO/RTO does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Management of the Company will be taking steps in 2011 to establish and maintain disclosure controls and procedures and internal controls over financial reporting required to make the interim and annual certifications in compliance with NI 52-109.

Subsequent Events

Stock Options and Warrants

In January through March 19, 2011, 18,890,000 warrants were exercised at CA$0.10 per warrant resulting in the issuance of 4,722,500 common shares for cash proceeds. During the same period, 7,000 employee stock options were exercised at a price of CA$1.60 per common share.

In January 2011, a total of 500,000 stock options were granted at a weighted average exercise price of CA$1.78 per share. These stock options vested immediately and have a life of five years from the date of grant.

Assignment of Frontino's Pensions to ISS

On March 11, 2011, Frontino completed the assignment of its pension obligations to the ISS. The ISS will now assume responsibility for the administration and payment of all remaining pension obligations to the former employees of Frontino and the Company will have no further obligations in respect of these pensions.

Outlook

The Company expects to produce 100,000 ounces of gold in 2011 from its mining operations at the Gran Colombia, El Zancudo and Segovia mines and to implement programs to reduce its cash cost per ounce to the $600 level by the end of 2011. A number of capital investments aimed at increasing capacity are currently underway and include development in infrastructure and the tailings pond at the Gran Colombia mine. A key project for the Company, the construction of a 6-kilometer tunnel to intercept the 23 known veins at the Gran Colombia mine, commenced in mid-December 2010 with all licences and permits in place. The tailings pond is being improved to ensure increased capacity and the hydro-electrical plant is being refurbished at no additional cost to the Company. To improve mining operations, the Company has acquired critical new equipment and has implemented improvements at the Maria Dama processing plant to increase throughput from the current 600 tonnes per day ("tpd") to 1,000,tpd within nine months. By the end of 2011, the Company expects to complete a NI 43-101 report for the Gran Colombia mine. With at least 15 active drills in the field, the Company also plans to complete a 30,000 meter diamond drilling program at its exploration properties to identify new ore blocks to exploit in the short to medium term.