Consolidated Financial Statements of

Gran Colombia Gold Corp.

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

Management's Report

Management is responsible for the integrity and objectivity of the information contained in this report and for the consistency between the consolidated financial statements and other financial and operating data contained elsewhere in this report. The accompanying consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada using estimates and careful judgement, particularly in those circumstances where transactions affecting a current period are dependent upon future events. The accompanying consolidated financial statements have been prepared using policies and procedures established by management and fairly reflect Gran Colombia Gold Corp.'s (the "Company") financial position, results of operations and changes in financial position, within Canadian generally accepted accounting principles. Management has established and maintains a system of internal controls that is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and the financial information is reliable and accurate. The Company's external auditors, KPMG LLP, have examined the consolidated financial statements. Their examination provides an independent view as to management's discharge of its responsibilities insofar as they relate to the fairness of reported financial results and the financial condition of the Company.

The Audit Committee of the Board of Directors has reviewed in detail the consolidated financial statements with management and the external auditors. The Board of Directors on the recommendation of the Audit Committee has approved the consolidated financial statements.

"Maria Consuelo Araujo"
Chief Executive Officer

"Michael Davies"
Chief Financial Officer

Toronto, Canada
March 30th, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholder and Board of Directors
Gran Colombia Gold Corp.

We have audited the accompanying consolidated financial statements of Gran Colombia Gold Corp. (the "Company"), which comprise the consolidated balance sheet as at December 31, 2010, the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the period from January 4, 2010 to December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2010, and of its consolidated financial performance and its consolidated cash flows for the period from January 4, 2010 to December 31, 2010 in accordance with Canadian Generally Accepted Accounting Principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes that the Company has had a loss and may not have sufficient funds to fund working capital requirements or capital investments. These conditions, along with other matters as set forth in Note 1, which indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
March 31, 2011

Gran Colombia Gold Corp.
Consolidated Balance Sheet
As at December 31, 2010
(Expressed in thousands of U.S. dollars)

ASSETS		
Current		
Cash	$	23,787
Accounts receivable		4,618
Inventories (Note 6)		2,907
Prepaid expenses and deposits		3,254
		34,566
Plant and equipment (Note 7)		10,518
Mineral and exploration properties and rights (Note 8)		250,657
Goodwill (Note 5)		1,669
Other assets (Note 3)		2,061
Total assets	$	299,471
LIABILITIES AND EQUITY		
Current liabilities		
Bank indebtedness (Note 10)	$	2,461
Accounts payable and accrued liabilities		5,810
Amounts payable for property acquisitions (Note 8)		18,300
Other current liabilities (Notes 3 and 14(b))		5,884
		32,455
Future income taxes (Note 13)		2,436
Other liabilities (Notes 3 and 14(b))		16,075
Total liabilities		50,996
Non-controlling interest (Note 5)		368
Shareholders' equity		
Share capital (Note 11)		170,412
Share purchase warrants (Note 11)		86,623
Contributed surplus		19,760
Accumulated other comprehensive loss		(11,572)
Deficit		(17,086)
Total shareholders' equity		248,137
Total liabilities and shareholders' equity	$	299,471

Nature of operations and going concern (Note 1)
Commitments (Note 8)
Subsequent events (Notes 3, 11(c) and 11(e))

On behalf of the Board of Directors:

"*Serafino Iacono*" (Signed) "*Ronald Pantin*" (Signed)

See accompanying notes to the consolidated financial statements

Gran Colombia Gold Corp.
Consolidated Statement of Operations and Comprehensive Loss
For the Period from Incorporation on January 4, 2010 to December 31, 2010
(Expressed in thousands of U.S. dollars)

Revenue	$	20,170
Cost of sales		21,936
Mine transition expenses (Note 3)		1,181
		23,117
Loss from mining operations		(2,947)
Corporate administration		3,870
Stock-based compensation		9,939
Exploration		1,007
Loss from operations		(17,763)
Other income (expense)		
Interest income		152
Interest expense (Notes 9, 10 and 14(b))		(609)
Foreign exchange gain		97
		(360)
Loss before income taxes		(18,123)
Recovery of income taxes (Note 13)		1,214
Net loss		**(16,909)**
Unrealized foreign currency translation adjustment, net of nil tax		(11,572)
Comprehensive loss	**$**	**(28,481)**
Basic and diluted loss per share	**$**	**(0.18)**
Weighted average number of common shares outstanding (Note 1)		91,608,762

See accompanying notes to the consolidated financial statements

Gran Colombia Gold Corp.
Consolidated Statement of Shareholders' Equity
(Expressed in thousands of U.S. dollars, except share amounts)

	Shares		Amount
Common Shares			
Balance, January 4, 2010	-	$	-
Initial capitalization	8,750,000		500
First Private Placement	22,500,000		22,163
Share issue costs	-		(2,696)
Second Private Placement	171,875,000		166,912
Share issue costs	-		(17,042)
Issued and outstanding at the time of the Gran Colombia Transaction (Note 4)	8,062,629		-
Impact of rounding of fractional shares on share consolidation	5		-
Exercise of share purchase warrants	777,500		305
Exercise of stock options	105,500		270
Balance, December 31, 2010	212,070,634		170,412
Share Purchase Warrants (Note 11(c))			
Balance, January 4, 2010			-
Second Private Placement			96,473
Warrant issue costs			(9,850)
Balance, December 31, 2010			86,623
Contributed Surplus			
Balance, January 4, 2010			-
Stock-based compensation			9,939
Share issue costs (Note 11(d))			9,925
Exercise of stock options			(104)
Balance, December 31, 2010			19,760
Accumulated Other Comprehensive Loss			
Balance, January 4, 2010			-
Other comprehensive loss			(11,572)
Balance, December 31, 2010			(11,572)
Deficit			
Balance, January 4, 2010			-
Deficit assumed at time of the RTO (Note 4)			(177)
Net loss			(16,909)
Balance, December 31, 2010			(17,086)
Total Shareholders' Equity, December 31, 2010		**$**	**248,137**

See accompanying notes to the consolidated financial statements

Gran Colombia Gold Corp.
Consolidated Statement of Cash Flows
For the Period from Incorporation on January 4, 2010 to December 31, 2010
(Expressed in thousands of U.S. dollars)

OPERATING ACTIVITIES		
Net loss	$	(16,909)
Items not involving cash:		
Depreciation and depletion		3,442
Stock-based compensation		9,939
Accretion of other liabilities (Note 14(b))		524
Unrealized foreign exchange		(80)
Future income tax recovery		(1,214)
Net change in non-cash working capital items (Note 15)		(2,070)
Net cash used in operating activities		(6,368)
INVESTING ACTIVITIES		
Frontino Acquisition, net of acquired cash (Note 3)		(211,317)
Expenditures to acquire mineral and exploration properties and rights and plant and equipment, net of amounts payable (Note 8)		(16,457)
Acquisition of CIIGSA, net of acquired cash (Note 5)		(2,050)
Expenditures on plant and equipment		(2,196)
Deferred exploration expenditures		(2,549)
Increase in other assets		(2,116)
Decrease in other liabilities		(345)
Net cash used in investing activities		(237,030)
FINANCING ACTIVITIES		
Increase in bank indebtedness		470
Proceeds of bridge loans (Note 9)		1,000
Repayment of bridge loans		(1,000)
Proceeds on issuances of shares and warrants		286,049
Share and warrant issue costs		(19,664)
Exercises of stock options		166
Exercises of share purchase warrants		305
Net cash provided by financing activities		267,326
Impact of foreign exchange rate changes on cash		(141)
Increase in cash during the period		**23,787**
Cash, beginning of period		-
Cash, end of period	**$**	**23,787**

Supplementary cash flow information (Note 15)

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Gran Colombia Gold Corp. (the "Company"), formerly Tapestry Resource Corp., is a company incorporated under the laws of the Province of British Columbia. As described in Note 4, the Company completed the acquisition in August 2010 of Gran Colombia Gold, S.A. ("Gran Colombia Panama"), a private Panamanian company engaged in the acquisition, exploration, development and operation of gold properties in Colombia, through a share exchange agreement whereby the Company purchased all the issued and outstanding shares of Gran Colombia Panama.

Following the acquisition of Gran Colombia Panama, the Company changed its fiscal year from April 30 to December 31. The transaction has been accounted for as a reverse takeover with Gran Colombia Panama being the continuing company for accounting purposes. As described in Note 4, the historical figures prior to the completion of the Gran Colombia Transaction presented in these consolidated financial statements represent those of Gran Colombia Panama.

Effective November 9, 2010, the Company's common shares were consolidated on a one-for-four basis following shareholder and regulatory approvals. On December, 1, 2010, the Company's listed share purchase warrants were also consolidated 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.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future. To continue as a going concern, the Company must generate profitable operations in the future through its planned capital investments and resultant increase in mineral production or continue to secure new funding. While the Company has cash balances and cash flow from production, these may not be sufficient to fund the Company's planned capital investment program and working capital requirements. As such, it may need to pursue credit facilities or delay discretionary expenditures which may have an impact on the rate of future growth in its mineral production. There can be no assurance that these initiatives will be successful. These circumstances lend significant doubt as to the ability of the Company to meet its business plan and obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not include adjustments to the recoverability and classifications of recorded assets and liabilities and related revenues and expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements, prepared in accordance with Canadian GAAP, are expressed in United States dollars and include the accounts of the Company and its subsidiaries, from the date of acquisition or inception, as at and for the period ended December 31, 2010. Inter-company transactions and balances are eliminated upon consolidation.

(a) Measurement uncertainty and use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. On an ongoing basis, management evaluates its estimates, including those related to the recoverability of its interests in mineral properties and the use of the going concern assumption. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results could differ from these estimates.

(b) Revenue

Revenue from the sale of metal is recognized when the following conditions are met: (i) persuasive evidence of an arrangement exists; (ii) delivery and transfer of title have occurred under the terms of the arrangement (which is at time of physical delivery); (iii) the price is fixed or determinable; and (iv) the collection of proceeds is reasonably assured. The sales price is determined by the world gold market and agreed upon by the transacting parties at the time of revenue recognition.

(c) Inventories

Minerals inventories are valued at the lower of average production cost and net realizable value. The cost of minerals inventories includes all costs related to bringing the inventory to its current condition, including mining and processing costs, labour costs, supplies, direct and allocated indirect operating overhead and depreciation expense. Materials and supplies inventories are valued at the lower of cost and net realizable value, where cost is based on a first in, first out basis.

(d) Plant and equipment

Plant and equipment are carried at cost. Depreciation is provided on a straight-line basis according to the estimated useful lives of the underlying assets ranging from 5 to 20 years. The Company evaluates the carrying values of plant and equipment to determine if these costs are in excess of their net recoverable amount whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The periodic evaluation of the carrying values of property, plant and equipment costs is based on expected future cash flows and estimated salvage value.

(e) Mineral and exploration properties and rights

The Company considers its mineral and exploration properties and rights to have the characteristics of property, plant and equipment. As such, the Company defers all exploration costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties until those properties are brought into production, at which time they will be amortized on a unit-of-production basis based upon proven and probable reserves or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge will be made. Administrative costs are expensed as incurred.

The recoverability of the amounts shown for mineral and exploration properties and rights is dependent on the existence of economically recoverable reserves, the capacity to obtain financing to complete the development of such reserves, the ability to obtain the necessary licenses and permits and meet the Company’s obligations under various agreements and the success of future operations or dispositions.

The Emerging Issues Committee of the CICA issued EIC-174 – "Mining Exploration Costs" which interprets how Accounting Guideline No. 11 entitled Enterprises in the Development State (AcG-11) affects mining companies with respect to the deferral of explorations costs. EIC-174 refers to CICA Handbook Section 3061 "Property, Plant and Equipment", paragraph 21, which states that for a mining property, the cost of the asset includes exploration costs if the enterprise considers that such costs have the characteristics of property, plant and equipment. EIC-174 then states that a mining enterprise that has not established mineral reserves objectively, and therefore does not have a basis for preparing a projection of the estimated cash flow from the property, is not precluded from considering the exploration costs to have the characteristics of property, plant and equipment. EIC-174 also provides additional guidance for mining exploration enterprises on when an impairment test is required.

The Company reviews its mineral interest for impairment whenever events or changes in circumstances indicate that the carrying amount of the mineral interest may not be recoverable, such as:

(i) the work program on a project has significantly changed so that previously identified resource targets or work programs are no longer being pursued;
(ii) exploration results are not promising and no additional work is planned in the foreseeable future;
(iii) remaining lease terms are insufficient to conduct exploration work;
(iv) there has been a delay in development activity that extends beyond three years; or
(v) market factors indicate that the carrying value for a property exceeds the estimated fair value.

If based on the above circumstances it is determined that the mining property's carrying value is greater than its fair value an impairment charge is recorded for the difference between the carrying value and its fair value.

(f) Goodwill

Goodwill represents the excess purchase price over the fair value of identifiable assets and liabilities acquired in business combinations. Goodwill is not amortized but is subject to annual impairment reviews on December 31 of each year, or more frequently as economic events dictate based on the fair value of the reporting units. The fair value of each reporting unit is determined and compared to the book value of the reporting unit. If the fair value of the reporting unit is less than the book value, then a second test is performed to determine the amount of the goodwill impairment. The amount of the impairment is determined by deducting the fair value of the reporting unit's individual assets and liabilities from the fair value of the reporting unit to determine the implied fair value of goodwill and comparing that amount to the book value of the reporting unit's goodwill. Any excess of the book value of goodwill over the implied fair value of goodwill is recorded as impairment in net income.

(g) Reclamation and site restoration costs

The Company records the present value of asset retirement obligations, including reclamation costs, when the obligation is incurred. It is recorded as a liability with a corresponding increase in the carrying value of the related mining assets. The carrying value is amortized over the life of the related mining asset on a unit-of-production basis commencing with initial commercialization of the asset. The liability is accreted to the actual liability on settlement through charges each period in the statement of operations. In connection with the Frontino Acquisition as described in Note 3, the Company is currently finalizing the requirements for an environmental management and reclamation plan at the Gran Colombia mine. At December 31, 2010, the costs associated with this plan had not yet been determined and as such, an asset retirement obligation has not yet been recorded. Once these costs are determinable, the Company will record the asset retirement obligation.

(h) Foreign currency translation

The functional currency of the Company is US dollars. The Company translates transactions denominated in foreign currencies into US dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated to US dollars at exchange rates in effect on the balance sheet date. The resulting exchange gains and losses are recognized in operations.

The Colombian peso is the functional currency of the Colombian branch of its 95% owned subsidiary, Zandor Capital S.A., which is accounted for as a self-sustaining operation. The currency translation adjustment upon conversion to US dollars has been recorded in other comprehensive income at December 31, 2010.

(i) Future Income Taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(j) Stock-based compensation

The Company has in effect a stock option plan which is described in Note 11 – Share Capital. The Company accounts for stock options granted using the fair value based method of accounting for stock-based compensation. Accordingly, the fair value of the options at the date of grant is accrued and charged to operations, with a corresponding credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(k) Comprehensive income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. The Company reports a statement of comprehensive income and if applicable, a category for accumulated other comprehensive income is included in the shareholders' equity section of the balance sheet. The components of accumulated other comprehensive income may include unrealized gains and losses on financial assets classified as available-for-sale, exchange gains and losses arising from the translation of financial statements of a self-sustaining foreign operation and the effective portion of the changes in fair value of cash flow hedging instruments.

(l) Financial instruments – recognition and measurement

The Company classifies all financial instruments into one of the following categories: held-to-maturity, available-for-sale, held for trading, loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading are measured at amortized cost using the effective interest rate method. Available for sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income, net of income tax, until sold or derecognized. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in consolidated statement of income.

The Company uses a three level hierarchy to categorize the significance of the inputs used in measuring the fair value of financial instruments. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 – Valuations in this level are those with inputs which are less observable, unavailable or where the observable data does not support the majority of the instrument's fair value. Level 3 instruments may include items based on pricing services or broker quotes where the Company is unable to verify the observability of inputs into their prices. Level 3 instruments include longer-term transactions, transactions in less active markets or transactions at locations for which pricing information is not available. In these instances, internally developed methodologies are used to determine fair value which primarily includes extrapolation of observable future prices to similar locations, similar instruments or later time periods.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

(m) Future accounting changes

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in Canadian generally accepted accounting principles, as used by public companies, being converged with International Financial Reporting Standards ("IFRS") over a transitional period, by 2011. In April 2008, the AcSB issued an exposure draft which requires IFRS to replace Canadian GAAP for interim and annual financial periods beginning on or after January 1, 2011, including comparative figures.

In January 2009, the CICA 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 IFRS.

3. ACQUISITION OF ZANDOR CAPITAL, S.A.

On August 13, 2010, Gran Colombia Panama completed a brokered private placement ("Second Private Placement") of subscription receipts for gross proceeds of $263.4 million as described in Note 9(b). The net proceeds of the offering were used to fund the Company's commitments related to the acquisition of Zandor Capital, S.A. ("JVCo") and the balance of the net proceeds will be used to fund certain other acquisitions of mineral and exploration properties and rights as described in Note 8 in addition to its exploration and operating activities over the next 12 months.

On August 17, 2010, Gran Colombia Panama loaned COP 372,500,000,000 (the "Principal Amount") to JVCo under a convertible promissory note (the "Convertible Note"). The Principal Amount comprised the balance of the purchase price due at closing of COP 365,000,000,000 (approximately $201.7 million) and Gran Colombia Panama's reimbursement to Medoro Resources Ltd. ("Medoro") of half of the COP 15,000,000,000 (approximately $7.8 million) deposit it had paid in March 2010. Medoro is a Canadian company that had originally agreed to acquire (the "Frontino Acquisition") all of the assets (the "Gran Colombia mine") of Frontino Gold Mines Ltd. ("Frontino"). On August 18, 2010, JVCo used these funds from Gran Colombia Panama to complete the Frontino Acquisition.

On August 19, 2010 (the acquisition date), the Principal Amount was converted into such number of shares of the JVCo that resulted in Gran Colombia Panama holding a 95% interest in JVCo with Medoro retaining a 5% interest. Concurrent with the conversion of the Convertible Note, Gran Colombia Panama, 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 the Company. 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 the acquisition costs, capital costs and a $3 million success fee paid by Gran Colombia Panama, from the date of closing of the acquisition up to the date of exercise of such option, plus a premium of 25% of such costs. This back-in right expires on August 18, 2011. 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 current liabilities.

On September 7, 2010, the Company announced that it had completed all required steps to take management and operational control of the Gran Colombia mine. This followed a two week 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. Costs of approximately $1.2 million incurred by the Company during this transition period were expensed in the period ended December 31, 2010. Mining operations resumed on September 6, 2010.

The business combination has been accounted for as a purchase transaction with the Company as the acquirer of JVCo. The preliminary allocation of the purchase price, based on the initial deposit, the consideration paid on closing and the fair value of JVCo's net assets acquired at the date of acquisition is as follows:

(Tabular amounts expressed in thousands of U.S. dollars)

Purchase price:		
50% of initial deposit (COP 7,500,000,000)	$	3,874
Cash payment on closing (COP 365,000,000,000)		201,691
Finder's fee (Note 16)		3,000
Other acquisition costs		2,821
		211,386
Net assets acquired:		
Cash		69
Accounts receivable		49
Inventories		2,757
Plant and equipment		8,095
Mineral and exploration properties and rights		227,790
Accounts payable and accrued liabilities		(2,422)
Future income taxes		(2,251)
Other current liabilities		(5,884)
Other liabilities		(16,817)
	$	211,386

The purchase price allocation has been done on a preliminary basis taking into account all relevant information available at the time these consolidated financial statements were prepared.

Pursuant to the terms of the Frontino Acquisition agreement, the liquidator responsible for the sale of Frontino'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 (approximately $210 million). 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 Frontino 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 (approximately $195 million) 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 of approximately $8.8 million 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 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, also recorded in other liabilities, 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 (approximately $0.1 million) monthly toward the health contributions of the pension plan participants.

4. GRAN COLOMBIA TRANSACTION

On August 19, 2010, the Company acquired all of the issued and outstanding securities of Gran Colombia Panama by way of a three-cornered amalgamation (the “Gran Colombia Transaction”) in exchange for the issuance of 203,125,000 common shares of the Company, the issuance of 85,937,493 share purchase warrants and the issuance of 11,662,500 compensation options as described in Note 11(d). The Company also agreed to assume all of Gran Colombia Panama’s obligations relating to the mineral properties.

Immediately prior to the Gran Colombia Transaction, the Company changed its name to Gran Colombia Gold Corp. Trading on the TSX Venture Exchange (“TSXV”) of the common shares of the Company under the new symbol “GCM” commenced on August 24, 2010.

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:

- Gran Colombia Panama is deemed to be the parent company and the Company the subsidiary for accounting purposes;
- the annual and interim consolidated financial statements of the amalgamated entity will be issued under the legal name of the legal parent but will be a continuation of the financial statements of the legal subsidiary, Gran Colombia Panama;
- Gran Colombia Panama is deemed to be the continuing enterprise for accounting purposes and, as such, its assets and liabilities will be included in the annual and interim consolidated financial statements of the amalgamated entity at historical values;
- the capital structure of the amalgamated entity will be that of the Company, but the dollar amount of the issued share capital in the annual and interim consolidated balance sheet immediately prior to the Gran Colombia Transaction will be that of Gran Colombia Panama, plus any common shares issued by the Company subsequent to the Gran Colombia Transaction; and
- since Gran Colombia Panama was incorporated on January 4, 2010, there are no comparative figures presented in these consolidated financial statements.

5. ACQUISITION OF CIIGSA

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

(Tabular amounts expressed in thousands of U.S. dollars)

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 purchase transaction has been accounted for as a business combination with the Company as the acquirer of CIIGSA. The preliminary allocation of the purchase price, based on the cash consideration paid and the fair value of CIIGSA's net assets acquired at the date of acquisition is as follows:

Purchase price:	
Cash paid on closing	$ 2,221
Net assets acquired:	
Cash	171
Accounts receivable	3,163
Prepaids	1
Inventories	85
Plant and equipment	138
Goodwill	1,669
Bank indebtedness	(1,991)
Accounts payable and accrued liabilities	(647)
Non-controlling interest	(368)
	$ 2,221

The purchase price allocation has been done on a preliminary basis taking into account all relevant information available at the time these consolidated financial statements were prepared.

6. INVENTORIES

At December 31, 2010, inventories consist of $2.4 million of materials, supplies and parts used in mining operations and $0.5 million of minerals inventories recorded at cost. The amount of inventories recognized as expense during the period ended December 31, 2010 is included in cost of sales in the consolidated statement of operations and comprehensive loss.

7. PLANT AND EQUIPMENT

At December 31, 2010, plant and equipment comprises:

	Cost	Accumulated depreciation	Net Book Value
Buildings and improvements	$ 4,068	$ 44	$ 4,024
Machinery and equipment	5,407	120	5,287
Transportation equipment	835	35	800
Office and other equipment	417	10	407
	$ 10,727	**$ 209**	**$ 10,518**

(Tabular amounts expressed in thousands of U.S. dollars)

8. MINERAL AND EXPLORATION PROPERTIES AND RIGHTS

Mineral and exploration properties and rights at December 31, 2010 comprise:

		Cost		Accumulated depreciation		Net Book Value
Gran Colombia	$	216,367	$	3,206	$	213,161
El Zancudo (a)		15,475				15,475
Concepcion (b)		1,094				1,094
Mazamorras (c)		4,157		-		4,157
Segovia (d)		16,770		-		16,770
	$	**253,863**	**$**	**3,206**	**$**	**250,657**

In addition to the acquisition of mineral and exploration properties and rights related to the Gran Colombia mine as described in Note 3, the Company has entered into agreements to acquire mineral and exploration properties and rights as described further below.

(a) El Zancudo

The Company entered into a purchase agreement in January 2010 to acquire a 100% interest in the El Zancudo Project, located in the Titiribi mining district in Antioquia, Colombia from Consorcio de Inversionistas CDI, S.A. ("CDI") for a total purchase price of $15.0 million. The acquisition consists of eight mining and exploration contracts and applications, several underground mines (currently inactive), a gold processing plant, and an existing processing agreement with a third party to recover gold and silver from scoria (slag) from past operators located on the property. The scoria processing agreement entitles CDI to receive a 6.5% to 7% gross royalty. As at December 31, 2010, the Company had paid $10.0 million toward the purchase price, of which $0.3 million has been allocated to machinery and equipment, and incurred deferred expenditures of $0.5 million. Accounts payable and accrued liabilities at December 31, 2010 includes the final $5.0 million payment toward the purchase price due by April 29, 2011. This purchase transaction has been accounted for as an asset acquisition.

(b) Concepcion

The Company entered into a purchase agreement in February 2010 to acquire an 80% interest in the Concepción Project from Compañía de Minas Providencia, S.A. The project, located in the municipalities of Concepción, San Vicente, El Peñol and Barbosa in Antioquia, Colombia, features exploration and mining contracts and applications, including the former "San Pedro" and "Criadero" mines. As at December 31, 2010, the Company had paid a purchase price of $0.8 million and incurred deferred expenditures of approximately $0.3 million. The Company has also committed to (i) an exploration program of 25,000 meters of drilling within two years and (ii) carrying the remaining 20% interest holder through to completion of a feasibility study. The 20% holder has an option to sell such interest at a price determined based on $40 per gold ounce applied to 20% of recoverable gold as detailed in a feasibility study. This purchase transaction has been accounted for as an asset acquisition.

(c) Mazamorras

The Company has acquired the Mazamorras Project, consisting of four concessions located in the department of Nariño in Colombia, for a purchase price of $4.0 million to be paid over a 30-month period. As at December 31, 2010, the Company had paid an aggregate of $0.7 million of the purchase price and incurred deferred expenditures of approximately $0.2 million. Accounts payable and accrued liabilities at December 31, 2010 includes the balance of the payments toward the purchase price due as follows:

- $0.65 million by May 20, 2011,
- $0.65 million by November 20, 2011,
- $1.0 million by May 20, 2012, and
- $1.0 million by November 20, 2012.

In addition, the Company has provided a 2.5% net smelter return royalty, with a buyout provision of $3 million, and an exploration commitment of $4.75 million over 30 months. This purchase transaction has been accounted for as an asset acquisition.

(d) Segovia

The Company entered into an agreement in April 2010 to acquire the Segovia Project which includes 16 exploration properties and some mining assets located in the Segovia and Remedios municipalities of Antioquia, Colombia close to the Gran Colombia gold mine. Pursuant to an agreement with Carla Resources, S.A., the Company agreed to pay a total purchase price of $15 million over 18 months. As at December 31, 2010, the Company had paid $5.0 million of the purchase price, of which $0.5 million was allocated to machinery and equipment, and incurred $0.5 million of deferred expenditures. Accounts payable and accrued liabilities at December 31, 2010 includes the balance of payments toward the purchase price due as follows:

- $5.0 million is due by February 7, 2011, and
- $5.0 million is due by October 7, 2011.

This purchase transaction has been accounted for as an asset acquisition. The fair value assigned to mineral and exploration properties and rights at the date of acquisition includes a $1.5 million future income tax liability.

(e) Minatura

In December 2010, the Company signed an agreement with Minatura LLC and various affiliated companies (collectively, “Minatura”) providing the Company with an option to acquire a 65% interest in Minatura’s mining properties and processing assets in the Segovia/Remedios area of Antioquia, Colombia. Following the 90-day due diligence term, the Company elected not to exercise its option. The $0.3 million option payment paid by the Company upon signing of the agreement has been included in exploration expense during the period ended December 31, 2010.

9. BRIDGE LOANS

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 the First 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. ("Knottsville Capital"), also a shareholder, was repaid in November 2010. Interest expense related to the bridge loans amounted to $60,000.

10. BANK INDEBTEDNESS

The Company's acquired refinery operations (Note 5) have an unsecured credit facility with a Colombian bank. The facility comprises 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, and 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, bank indebtedness also included COP 1,000,000,000 (approximately $0.5 million) borrowed under two unsecured credit lines with Colombian banks bearing interest at rates averaging 5.63% and repaid in January 2011.

11. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares with no par value.

(b) *Issued*

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. All references to common shares are on a post-consolidation basis.

On August 23, 2010, the Company issued 203,125,000 common shares in connection with the Gran Colombia Transaction as described in Note 4 to the former shareholders of Gran Colombia Panama on a one-for-one basis. Gran Colombia Panama had issued 8,750,000 seed common shares in early 2010 and had completed two financings in 2010 as follows:

- On April 27, 2010, Gran Colombia Panama completed a brokered private placement ("First Private Placement") pursuant to which 22,500,000 common shares were issued for cash at a purchase price of CA$1.00 per share for gross proceeds, before issue costs, of $22.2 million. Gran Colombia Panama paid the agent a cash commission equal to 6% of the gross proceeds and issued compensation options as described in Note 11(d).

- On August 13, 2010, Gran Colombia Panama completed its Second Private Placement of subscription receipts for cash at a purchase price of CA$1.60 per unit for gross proceeds, before issue costs, of $263.4 million. In exchange for the subscription receipts, Gran Colombia Panama issued 171,875,000 common shares and 85,937,493 share purchase warrants, each warrant entitling the holder to acquire one common share at CA$2.60 per warrant for a period of five years. Gran Colombia Panama paid the agent a cash commission equal to 6% of the gross proceeds and issued compensation options as described in Note 11(d).

From August through December 2010, a total of 777,500 common shares were issued for cash upon the exercise of share purchase warrants at an exercise price equivalent to CA$0.40 per share.

(Tabular amounts expressed in thousands of U.S. dollars)

In December 2010, a total of 105,500 common shares were issued for cash upon the exercise of employee stock options at an exercise price of CA$1.60 per share.

On December 22, 2010, the Company graduated from the TSXV to the Toronto Stock Exchange ("TSX"). The Company's common shares trade under the symbol "GCM".

(c) Share purchase warrants

Unlisted Share Purchase Warrants

At December 31, 2010, the Company has 18,890,000 issued and outstanding unlisted share purchase warrants. These warrants, expiring March 19, 2011, are exercisable at CA$0.10 per warrant and provide the holder with the right to acquire one-quarter of one common share. A summary of changes in issued and outstanding share purchase warrants during the period from January 4, 2010 to December 31, 2010 is as follows:

Balance, January 4, 2010	-
Assumed through the Gran Colombia Transaction (Note 4)	22,000,000
Exercised during the period	(3,110,000)
Balance, December 31, 2010	18,890,000

Subsequent to December 31, 2010, all remaining unlisted share purchase warrants were exercised prior to their expiry date.

Listed Share Purchase Warrants

In connection with the Gran Colombia Transaction as described in Note 4, the Company issued share purchase warrants on a one-for-one basis with the former shareholders of Gran Colombia Panama in exchange for share purchase warrants of Gran Colombia Panama issued in connection with its Second Private Placement. These share purchase warrants, expiring on August 24, 2015, are currently listed on the TSX and trade under the symbol "GCM.WT". The value assigned to the listed share purchase warrants of $96.5 million or CA$1.17 per warrant was determined using a Black-Scholes option pricing model assuming no dividends were paid, an expected volatility of 145%, an annual risk free interest rate of 1.55% and an expected life of five years.

On December 1, 2010, the Company consolidated these issued and outstanding listed share purchase warrants on a one-for-four basis. Each listed share purchase warrant issued by the Company provides the holder with the right to acquire one common share at CA$2.60 per share. At December 31, 2010, a total of 85,937,493 listed share purchase warrants were issued and outstanding. There were no exercises of these listed share purchase warrants during the period from January 4, 2010 to December 31, 2010.

(d) Broker compensation options

As a result of the share consolidation in November 2010, compensation options and their exercise prices were adjusted accordingly and are disclosed below on a post-consolidation basis.

In connection with Gran Colombia Panama's First Private Placement, the agent was paid a cash commission of 6% of the gross proceeds of the offering and granted 1,350,000 compensation options valued at $0.9 million or CA$0.70 per option. The value of the compensation options was determined using a Black-Scholes option pricing model assuming no dividends were paid, an expected volatility of 145%, an annual risk free interest rate of 1.89% and an expected life of two years. Each compensation option entitles the agent to acquire one common share at an exercise price of CA$1.00 per share for a two-year period ending April 27, 2012.

(Tabular amounts expressed in thousands of U.S. dollars)

In connection with Gran Colombia Panama's Second Private Placement, the agent was paid a cash commission of 6% of the gross proceeds of the offering and granted 10,312,500 compensation options valued at $9.0 million or CA$0.92 per option. The value of the compensation options was determined using a Black-Scholes option pricing model assuming no dividends were paid, an expected volatility of 145%, an annual risk free interest rate of 1.55% and an expected life of two years. Each compensation option, exercisable at a price of CA$1.60 per compensation option, entitles the agent to acquire one common share and one-half share purchase warrant for a two-year period ending August 24, 2012. Each whole share purchase warrant enables the holder to acquire one common share at an exercise price of CA$2.60 per share until August 24, 2015.

(e) Stock options

The Company has a "rolling" Stock Option Plan (the "Plan") in compliance with the TSX's policy for granting stock options. Under the Plan, the maximum number of common shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares and, to any one optionee, may not exceed 5% of the issued common shares on a yearly basis. The exercise price of each stock option will not be less than the market price of the Company's stock at the date of grant. Each stock option vesting period and expiry is determined on a grant-by-grant basis.

As a result of the share consolidation in November 2010, stock options and their exercise prices were adjusted accordingly and are disclosed below on a post-consolidation basis.

A summary of changes in stock options during the period from January 4, 2010 to December 31, 2010 is as follows:

	Outstanding	Weighted average exercise price per common share
Balance, January 4, 2010	-	-
Granted subsequent to the Acquisition	10,362,500	CA$1.60
Exercised in the period	(105,500)	CA$1.60
Cancelled in the period	(100,000)	CA$1.60
Balance, December 31, 2010	10,157,000	CA$1.60

The stock options granted during the period ended December 31, 2010 vested immediately and have a five year life from the date of grant.

The table below summarizes information about the stock options outstanding at December 31, 2010:

Outstanding and exercisable	Exercise price per common share	Expiry date	Remaining contractual life
10,044,500	CA$1.60	August 20, 2015	4.6 years
112,500	CA$1.60	October 14, 2015	4.8 years
10,157,000	CA$1.60		4.6 years

(Tabular amounts expressed in thousands of U.S. dollars)

Using the fair value method for stock-based compensation, the value of the 10,362,500 stock options that were granted subsequent to the Gran Colombia Transaction was $9.9 million (CA$1.00 per option), which has been recorded as stock-based compensation in the financial statements during the period ended December 31, 2010. The fair value of the stock options granted was determined using the Black-Scholes option pricing model, assuming no dividends are to be paid, a weighted expected volatility of 145%, a weighted risk-free interest rate of 1.55% and an expected life of 2½ years.

In January 2011, 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 five year life from the date of grant.

12. CAPITAL DISCLOSURES

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to develop its mining properties into production and to maintain investor, creditor and market confidence to sustain the future development of the business. The Company considers its capital structure to include shareholders' equity ($247.5 million) and working capital ($2.1 million).

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above 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.

As of December 31, 2010, the Company is not subject to any externally imposed capital requirements.

13. INCOME TAXES

The recovery of income taxes reported differs from the amounts computed by applying the prescribed Colombian income tax rate to the loss before income tax provision due to the following:

Loss before income taxes	$	(18,123)
Statutory tax rate		33%
Expected income tax recovery		5,980
Non-deductible expenses		(4,224)
Effect of foreign exchange gains not taxable		34
Losses for which no tax benefit is recorded		(576)
Income tax recovery	$	1,214

The components of the Company's future income tax asset arising from temporary differences at December 31, 2010 are as follows:

(Tabular amounts expressed in thousands of U.S. dollars)

Future income tax asset		
Tax loss carry forwards	$	1,943
Future income tax liability		
Mineral and exploration properties and rights		(3,650)
		(1,707)
Valuation allowance		(729)
Net future income tax liability	$	(2,436)

As at December 31, 2010, non-capital losses totaled approximately $0.9 million in Canada and expire by 2030. In Colombia, the Company has non-capital losses of approximately $5.0 million that may be carried forward without limitations to offset taxable income of future years.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) The Company has classified financial instruments at December 31, 2010 as follows:

Financial assets:		
Held-for-trading		
Cash	$	23,787
Loans and receivables, measured at amortized cost		
Accounts receivable		4,618
Financial liabilities:		
Other liabilities, measured at fair value		
Bank indebtedness		2,461
Accounts payable and accrued liabilities, including amounts payable for property acquisitions		24,110
Other current liabilities		5,884
Other liabilities		16,075

(b) Fair values

The fair values of cash, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate their carrying values due to the short-term to maturity of these financial instruments. Other current liabilities represents the $5.9 million carrying value of the Medoro put option (Note 3) which approximates its fair value based on its fixed amount and the short-term to maturity. The carrying value of other liabilities represents the Company's obligation for post-retirement heath contributions of the former employees of Frontino assumed in the Frontino Acquisition that is based on its fair value and measured at amortized cost using the effective interest rate method. Interest expense during the year ended December 31, 2010 includes approximately $0.5 million related to the accretion of other liabilities.

(c) Risk management policies and hedging activities

The nature of the gold exploration process exposes the Company to risks associated with fluctuations in foreign currency exchange rates and credit risk. To date the Company has not used derivative financial instruments to manage these risks.

(Tabular amounts expressed in thousands of U.S. dollars)

(d) *Credit risk*

The exposure to credit risk arises through the failure of a third party to meet its contractual obligations to the Company. The Company's exposure to credit risk arises primarily from the Company's cash balances, which are held with highly-rated Canadian and Colombian financial institutions, and accounts receivable, which were not past due at December 31, 2010.

(e) *Foreign currency risk*

The Company's operations, principally located in Colombia, routinely transact in the local currency rather than the United States dollar, exposing the Company to potential foreign exchange risk in its financial position and cash flows. As the assets to which the future income tax liabilities relate to are in Colombia, the future income tax liabilities are denominated in Colombian Pesos. The following table summarizes, in U.S. equivalents, the Company's major currency exposures as of December 31, 2010:

	Canadian Dollars	Colombian Pesos
Cash	$ 309	$ 3,650
Accounts receivable	133	4,485
Bank indebtedness	-	(2,461)
Accounts payable and accrued liabilities	(433)	(4,792)
Other liabilities	-	(16,075)
Future income tax liabilities	-	(2,436)
Net financial assets (liabilities)	$ 9	$ (17,629)

Based on the net exposure at December 31, 2010, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would not have a material impact on the Company's after-tax net loss and a 10% depreciation or appreciation of the Colombian Peso against the U.S. dollar would not have a material impact on the Company's after-tax net loss but would result in a $1.6 million increase or decrease in the Company's other comprehensive income.

(f) *Interest rate risk*

At December 31, 2010, the Company's only short-term or long-term interest bearing debt is its bank indebtedness. As such, the Company is not exposed to any significant interest rate risk.

(g) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent that the Company does not believe it will have sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions. The Company manages its liquidity risk by continuously monitoring forecast cash flow requirements.

(Tabular amounts expressed in thousands of U.S. dollars)

The Company's financial obligations currently consist of accounts payable and accrued liabilities, amounts due for property acquisitions and other liabilities. Accounts payable and accrued liabilities are paid within the normal course of business from operating cash flow, and except under certain exceptions, usually no later than one month. The amounts due for property acquisitions will be funded from cash balances. Other liabilities, representing the Company's assumed obligation to pay the monthly health contributions pursuant to the Frontino Acquisition, are expected to amount to approximately $1.0 million per annum and will be funded from operating cash flow from the Gran Colombia mine.

(h) *Country risk*

The Company's principal resource projects are located in Colombia and consequently the Company is subject to certain risks, possible political or economic instability which may result in the impairment or loss of mineral and exploration properties and rights, and exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Colombia is home to South America's largest and longest running insurgency and security risks remain, especially in some parts of the countryside where the Company conducts operations. Any changes in regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. Mining operations and further exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and property and/or site safety.

15. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Changes in non-cash working capital items:

Accounts receivable	$	(1,437)
Inventories		(142)
Prepaid expenses and deposits		(3,329)
Accounts payable and accrued liabilities		2,838
	$	(2,070)

(b) Supplementary information regarding interest and income taxes paid

Interest paid	$	40
Income taxes paid		-

(c) Supplementary information regarding other non-cash transactions

Increase in accounts receivable resulting from Gran Colombia Transaction	$	3
Depreciation and depletion allocated to inventories		74
Increase in accounts payable and accrued liabilities related to Gran Colombia Transaction		180
Share issue costs paid by issuance of compensation options (Note 11(d))		9,925

16. RELATED PARTY TRANSACTIONS

The Company paid a success fee of $3.0 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 as described in Note 3.

As described in Note 8, the Company borrowed, and subsequently repaid in full, $0.5 million from each of Blue Pacific and Knottsville Capital, both related parties to the Company, under unsecured promissory notes payable. The proceeds of the bridge loans were used to meet obligations for certain acquisition payments and other expenditures in advance of completing the First Private Placement.

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

17. SEGMENTED INFORMATION

The Company currently operates in one business segment, being the acquisition, exploration, development and operation of gold properties in Colombia.