Gran Colombia Gold Corp.

Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

Management’s Report

Management is responsible for preparing the consolidated financial statements and accompanying notes. The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, include management’s best estimates and judgments, particularly in those circumstances where transactions affecting a current period are dependent upon future events. 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 audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. KPMG LLP has full and free access to the Audit Committee.

The Audit Committee of the Board of Directors, consisting exclusively of independent 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.

“Lombardo Paredes Arenas”
Chief Executive Officer

“Michael Davies”
Chief Financial Officer

Toronto, Canada
March 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Gran Colombia Gold Corp.

We have audited the accompanying consolidated financial statements of Gran Colombia Gold Corp., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of operations, comprehensive loss, equity and cash flows for the years then ended, 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 International Financial Reporting Standards, 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 audits. We conducted our audits in accordance with Canadian generally accepted 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 in our audits 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 Gran Colombia Gold Corp. as at December 31, 2013 and December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Gran Colombia Gold Corp.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 31, 2014

Toronto, Canada

Gran Colombia Gold Corp.
Consolidated Statements of Financial Position
(Expressed in thousands of U.S. dollars)

	Notes	As at December 31, 2013	As at December 31, 2012
ASSETS			
Current			
Cash and cash equivalents		$ 1,609	$ 1,298
Cash in trust	11d,f	30,637	69,982
Accounts receivable	16	9,957	24,784
Inventories	5	14,145	17,615
Prepaid expenses and deposits		8,403	7,884
Assets held for sale	6	-	6,055
		64,751	127,618
Non-current			
Cash in trust	13c	1,137	14,955
Mining interests	7	470,557	590,906
Goodwill	8	1,669	29,332
Other assets	10	546	3,001
Total assets		$ 538,660	$ 765,812
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt	11	$ 9,211	$ 8,984
Accounts payable and accrued liabilities	7	39,734	45,587
Amounts payable for acquisitions of mining interests	7	16,520	14,725
Current portion of long-term debt	11	4,284	9,331
Current portion of equity tax payable	12	6,999	9,908
Current portion of provisions	13	2,103	-
Income tax payable		333	1,390
Liabilities of assets held for sale	6	-	1,861
		79,184	91,786
Non-current			
Amounts payable for acquisitions of mining interests	7	-	3,086
Long-term debt	11	159,020	170,134
Equity tax payable	12	-	5,017
Provisions	13	39,438	34,813
Deferred income taxes	15	20,148	34,900
Total liabilities		297,790	339,736
Equity			
Share capital	14b	359,221	359,221
Share purchase warrants	14c	133,754	134,307
Contributed surplus		42,027	41,541
Accumulated other comprehensive loss		(17,433)	2,414
Deficit		(277,567)	(112,409)
Total equity attributable to shareholders		240,002	425,074
Non-controlling interest	3	868	1,002
Total equity		240,870	426,076
Total liabilities and shareholders' equity		$ 538,660	$ 765,812

Nature of operations and going concern **(Note 1)**
Contingency **(Note 13b)**
Subsequent events **(Notes 11b, 11c, 13b, 16 and 24)**

On behalf of the Board of Directors:
"Miguel de la Campa" (Signed) *"Robert Metcalfe"* (Signed)

See accompanying notes to the consolidated financial statements.

Gran Colombia Gold Corp.
Consolidated Statements of Operations
(Expressed in thousands of U.S. dollars, except share amounts)

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
Revenue		$ 148,531	$ 168,243
Costs and expenses			
Cost of sales	17	149,439	150,042
General and administrative expenses		11,226	16,497
Impairment charges	9	163,824	4,084
Acquisition costs		-	3,093
Share-based compensation expense	14e	7	105
Social contributions	10a	1,940	3,671
Loss from operations		(177,905)	(9,249)
Other income (expense)			
Finance income		181	227
Finance costs	18	(16,574)	(19,194)
Foreign exchange gain (loss)		3,538	(3,798)
Gain (loss) on financial instruments	19	11,529	(7,161)
		(1,326)	(29,926)
Loss before income taxes		(179,231)	(39,175)
(Provision for) recovery of income taxes			
Current	15	162	(3,096)
Deferred	15	14,059	6,348
		14,221	3,252
Net loss		**$ (165,010)**	**$ (35,923)**
Attributed to shareholders		**$ (165,158)**	**$ (36,172)**
Attributed to non-controlling interests		**$ 148**	**$ 249**
Basic and diluted loss per share attributable to shareholders	**20**	**$ (10.81)**	**$ (2.37)**
Weighted average number of common shares outstanding		15,279,391	15,279,391

See accompanying notes to the consolidated financial statements.

Gran Colombia Gold Corp.

Consolidated Statements of Comprehensive Loss

(Expressed in thousands of U.S. dollars)

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
Net loss		**$ (165,010)**	**$ (35,923)**
Items that may be reclassified to profit (loss)			
Loss on available-for-sale investment reclassified to profit or loss		-	2,572
Actuarial gain on health plan obligation		-	564
Foreign currency translation adjustment		(19,847)	18,594
Comprehensive loss		**$ (184,857)**	**$ (14,193)**
Attributed to shareholders		**$ (184,926)**	**$ (14,520)**
Attributed to non-controlling interests		**$ 69**	**$ 327**

See accompanying notes to the consolidated financial statements.

Gran Colombia Gold Corp.
Consolidated Statements of Equity
(Expressed in thousands of U.S. dollars)

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
Common shares	14b		
Balance, beginning and end of period		$ 359,221	$ 359,221
Share purchase warrants	14c		
Balance, beginning of period		134,307	131,380
Issuance of Gold Notes	11f	-	2,927
Expiry of warrants		(553)	-
Balance, end of period		133,754	134,307
Contributed surplus			
Balance, beginning of period		41,541	42,751
Share-based compensation	14e	7	105
Tax effect of expiry of broker compensation options	14d	-	(1,315)
Expiry of warrants, net of tax effect of $74		479	-
Balance, end of period		42,027	41,541
Accumulated other comprehensive loss			
Balance, beginning of period		2,414	(19,316)
Loss on available-for-sale investment reclassified to profit or loss		-	2,572
Actuarial gain on health plan obligation		-	564
Foreign currency translation adjustment		(19,847)	18,594
Balance, end of period		(17,433)	2,414
Deficit			
Balance, beginning of period		(112,409)	(76,237)
Net loss attributable to shareholders		(165,158)	(36,172)
Balance, end of period		(277,567)	(112,409)
Non-controlling interests			
Balance, beginning of period		1,002	753
Dividend declared		(282)	-
Net income attributable to non-controlling interests		148	249
Balance, end of period		868	1,002
Total equity		**$ 240,870**	**$ 426,076**

See accompanying notes to the consolidated financial statements.

Gran Colombia Gold Corp.

Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
Operating Activities			
Net loss		$ (165,010)	$ (35,923)
Adjusted for the following items:			
Depreciation, depletion and amortization		16,617	16,858
Acquisition costs		-	2,707
Share-based compensation		7	105
Finance income		(181)	(227)
Finance costs		16,574	19,194
Foreign exchange loss (gain)		(3,614)	496
Impairment charges	9	163,824	4,084
Provision for environmental discharges	13b	10,883	
Loss (gain) on financial instruments		(11,529)	7,161
Income tax expense (recovery)		(162)	3,096
Deferred income taxes		(14,059)	(6,348)
Changes in non-cash working capital items	21	12,493	7,290
Operating cash flows before interest and taxes		25,843	18,493
Equity tax paid	12	(7,291)	(2,117)
Income taxes paid		(3,906)	(3,392)
Net cash provided by operating activities		14,646	12,984
Investing Activities			
Additions to mining interests	7	(42,512)	(50,447)
Decrease in other assets	10	1,637	1,458
Proceeds from sale of investments		-	481
Payments of provisions related to acquired assets	13c	(1,109)	(1,143)
Net cash used in investing activities		(41,984)	(49,651)
Financing Activities			
Increase in short-term debt		262	6,854
Increase in long-term debt		1,252	11,694
Repayment of long-term debt		(5,759)	(3,965)
Net interest paid		(20,882)	(8,754)
(Increase) decrease in cash in trust for debt service	11d	(100)	1,154
Issuance of Gold Notes, net of transaction costs	11f	-	92,818
Decrease (increase) in cash in trust from Gold Notes	11f	53,125	(83,453)
Other financing costs		-	(489)
Dividend paid to non-controlling interest		(141)	-
Net cash provided by financing activities		27,757	15,859
Impact of foreign exchange rate changes on cash and cash equivalents		(108)	1,772
Increase (decrease) in cash and cash equivalents		**311**	**(19,036)**
Cash and cash equivalents, beginning of year		1,298	20,334
Cash and cash equivalents, end of year		**$ 1,609**	**$ 1,298**

See accompanying notes to the consolidated financial statements.

Note to Reader:
Please note that all references in these financial statements (as defined herein) to common shares, options, warrants and other securities, as applicable, even those that pre-date the common share and warrant consolidations, as described herein, are stated on a post-consolidation basis (see Note 14).

1. NATURE OF OPERATIONS AND GOING CONCERN

Gran Colombia Gold Corp. and its subsidiaries (collectively the "Company") are engaged in the acquisition, exploration, development and operation of gold properties in Colombia. The Company is incorporated under the laws of the Province of British Columbia. The head office of the Company is located at 333 Bay Street, Suite 1100, Toronto, Ontario, M5H 2R2 and its registered office is located at 1188 West Georgia Street, Suite 650, Vancouver, British Columbia, V6E 4A2. The Company also has offices in Bogotá and Medellin, Colombia.

These consolidated financial statements (the "financial statements") have been prepared on a going concern basis 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, including the expansion of its Segovia Operations being funded by the net cash proceeds from the Gold Notes (as defined herein) offering (Note 11(f)), and resultant increase in cash flow from mineral production or continue to secure new funding. The recoverability of the amounts shown for mineral properties is dependent on the existence and economic extraction of resources, the capacity to obtain financing to complete the development of such resources, the ability to obtain the necessary licenses and permits and meet the Company's obligations under various agreements, the stability or increase of future gold prices, and the success of future operations or dispositions. While the Company has cash balances and cash flow from operations, these may not be sufficient to fund the Company's working capital requirements and the planned capital investment program not funded by the Gold Notes. The Company has working capital deficit of $14.4 million as at December 31, 2013, which includes $30.6 million of restricted cash. As such, it may need to pursue additional financing 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 material uncertainties 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 financial statements do not include adjustments to the recoverability and classifications of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Directors on March 31, 2014.

The financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, and are presented in U.S. dollars, rounded to the nearest thousand except when otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Consolidation

These financial statements comprise the financial statements of the Company including its subsidiaries at December 31, 2013.

Subsidiaries are entities over which the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are no longer consolidated from the date that control ceases.

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

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. The Company's non-controlling interest at the years ended December 31, 2013 and 2012 includes a 40% interest of CIIGSA.

The Company and its significant subsidiaries, all of which have a December 31 year end, are as follows:

Entity	Property/function	Location	Functional currency[2]	December 31, 2013	December 31, 2012
Gran Colombia Gold Corp.	Corporate	Canada	CA		
Gran Colombia Gold, S.A.[1]	Corporate	Panama	USD	100%	100%
Medoro Resources (Yukon) Inc.	Corporate	Canada	CA	100%	100%
Zancudo Gold Sucursal	El Zancudo	Colombia	USD	100%	100%
Zandor Capital, S.A. Sucursal	Segovia Operations	Colombia	COP	100%	100%
CIIGSA[3]	Refinery	Colombia	COP	60%	60%
Mineros Nacionales, S.A.S.	Marmato Underground	Colombia	COP	100%	100%
Minerales Andinos de Occidente, S.A.	Marmato Project	Colombia	USD	100%	100%
Minera Croesus S.A.S.	Marmato Project	Colombia	USD	100%	100%

(1) Referred to hereafter as "Gran Colombia Panama".
(2) "CA" = Canadian dollar; "USD" = U.S. dollar; "COP" = Colombian peso
(3) Comercializadora Internacional de Metales Preciosos y Metales Comunes Inversiones Generales S.A.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Foreign currency translation

a) Functional and presentation currencies

Items included in the financial statements of each entity consolidated by the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the Canadian dollar. The functional currency of each of the Company's significant subsidiaries is disclosed in the table under "Consolidation" above. The financial statements are presented in U.S. dollars as the Company believes this will facilitate comparison with other mining and resource companies.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions or revaluation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of operations in "foreign exchange income (loss)".

c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
ii) income and expenses for each consolidated statement of operations and cash flows for the years presented are translated at average exchange rates (unless this average is not a reasonable

approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);

iii) components of equity are translated at the exchange rates at the dates of the relevant transactions or at average exchange rates where this is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, and are not retranslated; and

iv) all resulting exchange differences are recognized in other comprehensive loss.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of operations as part of the gain or loss on sale.

Segment reporting

The reportable segments are those whose operating results are reviewed by the chief operating decision-maker, identified as the Executive Committee of the Board of Directors, who is responsible for allocating resources and assessing performance of the operating segments.

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

Business combinations

The Company uses the acquisition method of accounting for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company’s share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of operations.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, term deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included in liabilities as bank indebtedness. As at December 31, 2013 and 2012, cash and cash equivalents were comprised solely of cash balances.

Accounts receivable

Accounts receivable are recorded based on the Company’s revenue recognition policy. Provision is made in the allowance for doubtful accounts based on management’s best estimate of the accounts receivable balances that may not be collectible.

Inventories

Mineral inventories are valued at the lower of average production cost and net realizable value (“NRV”). The cost of mineral 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

NRV, where cost is based on a first in, first out basis. Net realizable value is the estimated selling price less applicable selling expenses.

Exploration and evaluation assets

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditures include costs which are directly attributable to:

- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods;
- completing pre-feasibility and feasibility studies; and
- costs incurred in acquiring mineral rights.

Exploration and evaluation expenditures are capitalized and are classified as such until the project demonstrates technical feasibility and commercial viability. Technical feasibility and commercial viability generally coincide with the establishment of proven and probable reserves; however, they may also occur when the Company makes a decision to proceed with development or begins production. Upon demonstrating technical feasibility and commercial viability, and subject to an impairment analysis, capitalized exploration and evaluation costs are transferred to the mineral properties balance within property, plant and equipment.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation, amortization and impairment losses. Cost includes expenditures that are directly attributable to the acquisition and are recorded as part of the development and construction of the asset. Costs to acquire mineral properties are capitalized and represent the property's fair value at the time it was acquired, either as an individual asset purchase or as part of a business combination.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognized. All other repairs and maintenance costs are charged to the consolidated statement of operations during the financial period in which they are incurred.

Amortization of mineral properties is charged to cost of sales on an unit-of-production basis based upon proven and probable reserves and measured and indicated resources or until the properties are abandoned, sold or considered to be impaired in value. Mineral properties are tested for impairment in accordance with the policy for impairment of non-financial assets as set out below. Land is not depreciated.

Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Machinery and equipment	10 years
Transportation equipment	5 years
Office and other equipment	5 to 10 years
Buildings and improvements	20 years

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates each component separately. The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "other income (expense)" in the consolidated statement of operations.

The recoverability of the amounts shown for mineral properties is dependent on the existence and economic extraction of resources, 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.

Borrowing costs

Borrowing costs attributable to the acquisition, development or construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. The Company does not capitalize borrowing costs related to exploration and evaluation assets. All other borrowing costs are recognized as finance costs in the consolidated statement of operations in the period in which they are incurred.

Goodwill

Goodwill represents the excess cost of an acquisition over the fair value of the Company's share of the identifiable net assets of the acquired business at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses and is not subject to depreciation. Gains and losses on the disposal of a unit include the carrying amount of goodwill relating to the unit sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Current and deferred income tax

The provision for income tax for the year comprises current and deferred income tax. Income tax is recognized in the consolidated statement of operations, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized using the asset and liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined on a non-discounted basis using tax rates (and laws) that have been enacted or substantively enacted by the consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Decommissioning liabilities

Decommissioning liabilities arise from the development, construction and normal operation of mining property, plant and equipment as mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations.

The estimated present value of reclamation liabilities is recorded in the period in which the liabilities are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated on a unit-of-production basis. The liability will be increased each period to reflect the interest element and will also be adjusted for changes in the discount rates and in the estimates of the amount, timing and cost of the work to be carried out.

Future remediation costs are accrued based on management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Changes in estimates are reflected by adjusting the decommissioning liability and the related asset in the period during which an estimate is revised. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs they will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. The estimates are dependent on labour costs, known environmental impacts, the effectiveness of remedial and restoration measures, inflation rates and pre-tax interest rates that reflect current market assessment of time value for money and the risk specific to the obligation. The Company also estimates the timing of the outlays, which is subject to change depending on continued exploitation and newly discovered mineral reserves.

Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

Provisions for other liabilities and charges

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are based on management's best estimate of the expenditure required to settle the obligation and are generally measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance costs.

Post-retirement benefits

In connection with the completion of the 2010 Frontino Gold Mines Ltd. ("Frontino") assets acquisition, the Company agreed to provide the funds required to pay all of the obligatory ongoing health contributions of the participants of the predecessor company's pension plan. Actuarial gains and losses resulting from variances between actual results and economic estimates or actuarial assumptions are recorded in other comprehensive income. Changes in the present value of the obligation due to amendments or changes to the plan are recorded in profit of loss. Payments made in respect of these benefits are accounted for as investing activities as the liability arose on the acquisition of Frontino.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of gold and silver. Revenue is recognized upon the transfer of the ownership risks and benefits to the buyer which is generally simultaneous with delivery, when the price is fixed or determinable, and when the Company has reasonable assurance with respect to the measurement and collectability.

Share-based payments

The Company records equity-settled share-based payments under which the entity receives services from employees, consultants and directors as consideration for equity instruments (options) of the Company. For employees and others providing similar services, the total amount to be expensed is based on the fair value of the options granted.

The fair value is determined using the Black-Scholes model on grant date. Measurement inputs include share price on measurement date, exercise price, expected volatility, expected life, expected dividends, expected forfeiture rate and the risk-free interest rate.

The compensation expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of operations with a corresponding adjustment to equity.

For transactions with other third parties, the fair value of the services received in exchange for the grant of the options is recognized as an expense or asset unless the fair value of the services received cannot be reliably measured, in which case the service is measured based on the fair value of the equity instruments granted.

Loss per share

Basic loss per share is computed by dividing net loss for the period attributable to shareholders by the weighted average number of common shares outstanding during the period.

Provided that they are not anti-dilutive, diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. This method assumes that proceeds received from the exercise of stock options and warrants and any unamortized share-based compensation amounts are used to repurchase common shares at the prevailing market rate.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Cash and cash equivalents	Loans and receivables
Accounts receivables	Loans and receivables
Investments	Available-for-sale financial assets
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Term loans	Other financial liabilities
Finance lease	Other financial liabilities
Senior unsecured silver-linked notes	Financial liabilities at fair value through profit and loss
Senior secured gold-linked notes	Financial liabilities at fair value through profit and loss

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain and loss in other comprehensive income is transferred to net earnings.

Other financial liabilities

Other financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, these are measured at amortized cost using the effective interest method. Other financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separate embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses in liabilities held for trading are recognized in profit or loss.

Fair value hierarchy

IFRS requires an entity to classify financial assets and liabilities that are recognized in the statement of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Impairment

Financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows (cash generating units or "CGUs"), which are typically the individual mining projects. The estimates used for impairment reviews are based on detailed mine plans and operating budgets, modified as appropriate to meet the requirements of IAS 36, *Impairment of Assets*. If the Company does not have sufficient information on its mine development costs to estimate the cash flows to review the recoverability of capitalized costs, the Company determines impairment by comparing the fair value to book value, without considering value in use.

When evaluating the value in use, value in use is determined based on discounted cash flow models taking into consideration estimates of the quantities of the reserves and mineral resources, future production levels, future gold prices, and future cash costs of production, capital expenditure, shutdown, restoration and environmental clean-up. Assumptions used are specific to the Company and the discount rate applied in the value in use test is based on the Company's estimated weighted average cost of capital with appropriate adjustment for the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecasted cash flows.

When evaluating fair value less costs of disposal, fair value is determined based on the amount that could be obtained in an arm's length transaction and generally uses a discounted cash flow model based on the present value of estimated future cash flows, including future expansions or development projects. In a fair value less costs of disposal analysis the assumptions used are those that a market participant would be expected to apply.

Goodwill is assessed for impairment annually or at any time if an indicator of impairment exists. The Company monitors goodwill for internal purposes based on the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Goodwill is allocated to CGUs by the end of the first annual reporting period beginning after the acquisition date and is subject to the annual impairment test in the year the allocation is completed.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded in the consolidated statement of operations. Non-financial assets other than goodwill that were previously impaired are reviewed for possible reversal of the impairment at each reporting date when an event warrants such consideration. Goodwill is assessed for impairment together with the assets and liabilities of the related CGU or group of CGUs.

Assets and liabilities held for sale

A non-current asset or disposal group of assets and liabilities ("disposal group") is classified as held for sale when it meets the following criteria:

a. The non-current asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups; and
b. The sale of the non-current asset or disposal group is highly probable. For the sale to be highly probable:
   - i) The appropriate level of management must be committed to a plan to sell the asset (or disposal group);
   - ii) An active program to locate a buyer and complete the plan must have been initiated:
   - iii) The non-current asset or disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
   - iv) The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale (with certain exceptions); and
   - v) Actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2012. Pronouncements that are not applicable to the Company have been excluded from those described below. The following new standards have been adopted effective January 1, 2013:

i) IFRS 10 *Consolidated Financial Statements* ("IFRS 10") establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The adoption of IFRS 10 has no significant impact on the Company.
ii) IFRS 11 *Joint Arrangements* ("IFRS 11") establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. The adoption of IFRS 10 has no significant impact on the Company.
iii) IFRS 12 *Disclosure of Involvement with Other Entities* ("IFRS 12") requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The adoption of IFRS 12 has no significant impact on the Company.
iv) IFRS 13 *Fair Value Measurement* ("IFRS 13") defines fair value and sets out in a single IFRS a framework for measuring fair value and outlines disclosure requirements for fair value measurements. Upon adoption of IFRS 13, certain additional disclosures were incorporated in the Company's financial statements for the year ended December 31, 2013.
v) IAS 1 *Presentation of Financial Statements* – the Company has revised the presentation of the Consolidated Statement of Comprehensive Loss to disclose items that may or may not be reclassified subsequently to profit or loss.

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2013, and have not been applied in preparing theses consolidated financial statements.

Accounting Standards Issued and Effective January 1, 2014

IAS 32 *Financial Instruments: Presentation* has been amended to clarify when an entity has a legally enforceable right to off-set financial assets and liabilities. The Company does not believe there will be any impact on its consolidated financial statements upon the adoption of this amendment.

Accounting Standards Issued and Effective undetermined

In October 2010, IASB issued IFRS 9 *Financial Instruments* ("IFRS 9") which replaces the current standard *IAS 39 Financial Instruments: Recognition and Measurement,* replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

In November 2013 IASB issued an amendment to IFRS 9, which includes a new hedge model that aligns accounting more closely with risk management. Additionally as the impairment guidance in IFRS 9, as well as certain limited amendments to the classification and measurement requirements of IFRS 9, are not yet complete the previously mandated effective date of IFRS 9 of January 1, 2015, has been removed. The Company will evaluate the impact of the change to its financial statements based on the characteristics of its financial instruments at the time of adoption.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to use judgment in applying its accounting policies and estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Judgments and estimates are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ significantly from the amounts included in the financial statements.

a) Significant Judgments in the application of accounting policies

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are as follows:

Exploration and evaluation

Exploration and evaluation assets are tested for impairment when indicators of impairment are present. In assessing impairment for exploration and evaluation assets, the Company is required to apply judgment in considering various factors that determine technical feasibility and commercial viability.

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of inferred resources to measured and indicated resources, scoping and feasibility studies, operating management expertise and existing permits.

Assets' carrying values and impairment charges

In determination of carrying value and impairment charges, management looks at the higher of value in use and fair value less costs of disposal in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management use judgment when making a decision based on the best available information at each reporting period.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the consolidated provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

At each reporting date, the Company evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if the Company believes that it is probable that some portion of the deferred tax assets will fail to be realized, the Company records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires management to make significant judgments.

b) Significant accounting estimated and assumptions

The areas which require management to make significant estimates and assumptions in determining carrying values include:

Mineral reserves and resources

The Company's mineral reserves and resources are estimated based on information compiled by the Company's qualified persons. Mineral reserves and resources are used in the calculation of amortization and depletion, for the purpose of calculating any impairment charges, and for forecasting the timing of the payment of shutdown, restoration, and clean-up costs.

In assessing the life of a mine for accounting purposes, mineral reserves and resources are only taken into account where there is a high degree of confidence of economic extraction. There are numerous uncertainties inherent in estimating mineral reserves and resources, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Mineral reserves and resource estimates may vary as a result of changes in the price of gold, production costs and with additional knowledge of the ore deposits and mining conditions. Changes in the measured and indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, goodwill, reclamation and remediation obligations, recognition of deferred tax amounts and depreciation, depletion and amortization.

Purchase price allocations

Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition-date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of the acquisition-date fair values often requires management to make assumptions and estimates about future events and generally require a high degree of judgment. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities, deferred taxes and goodwill in the purchase price allocation.

Impairment

Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, with the exception of goodwill which is reviewed for impairment annually or at any time if an indictor of impairment exists. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, and current, historical or projected losses that demonstrate continuing losses.

The fair value measurement of the Company's non-financial assets, for the purpose of comparison with the carrying value, is based on numerous assumptions and may differ significantly from actual fair values.

The fair values are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated fair values of non-financial assets to their carrying values. The Company's fair value estimates are based on numerous assumptions including, but not limited to, estimated gold prices, operating costs, recoveries, resources, capital and site restoration expenditures and estimated future foreign exchange rates. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's financial position and results of operations. Reserve and resource estimates are the most important variable in the Company's fair value estimates. A decrease in the Company's reserves and resources may result in an impairment charge, which could increase the Company's loss.

Management's estimate of future cash flows is subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur with evolving economic conditions, which may affect recoverability of the Company's non-financial assets.

Amortization and depletion of mineral properties

The mineral properties balance is depleted using the units-of-production method over the expected operating life of the mine based on estimated recoverable ounces of gold, which are the prime determinants of the life of a mine. Estimated recoverable ounces are based on proven and probable reserves and measured and indicated resource balances. Changes in these estimates will result in changes to the depletion charges over the remaining life of the operation. A decrease in reserves and resources would increase depletion expense, and this could have a material impact on the operating results.

Decommissioning liabilities

The Company assesses its provision for reclamation and remediation on a quarterly basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

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

5. INVENTORIES

	December 31, 2013	December 31, 2012
Mineral inventories	$ 5,214	$ 8,681
Materials and supplies	8,931	8,934
	$ 14,145	$ 17,615

6. ASSETS HELD FOR SALE

At December 31, 2012, the Company's interest in the Mazamorras exploration and evaluation project was included in assets held for sale as a result of management's commitment to sell the property and the assessment that a sale was considered to be highly probable. In June 2013, the Company determined that its interest in the Mazamorras property no longer met the conditions of assets held for sale as a sale transaction could not be considered highly probable under the current market environment for exploration properties and the property was transferred back into exploration and evaluation assets.

7. MINING INTERESTS

	Mineral properties	Plant and equipment	Construction in progress	Exploration and evaluation	Total
Year ended December 31, 2012					
Opening net book value	$ 191,164	$ 35,713	$ 1,095	$ 299,535	$ 527,507
Additions	3,155	6,200	14,706	32,486	56,547
Capitalized interest	-	-	1,202	-	1,202
Increase in decommissioning liability	9,624	-	-	-	9,624
Transfer – Carla Mine	21,384	-	-	(21,384)	-
Reclassified to assets held for sale	-	(67)	-	(5,998)	(6,065)
Depreciation	(13,315)	(4,083)	-	-	(17,398)
Impairment charges (Note 9)	-	(674)	-	(3,410)	(4,084)
Exchange difference	18,393	2,765	346	2,069	23,573
Closing net book value	$ 230,405	$ 39,854	$ 17,349	$ 303,298	$ 590,906
As at December 31, 2012					
Cost	$ 264,141	$ 47,589	$ 17,349	$ 303,298	$ 632,377
Accumulated depreciation	33,736	7,735	-	-	41,471
Net book value	$ 230,405	$ 39,854	$ 17,349	$ 303,298	$ 590,906
Year ended December 31, 2013					
Opening net book value	$ 230,405	$ 39,854	$ 17,349	$ 303,298	$ 590,906
Additions	10,251	12,237	17,040	4,183	43,711
Capitalized interest	-	-	6,553	-	6,553
Reclassified from assets held for sale	-	53	-	5,889	5,942
Impairment charges (Note 9)	(58,000)	-	-	(79,627)	(137,627)
Increase in decommissioning liability	720	-	-	-	720
Depreciation	(11,451)	(5,393)	-	-	(16,844)
Exchange difference	(17,303)	(3,030)	(1,194)	(1,277)	(22,804)
Closing net book value	$ 154,622	$ 43,721	$ 39,748	$ 232,466	$ 470,557

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

	Mineral properties	Plant and equipment	Construction in progress	Exploration and evaluation	Total
As at December 31, 2013					
Cost	$ 229,994	$ 56,323	$ 39,748	$ 232,466	$ 558,531
Accumulated depreciation	75,372	12,602	-	-	87,974
Net book value	$ 154,622	$ 43,721	$ 39,748	$ 232,466	$ 470,557

A summary of mining interests by property is as follows:

	Mineral properties	Plant and equipment	Construction in progress	Exploration and evaluation	December 31, 2013	December 31, 2012
Segovia						
Operations	$ 153,293	$ 30,749	$ 39,748	$ -	$ 223,790	$ 269,113
Marmato	1,329	11,630	-	232,466	245,425	299,981
El Zancudo	-	1,026	-	-	1,026	21,641
Other	-	316	-	-	316	171
Total	$ 154,622	$ 43,721	$ 39,748	$ 232,466	$ 470,557	$ 590,906

A summary of the depreciation recorded during the years ended December 31 is as follows:

	2013	2012
Cost of sales	$ 16,429	$ 16,642
General and administrative expenses	188	216
Total charged to operations	16,617	16,858
(Decrease) increase in inventories	(29)	209
Capitalized to exploration and evaluation assets	256	331
	$ 16,844	$ 17,398

At December 31, 2013, accounts payable and accrued liabilities included $9.1 million related to capital expenditures for mining interests (December 31, 2012 - $10.5 million).

Marmato Project commitments

Mining title contracts: The Company has entered into agreements to purchase additional mining titles related to the Marmato property. The transfer of title is conditional on approval by government authorities. As at December 31, 2013, $3.4 million is included in amounts payable for acquisition of mining interests related to title acquisitions for which approval for the transfer has been obtained (December 31, 2012 - $3.5 million). In addition, the Company has commitments to spend an additional $18.6 million which has not been accrued as approval for the transfer has not yet been received. If government approval is not obtained, the Company is no longer required to make further payments and will record an impairment charge for amounts previously paid ($3.1 million).

Compensation agreements: The Company has entered into agreements to compensate artisanal miners who will be required to cease mining activities at the Company's Marmato property upon commencement of development activities. As at December 31, 2013, $13.1 million is included in amounts payable for acquisition of mining interests related to compensation agreements (December 31, 2012 - $14.3 million).

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

8. GOODWILL

Balance, December 31, 2011 and 2012	$	29,332
Impairment charge – Marmato Project (Note 9)		(27,663)
Balance, December 31, 2013	$	1,669

9. IMPAIRMENT CHARGES

	Years ended December 31, 2013	2012
Mineral properties		
Segovia Operations	$ 58,000	$ -
Exploration and evaluation assets		
Marmato Project	52,543	-
El Zancudo	21,195	-
Mazamorras	4,289	4,084
Goodwill		
Marmato Project	27,663	-
Inventory		
El Zancudo	134	-
	$ 163,824	$ 4,084

Marmato Project CGU and related goodwill

At June 30, 2013, the carrying amount of the net assets of the Company exceeded its market capitalization, which is an indicator of potential impairment of the carrying amount of its net assets. In addition, during the second quarter ended June 30, 2013, there was a significant decline in gold and silver market prices. As a result, the Company assessed the recoverable amounts of each of its CGUs at June 30, 2013.

The Marmato Project CGU, including the $27.7 million of goodwill allocated to it in the acquisition of the Marmato Project in 2011, was tested for impairment at June 30, 2013 based on the indicators noted above. The exploration potential at the Marmato Project is included as part of the Marmato Project CGU and is valued using a market approach, which examines market comparable information and external market risk, taking into account characteristics of the Marmato Project. Based on the assessment performed as at June 30, 2013, with gold prices at the $1,200 per ounce level at the time, the Company concluded that the market value per in situ ounce of the exploration potential at the Marmato Project had declined by approximately 22% resulting in a reduction of the estimated recoverable amount of that exploration potential. As such, the Company recorded a $52.5 million impairment charge ($35.4 million after tax) against the exploration and evaluation assets and an impairment charge of $27.7 million was recorded against goodwill at the Marmato Project.

Segovia Operations CGU

At December 31, 2013, as part of the annual review of recoverable amounts of its CGUs, the fair value (less cost of disposal) of the Segovia Operations CGU was reassessed utilizing an updated mine plan which incorporated the results of its September 2013 National Instrument ("NI") 43-101 Technical Report on a Mineral Resource Estimate, the February 2014 NI 43-101 Technical Report on a Preliminary Economic Assessment, and further changes in the expected long-term gold price.

The assessment of carrying value of the Segovia Operations CGU at December 31, 2013 utilized future life-of-mine ("LOM") after-tax cash flows which incorporated management's best estimates of future metals prices, production based on current estimates of recoverable mineral resources, future operating costs, capital expenditures, inflation and long-term foreign exchange rates. The recoverable amount of the asset was then determined by discounting the LOM after-tax cash flow projections with assumptions that would be expected to be applied by market participants including a discount rate of 7.75% and long-term gold prices of $1,300 per ounce (December 31, 2012 - $1,400 to $1,600 per ounce). At December 31, 2013, the carrying value exceeded the estimated recoverable amount of the Segovia Operations CGU, and as such, a $58 million impairment charge was recognized against mineral properties.

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

As part of the annual review of the recoverable amount of the Segovia Operations CGU, the Company undertook a sensitivity analysis to identify the impact of changes in long-term pricing and operating costs relative to current assumptions which would cause the carrying amount of the Segovia Operations CGU to exceed its recoverable amount. Based on this sensitivity analysis it was determined that a long-term gold price of $1,400 per ounce or a 12.5% reduction in the LOM operating costs would be required for the estimated recoverable amount to equal its carrying amount.

CIIGSA CGU goodwill

For purposes of the annual impairment testing, the goodwill arising from the acquisition of CIIGSA in 2010 was allocated to the CIIGSA CGU and was tested for impairment based on a fair value less costs of disposal analysis. The recoverable amount of the CGU was determined using five years of discounted future cash flow projections with assumptions that would be expected to be applied by market participants including a discount rate of 7.75% and future gold price of $1,300 per ounce. The recoverable amount of the CIIGSA CGU was determined to be higher than its carrying value at December 31, 2013, and as such, no impairment charge was required.

Other exploration and evaluation assets

The current market environment is having an adverse impact on junior exploration budgets and financings, reducing the Company's potential ability to fully recover its investments in the El Zancudo and Mazamorras exploration properties through either joint ventures or sale transactions. Accordingly, the Company recorded a $25 million impairment charge related to these exploration properties in the second quarter of 2013 as no further exploration work was planned on these projects for the foreseeable future. In addition, the Company agreed with the seller of the Mazamorras property at the end of 2013 to cancel the remainder of its obligations under the original acquisition agreement, negating the Company's liability for the remaining $1.6 million of the purchase price, and to relinquish the mining titles to the local mining authority. The Company signed a formal termination agreement with the seller to this effect on February 24, 2014.

In 2012, the Company classified its Mazamorras exploration property as an asset held for sale (Note 6) and recorded a $4.1 million impairment charge to reduce its carrying value to the then estimated fair value of the assets and liabilities to be disposed in a potential sale transaction.

10. OTHER ASSETS

	December 31, 2013	December 31, 2012
Advances recoverable from future social contributions (a)	$ 448	$ 2,208
Investment in Tolima Gold Inc. (b)	98	793
	$ 546	$ 3,001

(a) Advances recoverable from future social contributions

In connection with the acquisition of all the assets of Frontino in 2010 and the finalization of the liquidation of Frontino in 2012, the Company made certain advances that are recoverable against the Company's future obligation for social contributions. Pursuant to the terms of the Frontino acquisition agreement dated March 29, 2010, 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, as amended in June 2012, also provide that the Company may retain up to 75% of these quarterly contributions, if applicable, to recover these advances. Based on the Company's gold production during 2013, the Company incurred a total obligation for social contributions of $2.4 million (2012 – $3.4 million), of which $1.6 million was applied during the year ended

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

December 31, 2013 to reduce its advances recoverable (2012 - $2.4 million). At December 31, 2013, accounts payable and accrued liabilities includes $0.1 million related to this obligation (December 31, 2012 - $0.5 million).

(b) Available-for-sale financial assets

The Company has classified its investment in Tolima Gold Inc. ("Tolima"), acquired in the Medoro transaction, as an available-for-sale investment. An unrealized impairment of $0.7 million related to the fair value adjustment of this available-for-sale investment was recorded in the statement of operations for the year ended December 31, 2013 (2012 - $2.0 million) as it was determined that the decline in market value was significant. In addition, an impairment of $2.6 million on this investment which was previously recorded in other comprehensive loss was reclassified to the statement of operations during 2012.

The investment in Tolima is classified as Level 1 in the fair value hierarchy outlined in IFRS 7 *Financial Instruments: Disclosures* as its fair value has been determined based on a quoted price in an active market.

11. SHORT- AND LONG-TERM DEBT

	Maturity	Currency	Interest Rate	December 31, 2013	December 31, 2012
Short-term debt					
Credit facility (a)	Revolving	USD	Variable	$ 4,211	$ 6,734
Factoring loan (b)	2014	USD	1.60% monthly	1,000	2,250
Bridge loan (c)	2014	USD	Interest free	4,000	-
Total short-term debt				$ 9,211	$ 8,984
Long-term debt					
Term loans (d)	2014 to 2017	COP	Variable	$ 9,520	$ 15,199
Finance leases (e)	2016 to 2018	COP	Variable	1,710	-
Gold Notes (f)	2017	USD	10%	85,469	96,646
Silver Notes (g)	2018	USD	5%	66,605	67,620
Total long-term debt				163,304	179,465
Less: current portion				4,284	9,331
Long-term portion				$ 159,020	$ 170,134

a) Credit facilities

The Company's refinery operation has unsecured credit facilities with Colombian banks. The facilities comprise a total of $4.2 million working capital facility, bearing interest at the 30-, 90- and 180-day London interbank offered rate ("LIBOR") (December 31, 2013 – 0.17%, 0.25% and 0.35% respectively) plus 1.14% and 1.15%, under which it may borrow funds from up to 60 to 180 days.

b) Factoring of VAT receivables in Segovia Operations

In 2013, the Company repaid in full the $2.25 million borrowed under a factoring loan agreement in 2012. On October 28, 2013, the Company entered into a new $1.0 million factoring loan agreement due December 28, 2013, bearing interest at 1.60% monthly and secured against a portion of its VAT receivables expected to be collected prior to the end of 2013. On December 20, 2013, it was determined that the expected VAT receipt would be delayed until early 2014 and the term of the factoring loan was extended to February 20, 2014. Subsequent to December 31, 2013, a portion of the VAT collected was used to reduce the factoring loan by $0.25 million and the remaining $0.75 million balance was rolled over for a further 60 days.

c) Bridge loan

In November 2013, the Company filed a preliminary short form prospectus for a best efforts equity offering of units to be closed after receipt of requisite regulatory approvals. Blue Pacific Assets Corp. ("Blue Pacific"), an investment company in which three directors of the Company together indirectly hold a majority share, advised the Company that it would subscribe for a minimum of CA$5 million of units of the equity offering. In December 2013, Blue Pacific advanced $4.0 million to the Company by way of an interest free bridge loan to be accounted for as a subscription toward units in the equity offering. The proceeds of the bridge loan were used by the Company to fund the operational restructuring at the Segovia Operations and for working capital prior to the closing of the equity offering. On March 18, 2014, the Company closed the equity offering (Note 24) and issued 2,211,442 units to Blue Pacific in settlement of $3.85 million of the bridge loan. The remaining $0.15 million of the bridge loan was repaid in cash to Blue Pacific on March 28, 2014 from the net proceeds of the equity offering.

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

d) Term loans

At December 31, 2013, the Company had a total of COP 18.3 billion, equivalent to $9.5 million (December 31, 2012 – COP 26.9 billion or $15.2 million), outstanding pursuant to term loans with two Colombian banks bearing interest at the Colombian market weekly average of fixed-term deposits (“DTF”) rate (December 31, 2013 – 4.04%) plus a factor ranging from 3.84% to 5.3%. The term loans mature between May 2014 and August 2017 and are repaid on a quarterly basis. The term loan due August 2017 has a balance outstanding at December 31, 2013 of COP 14.1 billion (approximately $7.3 million) and is secured by a portion of the operating cash flows from the Segovia Operations which are accumulated through a monthly deposit of COP 450 million (approximately $0.2 million) into a restricted cash account to meet the debt service obligations. At December 31, 2013, cash in trust includes $0.1 million for this term loan.

e) Obligations under finance leases

During the year ended December 31, 2013, the Company entered into three finance leases relating to the acquisition of mining and other equipment to be used in the Company’s expansion project at its Segovia Operations. The leases amount to a total of COP 3.9 billion (including interest), equivalent to $2.0 million, and are to be paid in monthly installments over three- to five-year terms depending upon the nature of the underlying asset. At the end of the leases, the Company has the option to purchase the equipment for a total of COP 0.3 billion, equivalent to 10% of the original value or approximately $0.2 million. The leases have an average effective interest rate of 9.49%.

Under the arrangements, the Company’s annual minimum lease payments at December 31, 2013 are:

Within 1 year	$ 431
2-5 years, including purchase option	1,731
Total minimum lease payments	2,162
Amount representing interest	(452)
Present value of net minimum lease payments	$ 1,710

f) Senior secured gold-linked notes (the “Gold Notes”)

On October 30, 2012, the Company issued 100,000 Gold Notes at a price of $1,000 principal amount of units (the "Offering") for gross proceeds of $100 million. Each unit of the Offering consisted of one $1,000 face amount secured, 10% Gold Note and 10 common share purchase warrants (Note 14(c)). Collectively, holders of the Gold Notes have a notional call on the U.S. dollar financial equivalent of approximately 71,429 ounces of gold (the "Implied Gold Ounces") at a notional price of $1,400 per ounce.

The Gold Notes bear interest at a rate of 10% per year, accruing and payable monthly in arrears on the last business day of every month. The first interest payment date was November 30, 2012 and consisted of interest accrued from and including the closing date. The Gold Notes will mature on October 31, 2017 (the "Maturity Date") and will entitle the holder thereof to receive the greater of: (i) the U.S. dollar financial equivalent of approximately 0.7143 ounces of gold per Gold Note plus any accrued interest in cash, and (ii) the U.S. dollar face amount of the Gold Note plus any accrued interest in cash.

The holders of the Gold Notes also have the option to require the Company to purchase up to $6.25 million aggregate face amount of the Gold Notes at the end of each three-month period beginning on the 25th month (November 2014) through the 57th month (July 2017) after the issue date, with principal being repaid in the greater of (i) up to US$6.25 million aggregate face amount of the Gold Notes, and (ii) the U.S. dollar financial equivalent of up to 6.25% of the Implied Gold Ounces underlying the Gold Notes. At the Maturity

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

Date, the Company will be required to pay the greater of (i) the balance of the face amount of the Gold Notes and (ii) the U.S. dollar financial equivalent of the Implied Gold Ounces underlying the balance of the Gold Notes which have not been put to the Company.

The Gold Notes are considered a unit that includes two separate financial instruments, the 10% coupon secured $1,000 principal note and the unlisted share purchase warrants. As such, the Company elected to value the $1,000 principal notes first and allocate the residual amount to the warrants. The $1,000 principal notes are a financial liability and have been designated as fair value through profit and loss. The Gold Notes contain two embedded derivatives as the future principal repayments are linked to the price of gold and consist of a put option by the holder. The embedded derivatives have not been valued and recorded separately as the Company has elected to record the entire hybrid instrument at fair value. The Gold Notes were recorded at fair value at inception and are subsequently held at fair value with the change in fair value being recognized in the statement of operations. Fair value has been determined based on a valuation methodology that captures all the features of the notes, including the holders' put options to have the Company partially redeem the Gold Notes in cash on certain fixed dates, in a set of partial differential equations that are then solved numerically to arrive at the value of the Gold Notes. The Gold Notes are classified as Level 2 in the fair value hierarchy outlined in IFRS 7 *Financial Instruments: Disclosures* as the fair value has been determined based on inputs, including gold prices, time value, volatility factors, risk-free rate, stock price, and credit spread, which can be substantially observed or corroborated in the marketplace.

	Number of Gold Notes		Amount
As at December 31, 2011	-	$	-
Proceeds from Gold Notes issued October 30, 2012	100,000		100,000
Allocation of Warrant value	-		(2,927)
Gain on mark-to-market adjustment (Note 19)	-		(427)
As at December 31, 2012	100,000	$	96,646
Gain on mark-to-market adjustment (Note 19)	-		(11,177)
As at December 31, 2013	100,000	$	85,469

The net proceeds of the offering, after deduction of transaction costs of $7.7 million (including financing costs of $0.5 million related to other proposed financings that were not completed), was $92.3 million, of which $20 million was placed in trust with an escrow agent to make the monthly interest payments on the Gold Notes during the first two years of the term of the Gold Notes. The remaining approximately $72.3 million was set aside by the Company in a segregated account to be used solely for the planned expansion of the Company's Segovia Operations, including the construction of a 2,500 tonnes per day processing plant, the development of a new mechanized underground mine, tailings storage facilities and acquisition of mining and other equipment. At December 31, 2013, $8.3 million was held in the interest escrow account after monthly payments of interest were made on the Gold Notes (December 31, 2012 – $18.3 million) and $22.3 million was held in the segregated account (December 31, 2012 – $65.4 million) to fund the ongoing capital expenditure program.

The Gold Notes are secured by: (i) a general security agreement on assets of the Company; (ii) a general pledge of assets of Gran Colombia Gold, S.A. (a Panamanian company) (excluding its interest in the shares of certain Unrestricted Subsidiaries), (iii) a general pledge of assets registered against Zandor Capital, S.A., a Panamanian company; (iv) a pledge of the securities of Zandor Capital, S.A.; (v) a general pledge of assets in Colombia of the Colombian branches of Zandor Capital, S.A., the registered owner of the assets comprising the Segovia Project; (vi) a pledge of the securities of Mineros Nacionales S.A.S., Minerales Andinos de Occidente, S.A. and Minera Croesus, S.A.S., each a Colombian corporation; (vii) a general pledge of assets of Mineros Nacionales S.A.S., Minerales Andinos de Occidente, S.A. and Minera Croesus, S.A.S., which are the registered owners of the assets comprising the Marmato Project; (viii) direct security on material mining titles to the Segovia Project and the Marmato Project; and (ix) a pledge of the securities and a general pledge of assets of any Restricted Subsidiary holding or receiving any cash deriving from the Segovia Project or the Marmato Project. The Company will be permitted to incur additional indebtedness that may be secured by liens on the collateral.

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

g) Senior unsecured silver-linked notes (the "Silver Notes")

On August 11, 2011, the Company issued 80,000 Silver Notes at a price of $1,000 principal amount per Silver Note for gross proceeds of $80 million. A cash commission of 5% of the gross proceeds was paid to a syndicate of agents who completed the financing. The Silver Notes are listed on the TSX and trade under the symbol "GCM.NT.U". Subsequent to the issuance in 2011, the Company repurchased for cancellation a total of 1,368 Silver Notes on the open market through a normal course issuer bid that has since expired.

The Silver Notes, due August 11, 2018, bear interest at a rate of 5.0% per year, payable semi-annually in arrears in equal installments on December 31 and June 30 of each year. Holders of Silver Notes will be entitled to receive the greater of (i) the principal amount of the Silver Note held, or (ii) the U.S. dollar financial equivalent to approximately 66.7 ounces of silver per Silver Note, as determined using the average realized silver price by the Company over the six-month period immediately prior to any repayment or redemption of principal. The quantity of silver per Silver Note was determined using a notional price of $15 per ounce of silver, providing holders with the opportunity to benefit from silver prices in excess of $15 per ounce.

The Company shall repay, on a pro rata basis, (a) 10% of the total principal amount of the Silver Notes outstanding on August 11, 2015, with such principal amount being repaid on the basis of the greater of (i) 10% of the total principal amount, and (ii) the US dollar financial equivalent to 6.67 ounces of silver per Silver Note, (b) 20% of the total principal amount of the Silver Notes outstanding on August 11, 2016, with such principal amount being repaid on the basis of the greater of (i) 20% of the total principal amount, and (ii) the US dollar financial equivalent to 13.34 ounces of silver per Silver Note, (c) 30% of the total principal amount of the Silver Notes outstanding on August 11, 2017, with such principal amount being repaid on the basis of the greater of (i) 30% of the total principal amount, and (ii) the US dollar financial equivalent to 20.00 ounces of silver per Silver Note, and (d) the remaining principal amount of the Silver Notes on August 11, 2018 (being the maturity date) such principal amount being settled on the basis of the greater of (i) the balance of the principal amount of the Silver Notes outstanding, and (ii) the US dollar financial equivalent to approximately 26.67 ounces of silver, together in each case with all accrued and unpaid interest thereon to the date of repayment.

The Silver Notes are a financial liability and have been designated as fair value through profit and loss. The Silver Notes contain an embedded derivative as the future principal repayments are linked to the price of silver. The embedded derivative has not been valued and recorded separately as the Company has elected to record the entire hybrid instrument at fair value. The Silver Notes were recorded at face value at inception and are subsequently held at fair value with the change in fair value being recognized in the statement of operations. Up to and including June 30, 2013, the fair value of the Silver Notes had been determined based on the quoted trading price for the Silver Notes at period end. As a result of an updated assessment of the frequency and volume of Silver Notes transactions on the TSX, at September 30, 2013, it was determined to no longer constitute an active market; therefore, the Company adopted a similar determination of fair value of the Silver Notes to the valuation methodology used for the Gold Notes. This valuation methodology captures all the features of the Silver Notes, in a set of partial differential equations that are then solved numerically to arrive at the value of the Silver Notes. The Company has changed the classification of the Silver Notes from Level 1 to Level 2 in the fair value hierarchy outlined in IFRS 7 *Financial Instruments: Disclosures* as the fair value has been determined based on inputs (including silver prices, time value, volatility factors, risk-free rate, and credit spread, which can be substantially observed or corroborated in the marketplace) rather than the quoted trading price of the Silver Notes.

	Number of Silver Notes		Amount
As at December 31, 2011	78,632	$	64,908
Loss on mark-to-market adjustment (Note 19)	-		2,712
As at December 31, 2012	78,632	$	67,620
Gain on mark-to-market adjustment (Note 19)	-		(1,015)
As at December 31, 2013	78,632	$	66,605

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

h) Scheduled debt repayments

	2014	2015	2016	2017	2018	Total
Short-term debt	$ 9,211	$ -	$ -	$ -	$ -	$ 9,211
Term loans	4,022	2,092	1,946	1,460	-	9,520
Finance leases (1)	431	407	403	389	532	2,162
Gold Notes (2)	-	25,000	25,000	50,000	-	100,000
Silver Notes (3)	-	10,222	20,444	30,666	40,888	102,220
	$ 13,664	$ 37,721	$ 47,793	$ 82,515	$ 41,420	$ 223,113

(1) Includes interest and purchase option.
(2) Principal repayments will fluctuate based on the Gold Notes holder's partial repayment option and the average daily afternoon "London Gold Fix" price over the 30-day period immediately preceding the repayment dates. For the maturity schedule above, the principal repayments have been estimated using the notional price of $1,400 per ounce and assuming 100% of Gold Notes holders exercise the options on the first available option date. Commencing with the three-month period ending January 31, 2015, the Company must set aside 8.33% of the Implied Gold Ounces in a segregated gold account to meet the repayments (Note 11(f)).
(3) Principal repayments will fluctuate based on the average realized silver price by the Company over the six-month period immediately preceding the scheduled repayments. In the event that the Company does not receive any income from silver over the six-month period immediately preceding the repayment date, the mandatory repayment amounts will be calculated using the average daily "London Silver Fix" prices over the six-month period immediately preceding the repayment date. For the maturity schedule above, the principal repayments have been estimated using the London Silver Fix price as at December 31, 2013 of $19.50 per ounce (Note 11(g)).

12. EQUITY TAX

A summary of the changes in the equity tax payable is as follows:

As at December 31, 2011	$ 15,086
Accretion of discount	495
Paid during the period	(2,117)
Exchange difference	1,461
As at December 31, 2012	$ 14,925
Accretion of discount	302
Paid during the period	(7,291)
Exchange difference	(937)
As at December 31, 2013	$ 6,999
Current	$ 6,999
Non-current	-
	$ 6,999

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

13. PROVISIONS

A summary of changes to provisions is as follows:

	Decommissioning and rehabilitation	Environmental discharges	Frontino health obligations	Tax dispute	Total
As at December 31, 2011	$ 572	$ -	$ 16,348	$ 2,972	$ 19,892
Segovia Operations	9,246	-	-	-	9,246
Increase in obligation, charged to acquisition costs	-	-	2,707	-	2,707
Actuarial gain	-	-	(564)	-	(564)
Effect of changes in estimates	389	-	-	-	389
Payments in the period	-	-	(1,143)	-	(1,143)
Accretion of discount	495	-	1,718	-	2,213
Exchange difference	157	-	1,623	293	2,073
As at December 31, 2012	10,859	-	20,689	3,265	34,813
Recognized in period	-	10,883	-	-	10,883
Recovery on settlement	-	-	-	(3,016)	(3,016)
Effect of changes in estimates	721	-	-	-	721
Payments in the period	-	-	(1,109)	-	(1,109)
Accretion of discount	552	-	1,643	-	2,195
Exchange difference	(969)	-	(1,728)	(249)	(2,946)
As at December 31, 2013	$ 11,163	$ 10,883	$ 19,495	$ -	$ 41,541
Current	$ -	$ 966	$ 1,137	$ -	$ 2,103
Non-current	11,163	9,917	18,358	-	39,438
	$ 11,163	$ 10,883	$ 19,495	$ -	$ 41,541

a) Decommissioning and rehabilitation provision

During the second quarter of 2012, the Company filed a five-year environmental management plan for the Segovia Operations with the local authority. Although the Company is not currently required to prepare a comprehensive closure plan for the Segovia Operations, it has estimated the undiscounted costs to be incurred with respect to the ultimate mine closure and reclamation activities to be approximately $15 million. As such, the Company recorded the present value of the estimated obligation as a decommissioning liability during the second quarter of 2012. The provision recorded represents management's best estimate of the future reclamation and remediation obligation; however, the estimated amount is inherently uncertain and will be revised as further information becomes available. Actual future expenditures may therefore differ materially from the amounts currently provided.

	Expected date of expenditures	Inflation rate	Pre-tax risk free rate	Undiscounted cash flow
Marmato Mine	2020	4.6%	4.91%	$ 1,227
Segovia Operations	2020	4.6%	4.91%	14,930

b) Provision for Segovia Operation environmental discharges

The Company's mining and exploration activities are subject to Colombian laws and regulations governing the protection of the environment. Colombian regulations provide for fees applicable to entities discharging effluents to river basins. The gold processing plant acquired in the August 2010 acquisition of the Frontino assets has been producing discharges to the environment for many years. Since the Frontino acquisition, the Company has been in discussion with Corantioquia, the competent regional environmental agency, during the update of the Company's environmental management plan for the Segovia Operations about the

Company's continuing efforts to minimize and eventually eliminate these discharges through the construction of a new 2,500 tpd processing facility. However, after exhausting administrative remedies, Corantioquia issued a resolution in July 2013 confirming an assessment of fees totalling COP 29.5 billion (approximately $15.3 million) for environmental discharges in 2010 and 2011 at tariff rates that significantly exceed the applicable rates that the Company believes were in effect for those particular periods. In November 2013, after further appeal to Corantioquia to appropriately amend the assessments, the Company initiated proceedings in the Colombian judicial system to seek a reduction in the assessed discharge fees.

In April 2013, Corantioquia issued an invoice to the Company in the amount of COP 9.9 billion (approximately $5.1 million), including interest, in respect of discharge fees for 2012. After administrative remedies, Corantioquia issued a resolution in August 2013, reducing the assessed amount to COP 9.8 billion. In February 2014, after further appeal by the Company, the interest included in the 2012 assessment was cancelled, reducing the amount to COP 9.7 billion (approximately $5.0 million). The Company is currently in discussion with Corantioquia regarding a proposed five-year payment plan commencing later in 2014 to settle this obligation.

Based on the foregoing, the Company has recorded a provision in operating costs in the year ended December 31, 2013 in the amount of $10.9 million representing its present value of its best estimate of the potential liability for these environmental discharge fees, including 2013 which has not yet been assessed by Corantioquia.

c) Provision for Frontino health obligations

In connection with the 2010 acquisition of the Frontino assets, the Company agreed to fund the obligatory ongoing health contributions of the participants of Frontino's pension plan. The fair value of this obligation based on an actuarial report prepared as at December 31, 2012, with an inflation rate of 3.3% and a discount rate of 8.2%, was COP 36.6 billion (approximately $20.7 million). In transferring the pension obligations to the Colombian Social Security Institute in March 2011, certain future pension plan participants were identified who would become eligible for coverage under the health plan when they reach retirement age. These future health plan participants were not included in the previous actuarial valuations used to quantify the present value of the Company's obligation at the time of the acquisition. The Company has recorded the $2.7 million increase in the present value of the obligation resulting from the inclusion of these future health plan participants as a charge to acquisition costs in 2012. The Company is currently paying approximately COP 0.2 billion (approximately $0.1 million) monthly to fund the obligatory health plan contributions. At December 31, 2013, cash in trust includes $1.1 million deposited in a restricted fund account as a guarantee against this obligation (December 31, 2012 - $1.2 million).

d) Provision for tax dispute

In the June 2011 acquisition of Medoro Resources (Yukon) Inc. ("Medoro"), the Company provided for the full amount claimed (COP 5.8 billion or approximately $3.0 million) in a tax dispute related to one of the acquired Colombian subsidiaries. In November 2013, the Company received final court approval of a favourable settlement agreement with the Colombia tax authority that resulted in no further obligation to the Company.

14. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares with no par value.

(b) *Issued and fully paid*

On June 18, 2013, the Company consolidated its issued and outstanding common shares on a 1-for-25 basis by issuing one common share for every 25 pre-consolidation common shares outstanding. All references in these financial statements to earnings per share, weighted average number of common shares outstanding, common shares issued and outstanding and authorized common shares have been adjusted to reflect the share consolidation. As a result of the consolidation, at December 31, 2013, and 2012, after rounding of fractional shares, there were 15,279,391 common shares issued and outstanding on a post-consolidation basis.

(c) Share purchase warrants

Warrants (GCM.WT)

On June 18, 2013, the Company also consolidated its issued and outstanding Warrants on a 1-for-25 basis by issuing one Warrant for every 25 pre-consolidation Warrants outstanding. All references in these financial statements to warrants fully diluted, warrants exercisable, and warrants issued and outstanding have been adjusted to reflect the warrant consolidation. As a result of the consolidation, at December 31, 2013 and 2012, after rounding of fractional warrants, there were 6,318,812 Warrants issued and outstanding on a post-consolidation basis.

Each Warrant was issued under the Company's warrant indenture dated August 20, 2010 and entitles the holder thereof to acquire one common share of the Company at an exercise price of CA$65 per common share and shall expire on August 24, 2015.

Unlisted Share Purchase Warrants issued through Gold Notes offering

In connection with the issuance of the 100,000 Gold Notes (Note 11(f)), the Company issued 10 unlisted share purchase warrants for each Gold Note. Each warrant will entitle the holder to purchase one of the Company's common shares at a price of CA$18.75 and will expire on October 31, 2017. As at December 31, 2013, 1,000,000 Warrants were outstanding and exercisable.

Unlisted Share Purchase Warrants assumed through Medoro Acquisition

On June 18, 2013, a total of 148,893 unlisted share purchase warrants, assumed through the 2011 acquisition of Medoro, expired unexercised, resulting in a tax expense of approximately $0.1 million reflected as a reduction in contributed surplus.

(d) Broker compensation options

During the year ended December 31, 2012, all of the broker compensation options that were issued in connection with private placements in 2010 expired unexercised, resulting in a tax expense reflected as a reduction in contributed surplus.

(e) Stock option plan

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. To-date, almost all stock options granted to date vested immediately and have a five year life from the date of grant.

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

On June 18, 2013, the Company consolidated its outstanding options on a 1-for-25 basis by granting one option for every 25 pre-consolidation options outstanding. All references in these interim financial statements to options granted and outstanding have been adjusted to reflect the option consolidation.

A summary of changes in common shares reserved for issuance pursuant to stock options is as follows:

	Outstanding	**Weighted average exercise price per common share (CA$)**
Balance, December 31, 2011	1,419,276	$ 31.76
Granted during the year	28,820	16.43
Cancelled during the year	(129,060)	37.73
Balance, December 31, 2012	1,319,036	$ 30.79
Granted during the year	6,000	6.00
Cancelled during the year	(60,204)	26.13
Balance, December 31, 2013	1,264,832	$ 30.89

On April 11, 2013, the Company granted 6,000 stock options that vested over the balance of the year and have a three-year option life. During the year ended December 31, 2012, the Company granted 28,820 stock options that vested immediately. A summary of the stock compensation expense recorded by the Company and the inputs used in the determination of the fair values of the stock options using the Black-Scholes option pricing model is as follows:

	Years ended December 31, 2013	2012
Stock compensation expense	$ 7	$ 105
Per option	CA$1.22	CA$3.75
Black-Scholes option pricing model inputs		
Weighted average share price	CA$3.20	CA$9.49
Dividends paid	Nil	Nil
Weighted expected volatility(1)	75%	77%
Weighted risk-free interest rate	1.15%	1.18%
Expected life of options	2.7 years	2.5 years

(1) The expected volatility used in the Black-Scholes option pricing model for the year ended December 31, 2012 is based on the historical volatility of the Company's shares for the period since the reverse takeover in August 2010.

The table below summarizes information about the stock options outstanding and the common shares and warrants issuable as at December 31, 2013:

Range of exercise prices CA$/share	**Outstanding and exercisable options**	**Common shares issuable(1)**	**Warrants issuable (1) (GCM.WT)**	**Weighted average remaining contractual life - years**	**Weighted average exercise price CA$/share**
5.00 – 15.00	14,000	14,000	-	2.5	10.29
15.01 – 25.00	515,096	515,096	-	2.7	18.24
25.01 – 35.00	12,000	14,400	3,667	1.3	33.76
35.01 – 45.00	621,197	668,836	100,700	1.4	39.64
45.01 – 55.00	44,500	52,500	20,000	1.9	48.34
	1,206,793	1,264,832	124,367	2.0	30.89

(1) Pursuant to the Medoro acquisition, the Company exchanged stock options of the Company with holders of an equivalent number of Medoro stock options as of June 10, 2011. Under the terms of the Arrangement Agreement, each exchanged option of the Company entitles the holder to acquire 1.20 common shares and one-half of a Warrant. However, certain holders of Medoro options, for tax purposes, elected not to receive the equivalent warrants upon exercise of their exchanged options.

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

15. INCOME TAX

A reconciliation between income tax expense and the product of accounting loss multiplied by the Company's domestic federal and provincial combined tax rate is provided below:

	Years ended December 31, 2013	2012
Net loss before income taxes	$ (179,231)	$ (39,175)
Canadian statutory income tax rate	26.5%	26.5%
Income tax recovery at statutory rate	(47,496)	(10,381)
Increase (decrease) in income tax provision resulting from:		
Other non-deductible (non-taxable) expenses	16,616	3,673
Share-based compensation	2	28
Differences in tax rates in foreign jurisdictions	(11,591)	(720)
Change in unrecorded deferred tax asset	30,703	4,233
Non-deductible tax assessed on previous years	478	-
Non-taxable recovery from tax settlement (Note 13d)	(3,016)	-
Presumptive tax	83	(85)
Income tax recovery for the year	$ (14,221)	$ (3,252)
Current income tax expense (recovery)	$ (162)	$ 3,096
Deferred income tax recovery	(14,059)	(6,348)
Income tax recovery for the year	$ (14,221)	$ (3,252)

A summary of the components of the net deferred income tax liabilities is as follows:

	December 31, 2013	December 31, 2012
Deferred tax assets		
Tax loss carryforwards	$ 3,112	$ 2,921
Deferred tax liabilities		
Exploration and evaluation assets	(23,260)	(37,821)
Deferred tax liabilities - net	$ (20,148)	$ (34,900)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

A summary of the movement in net deferred tax liabilities is as follows:

	Years ended December 31, 2013	2013
Balance at the beginning of the year	$ 34,900	$ 36,335
Recognized in profit / loss	(14,059)	(6,347)
Recognized in contributed surplus	74	1,315
Recognized in other comprehensive loss	(767)	3,597
Acquired in business combinations	-	-
Balance at the end of the year	$ 20,148	$ 34,900

Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilized.

As at December 31, 2013, non-capital losses totaled $45.6 million (December 31, 2012 - $45.1 million) in Canada and expire between 2014 and 2033, for which no deferred tax assets have been recognized. In Colombia, non-capital losses totaled $16.4 million (December 31, 2012 - $23.5 million), for which no deferred tax assets have been recognized.

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

The Company has other deductible temporary differences, totaling $98.6 million (December 31, 2012 - $80.9 million), for which no deferred tax assets have been recognized.

16. FINANCIAL RISK MANAGEMENT

The nature of the acquisition, exploration, development and operation of gold properties exposes the Company to risks associated with fluctuations in commodity prices, foreign currency exchange rates and credit risk. It is the Company's policy that no speculative trading in derivatives shall be undertaken.

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. Through its refinery operations, the Company is able to sell its production to international buyers and minimize its credit exposure to any one customer, if required.

Details of the Company's accounts receivable by source is as follows:

	December 31, 2013	December 31, 2012
Trade	$ 1,593	$ 5,396
Recoverable taxes	7,069	17,608
Other	1,295	1,780
Total accounts receivable	$ 9,957	$ 24,784

The Company's accounts receivable are aged as follows:

	December 31, 2013	December 31, 2012
Not past due	$ 9,992	$ 13,071
Past due (0-30 days)	-	2,476
Past due (31-120 days)	-	3,068
Past due (over 120 days)	986	6,209
Allowance for doubtful accounts	(1,021)	(40)
Total accounts receivable	$ 9,957	$ 24,784

Subsequent to December 31, 2013, the Company has collected a total of $2.6 million of its recoverable taxes. In addition, $1.6 million of its recoverable taxes as at December 31, 2013 have been pledged as collateral for a $1.0 million factoring loan outstanding as of December 31, 2013 (Note 11(b)).

Foreign currency risk

The Company is exposed to foreign currency fluctuations in Colombian pesos ("COP") and Canadian dollars ("CA$"). Such exposure arises primarily from expenditures that are denominated in currencies other than the functional currency. The Company monitors its exposure to foreign currency risks. To reduce its foreign currency exposure associated with operating expenses incurred in COP, the Company may enter into foreign currency derivatives to manage such risks. For the year ended December 31, 2013, the Company entered into forward contracts with a Colombian bank to sell a total of $32.2 million for COP at an average rate of 1933.71 to be settled short-term, of which $Nil was outstanding at December 31, 2013. These currency forward contracts have not been designated as a hedge and the change in fair value is recorded in profit or loss.

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

The following table summarizes, in USD equivalents, the Company's major currency exposures as of December 31, 2013:

	CA	COP
Cash	$ 38	$ 596
Cash in trust	-	1,536
Accounts receivable	83	8,240
Accounts payable and accrued liabilities[1]	(1,533)	(62,592)
Long-term debt, including current portion	-	(9,520)
Net financial liabilities	$ (1,412)	$ (61,740)

1) Includes accounts payable for acquisitions of exploration and evaluation assets.

Based on the net exposure at December 31, 2013, a 10% depreciation or appreciation of the CA against the USD would not result in a significant increase or decrease in the Company's after-tax net loss and a 10% depreciation or appreciation of the COP against the USD would result in approximately a $1.8 million increase or decrease in the Company's after-tax net loss and would result in approximately a $4.4 million increase or decrease in the Company's other comprehensive loss.

Interest rate risk

The Company is exposed to interest rate risk on its outstanding borrowings, cash and restricted cash balances. The Company monitors its ongoing exposure to interest rates. The Company is exposed to interest rate cash flow risk on floating interest rate bank indebtedness and long-term debt due to fluctuations in market interest rates. The Company has not entered into any derivative agreements to mitigate this risk. Based on its borrowings as at December 31, 2013, a 1% hypothetical change in the variable interest rate would not expose the Company to a significant increase or decrease in its annual interest expense. The remainder of the Company's financial assets and liabilities are not exposed to interest rate risk.

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. See Note 1 for management's assessment of the appropriateness of the use of the going concern assumption.

The Company's financial obligations currently consist of:

- *Accounts payable and accrued liabilities*: These arise during the normal course of business and are paid from operating cash flow, and except under certain exceptions, are usually due within no later than one month. The Company from time to time also enters into payment plans to pay these amounts over periods of up to twelve months.
- *Amounts due for property acquisitions*: These obligations are expected to be funded from a combination of existing cash balances, cash generated internally from ongoing operations and external financings, where necessary.
- *Short- and long-term debt (excluding the Silver and Gold Notes):* These obligations represent borrowings under short- and long-term facilities with financial institutions (see Note 11).
- *Silver Notes*: This obligation bears interest at a 5% fixed rate and has set payment dates for the repayment of the principal. The principal repayments are based on the price of silver to the extent that the price of silver remains above $15 per ounce (see Note 11(g)). The interest on the Silver Notes is expected to be paid from operating cash flow and the principal repayments will be funded from the sale of the Company's production. The Silver Notes are carried at fair value.
- *Gold Notes*: This obligation bears interest at a 10% fixed rate and has varied payment dates, due to the holders' options to request partial payment at the end of each three-month period beginning in November 2014, for the repayment of the principal. The principal repayments are based on the price of gold to the extent that the price of gold remains above $1,400 per ounce (see Note 11(f)). From the net proceeds of the offering, $20 million was placed in trust with an escrow agent to make the monthly interest payments on the Gold Notes during the first two years of the term of the Gold Notes. The

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

balance of the interest payments is expected to be paid from operating cash flow and the principal repayments will be funded from the sale of the Company's production. The Gold Notes are carried at fair value.

The carrying value of short-term debt, accounts payable and accrued liabilities, and amounts payable for property acquisitions approximates their respective fair values as they are short-term in nature. The carrying value of the long-term debt (excluding the Silver and Gold Notes) approximates its fair value as it is at floating rates.

Price risk

Price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. Gold and silver prices can be subject to volatile price movements, which can be material and can occur over short periods of time and are affected by numerous factors, all of which are beyond the Company's control.

The future cash flows in respect of the Gold Notes are subject to price risk as the principal repayments over the term of the Gold Notes are linked to the market price for gold. To the extent that the average daily afternoon London Gold Fix price is $1,400 or less per ounce in the 30-day period preceding each repayment date, the Gold Notes will be repayable at face value plus accrued interest. An increase in the price of gold of $100 per ounce over the $1,400 notional price would result in additional principal repayments of $7.1 million over the term of the Gold Notes.

The future cash flows in respect of the Silver Notes are subject to price risk as the principal repayments over the term of the Silver Notes are linked to the market price for silver. To the extent that the average silver price realized by the Company is $15 or less per ounce in the six month period preceding each repayment date, the Silver Notes will be repayable at face value plus accrued interest. An increase in the price of silver of $5 per ounce over the $15 notional price would result in additional principal repayments of $26.2 million over the term of the Silver Notes.

The fair value of the Company's investments in available-for-sale assets are subject to fluctuations in the market price of the underlying equity instruments. An increase or decrease in the market price of the securities which the Company holds would not have a material impact on net loss or comprehensive loss for the year.

Fair value risk

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table summarizes the Company's financial instruments that are carried at fair value as at December 31, 2013, in accordance with the classification of fair value input hierarchy in IFRS 7 Financial Instruments – Disclosures.

	Level 1	Level 2	Level 3	Total
Investment in Tolima Gold Inc. (Note 10b)	$ 98	$ -	$ -	$ 98
Gold Notes (Note 11f)	-	85,469	-	85,469
Silver Notes (Note 11g)	-	66,605	-	66,605
	$ 98	$ 152,074	$ -	$ 152,172

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing their classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the year ended December 31, 2013, the Company's Silver Notes have been transferred from Level 1 to Level 2 fair value measurements (Note 11g) and no transfers into, or out of, Level 3 fair value measurements occurred.

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

Capital management

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 equity attributable to its shareholders ($240 million), net of working capital deficit ($45.1 million, excluding cash in trust).

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, 2013, the Company is not subject to any externally imposed capital requirements.

17. COST OF SALES

	Years ended December 31, 2013	2012
Production costs	$ 114,150	$ 125,576
Production taxes	6,984	7,824
Provision for environmental discharges (Note 13b)	10,883	-
Allowance for doubtful accounts	993	-
Depreciation, depletion and amortization	16,429	16,642
	$ 149,439	$ 150,042

18. FINANCE COSTS

	Years ended December 31, 2013	2012
Accretion of equity tax payable (Note 12)	$ 302	$ 495
Accretion of provisions (Note 13)	2,195	2,213
Interest expense	13,925	8,818
Transaction costs on Gold and Silver Notes (Notes 11f, g)	152	7,179
Other financing fees	-	489
	$ 16,574	$ 19,194

In addition to the above, the Company capitalized $6.6 million interest costs related to the Gold Notes in the year ended December 31, 2013 (2012 - $1.2 million) (Note 7).

19. GAIN (LOSS) ON FINANCIAL INSTRUMENTS

	Years ended December 31, 2013	2012
Gain on mark-to-market adjustment of Gold Notes (Note 11f)	$ 11,177	$ 427
Gain on mark-to-market adjustment of Silver Notes (Note 11g)	1,015	(2,712)
Impairment of available-for-sale investment (Note 10b)	(663)	(4,956)
Gain on fair value of USD warrants	-	80
	$ 11,529	$ (7,161)

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

20. LOSS PER SHARE

The loss per share amounts are calculated by dividing the net loss for the period attributable to shareholders of the Company by the weighted average number of shares outstanding during the period.

	Years ended December 31, 2013	2012
Net loss attributable to shareholders	$ (165,158)	$ (36,172)
Basic weighted average number of shares	15,279,391	15,279,391
Basic and diluted loss per common share	$ (10.81)	$ (2.37)

As at December 31, 2013 and 2012, basic loss per share is equal to diluted loss per share, as all options and warrants outstanding are anti-dilutive. As at December 31, 2013, the Company has 1,206,793 stock options and 7,318,812 share purchase warrants which have not been included in the calculation of diluted loss per share as they are anti-dilutive.

21. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Years ended December 31, 2013	2012
Accounts receivable	$ 13,449	$ (10,607)
Inventories	1,908	5,432
Prepaid expenses and deposits	(1,471)	(1,469)
Accounts payable and accrued liabilities	(1,449)	13,934
Net assets held for sale	56	-
	$ 12,493	$ 7,290

22. RELATED PARTY TRANSACTIONS

The following transactions with related parties occurred during the years ended December 31, 2013 and 2012:

Key management personnel compensation

Key management at December 31, 2013 includes the Company's Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Project Director, General Counsel and the directors. In addition to their salaries or directors fees, executive officers and directors also participate in the Company's stock option plan. No stock options were granted to executive officers and directors during the year ended December 31, 2013.

Key management personnel compensation comprised the following:

	Years ended December 31, 2013	2012
Short-term employee benefits	$ 1,951	$ 2,453
Share-based payments	-	-
	$ 1,951	$ 2,453

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.

Blue Pacific bridge loan

As described in Note 11(c), Blue Pacific, a company in which three directors of the Company together indirectly hold a majority share, advanced a $4.0 million interest-free bridge loan to the Company in December 2013 that was settled in March 2014 through the completion of the equity offering (Note 24).

23. SEGMENT DISCLOSURES

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

For the years ended December 31, 2013 and 2012, all of the Company's sales were made to customers located in the United States. As at December 31, 2013 and 2012, all material non-current assets of the Company were located in Colombia.

24. SUBSEQUENT EVENT

On March 18, 2014, the Company completed an equity offering, including the exercise in part by the underwriter of the over-allotment option, of 8,423,837 units at a price per unit of CA$1.93 for aggregate gross proceeds to the Company of CA$16.3 million. Each unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant (GCM.WT.A) exercisable at CA$3.25 per common share for a period of five years. The underwriters received a fee of 6% of the gross proceeds of the equity offering. The equity offering was completed pursuant to a short form prospectus dated February 28, 2014.

The Company used a portion of the net proceeds of the equity offering to repay the bridge loan (Note 11(c)). The balance of the net proceeds will be used to maintain the financial flexibility of the Company, including the funding of efforts to improve operating cash flow, grow production and expand resources at the Segovia project.

Blue Pacific subscribed for 2,211,442 units pursuant to the equity offering, increasing its beneficial ownership in the Company to approximately 14.9% of the issued and outstanding shares in the capital of the Company on a non-diluted basis.