GRAN COLOMBIA GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
March 31, 2014

The following discussion and analysis of the results of operations and financial condition ("MD&A") for Gran Colombia Gold Corp. (the "Company" or "Gran Colombia") should be read in conjunction with the audited consolidated financial statements and related notes thereto for the year ended December 31, 2013. The financial information in this MD&A is derived from the Company's audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. ***All figures contained herein are expressed in United States dollars ("USD"), except for production, share data or as otherwise stated.***

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

2013 Highlights

- Total ***gold production*** of 102,792 ounces for the year, a 1.9% increase over last year. For the fourth quarter of 2013, the Company produced 22,106 ounces of gold, impacted by lower head grades being mined by the contract miners in the El Silencio mine at Segovia. 2014 production, influenced by the timing of higher grade areas becoming accessible for mining at Segovia, is expected to be between 102,000 to 122,000 ounces.
- ***Revenue*** of $148.5 million in 2013 reflected the impact of the decline in metals prices this year with the Company realizing an average of $1,416 per ounce of gold and $24 per ounce of silver, down 15% and 20%, respectively, from last year. To protect its cash flow, the Company responded with significant cost reduction initiatives to lower its all-in sustaining cost per ounce.
- The Company's aggressive cost savings program, which included an approximately 50% reduction in its workforce at Segovia this year, has resulted in a 12.5% decrease in 2013's ***total cash costs*** to $1,152 per ounce compared with $1,317 per ounce last year and a 21% decrease in ***all-in sustaining costs*** to $1,230 per ounce (see page 19 for the computation of this non-IFRS measure) in the fourth quarter of 2013 compared with $1,558 per ounce in the first quarter of the year. The Company expects that the full year impact of its 2013 savings initiatives, coupled with additional workforce reductions at Segovia implemented in early 2014 and improving head grades at Segovia as 2014 progresses, will reduce its all-in sustaining cost to an average of $950 to $1,025 per ounce for 2014.
- ***G&A expenses*** decreased by 32% to $11.2 million, equivalent to $108 per ounce sold, in 2013 from $16.5 million or $168 per ounce last year. G&A in the fourth quarter of $2.3 million was approximately 50% lower than the fourth quarter last year and represented the fourth consecutive quarter that the cost savings program lowered the quarterly run rate. In 2014, G&A will benefit from the full year impact of the 2013 cost reductions and is expected to be approximately $8 million, averaging between $65 and $80 per ounce.
- ***Development:*** The Company's Pampa Verde expansion project at the Segovia Operations continues to advance with excavations at the plant site nearing completion and construction set to begin early in the second quarter. The new 2,500 tpd plant will be ready for testing in the first quarter of 2015 and

commence full production by mid-2015. Mine development activities are progressing at all mines at Segovia. Dewatering at El Silencio is in process to open access to the higher grade levels at depth in the mine. Construction of the shaft at Providencia will commence early in the second quarter and be completed by the end of the third quarter, allowing the Company to implement mechanized mining in Providencia before the end of the year. Mini jumbos are being brought in during the second quarter of this year to facilitate development of higher grade stopes at Sandra K for the fourth quarter and a ramp will be constructed at the Carla mine to increase production rates from higher grade areas by the third quarter this year. The Pampa Verde Project remains within its $84 million capital budget.

- ***Exploration:*** In August 2013, following successful completion of a 20,000 meter drilling campaign to upgrade and extend its resources at its producing Segovia Operations, the Company announced a new mineral resource estimate with a 58% increase in the Measured and Indicated categories to 0.5 million ounces of gold with an average grade of 15.2 g/t and a 27% increase in the Inferred category to 1.4 million ounces of gold with an average grade of 11.0 g/t. In February 2014, the Company published a preliminary economic assessment of its mineral resource estimate at Segovia with a NPV10 at a long-term average gold price of $1,200 per ounce of $194 million from about one million contained ounces over an approximately seven-year mine life. The Company is confident that further exploration to be carried out over the next few years will upgrade and extend the mine life at Segovia.

Description of Business

The Company is incorporated under the laws of the Province of British Columbia and is engaged in the acquisition, exploration, development and operation of gold properties in Colombia. The head office of the Company is located at 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 Medellin and Bogota, Colombia. The Company is currently the largest underground gold and silver producer in Colombia with several underground mines and two processing plants in operation. In addition, the Company is in the midst of an expansion and modernization project at its Segovia Operations and is advancing a project to expand its gold and silver mine at its Marmato Operations.

Selected Financial Information

	Fourth Quarter		Year	
	2013	2012	2013	2012
Operating data:				
Gold produced (ounces)	22,106	22,116	102,792	100,895
Gold sold (ounces)	21,247	21,198	102,080	98,439
Average realized gold price ($/oz sold)	$ 1,295	$ 1,728	$ 1,416	$ 1,664
Total cash costs ($/oz sold) (1)	1,077	1,534	1,152	1,317
All-in sustaining costs ($/oz sold) (2)	1,230	N/A	1,322	N/A
Financial data:				
($000's, except per share amounts)				
Revenue	$ 28,460	$ 37,758	$ 148,531	$ 168,243
Impairment charges	(58,266)	(505)	(163,824)	(4,084)
Net loss attributable to shareholders	(65,287)	(22,852)	(165,158)	(36,172)
Basic and diluted loss per share	(4.27)	(1.50)	(10.81)	(2.37)
Adjusted net loss (3)	(2,626)	(11,740)	(15,871)	(18,586)
Basic and diluted adjusted loss per share (3)	(0.17)	(0.77)	(1.04)	(1.22)
Cash and cash equivalents	1,609	1,298	1,609	1,298
Cash in trust, current and non-current (4)	31,774	84,937	31,774	84,937
Total debt, including current portion (5)	172,515	188,449	172,515	188,449

(1) "Total cash costs" are presented on a per ounce sold basis and represent consolidated averages for the Company from both the Segovia Operations and Marmato Underground mine. Refer to "Additional Financial Measures" on page 19.
(2) For 2013, in conjunction with a non-GAAP initiative being undertaken within the gold mining industry, the Company has adopted an "all-in sustaining costs" non-GAAP performance measure that the Company believes more fully defines the total costs associated with producing gold; however, this performance measure has no standardized meaning. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Refer to page 19 for a reconciliation of all-in sustaining costs.
(3) "Adjusted net loss" and "Adjusted net loss per share" are non-GAAP measures. Refer to page 19 for a reconciliation of these measures with net loss attributable to shareholders and net loss per share as reported in the consolidated financial statements.
(4) 2013 includes $30.6 million set aside to pay capital costs of the Segovia expansion and interest on the Gold Notes until October 2014.
(5) 2013 includes the Silver Notes and Gold Notes at fair values of $66.6 million (principal amount - $78.6 million) and $85.5 million (principal amount - $100.0 million), respectively. 2012 includes the Silver and Gold Notes at fair values of $67.6 million (principal amount - $78.6 million) and $96.6 million (principal amount - $100.0 million), respectively.

Resources

On August 1, 2013, the Company announced a new mineral resource estimate prepared by SRK Consulting (UK) Ltd. ("SRK") for its producing Segovia Operations. The following table summarizes the Company's current resource estimates at the Segovia Operations and the Marmato Project:

	Measured			**Indicated**			**Measured & Indicated**			**Inferred**		
	Tonnes (M)	**Grade (g/t)**	**Oz Au (000s)**	**Tonnes (M)**	**Grade (g/t)**	**Oz Au (000s)**	**Tonnes (M)**	**Grade (g/t)**	**Oz Au (000s)**	**Tonnes (M)**	**Grade (g/t)**	**Oz Au (000s)**
Segovia Operations (1)	0.2	14.8	95	0.7	15.4	366	0.9	15.2	461	4.1	11.0	1,443
Marmato Operations (2)	51.1	1.1	1,725	358.5	0.9	10,064	409.7	0.9	11,789	79.1	1.0	2,588

(1) Source: NI 43-101 Technical Report on a Mineral Resource Estimate on the Segovia and Carla Operations, Department of Antioquia, Colombia, dated September 2013, prepared by SRK.
(2) Source: NI 43-101 Mineral Resource Estimate on the Marmato Project, Colombia dated August 7, 2012, prepared by SRK.

On February 26, 2014, the Company filed a NI 43-101 Technical Report on a Preliminary Economic Assessment on the Segovia and Carla Operations, Department of Antioquia, Colombia ("2014 PEA") on SEDAR, prepared as of February 2014 by SRK. The 2014 PEA concluded that the NPV10 of $194 million at an average life-of-mine ("LOM") gold price of $1,200 per ounce supports progression with further development of the Segovia Operations. The mining plan in the 2014 PEA incorporates the Pampa Verde expansion and modernization project with production of about one million contained ounces over an approximately seven-year mine life and an average LOM total cash cost of $708 per ounce.

Results of Operations and Overall Performance

Gold production

	Fourth Quarter		Year	
(Ounces)	2013	2012	2013	2012
Segovia Operations				
Company-operated mines	4,194	7,767	24,524	29,821
Contract mining cooperatives (1)	11,982	9,050	55,702	49,357
Total Segovia Operations	16,176	16,817	80,226	79,178
Marmato Underground	5,930	5,299	22,566	21,717
Total	22,106	22,116	102,792	100,895

(1) Represents gold produced from ore mined by small to medium scale mining contractors operating under contract within the Company's mining property.

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

	2013				2012			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Segovia Operations								
Company-operated mines								
Tonnes milled	25,281	44,433	61,617	57,071	54,747	56,065	36,945	27,588
Head grade (g/t)	4.38	3.48	3.97	5.43	5.78	5.35	6.64	8.32
Mill recovery (1)	117.8%	101.4%	89.0%	83.1%	76.3%	85.2%	86.3%	95.2%
Gold produced (ozs)	4,194	5,048	7,001	8,281	7,767	8,227	6,805	7,022
Contract mining cooperatives								
Tonnes milled	40,014	39,305	34,147	25,547	23,560	25,933	16,858	18,724
Head grade (g/t)	10.92	16.14	15.11	15.82	15.66	18.32	29.44	23.44
Mill recovery	85.3%	88.6%	89.8%	82.9%	76.3%	84.4%	86.5%	96.5%
Gold produced (ozs)	11,982	18,059	14,890	10,771	9,050	12,887	13,805	13,615
Total Segovia Operations								
Tonnes milled	65,295	83,738	95,765	82,618	78,307	81,998	53,803	46,312
Tonnes per day (tpd)	710	910	1,052	918	851	891	591	515
Head grade (g/t)	8.39	9.42	7.94	8.64	8.75	9.46	13.78	14.43
Mill recovery	91.9%	91.1%	89.5%	83.0%	76.3%	84.7%	86.4%	96.1%
Gold produced (ozs)	16,176	23,107	21,891	19,052	16,817	21,114	20,610	20,637
Silver produced (ozs)	25,196	32,738	28,226	27,574	25,081	21,997	20,186	21,591
Marmato Underground								
Tonnes milled	73,259	74,271	65,536	61,124	65,328	70,351	67,382	65,076
Tonnes per day (tpd)	796	807	720	679	710	765	740	723
Head grade (g/t)	2.87	2.88	2.81	3.03	2.84	2.89	2.66	3.02
Mill recovery	87.6%	88.5%	88.7%	88.9%	88.8%	88.6%	86.8%	88.9%
Gold produced (ozs)	5,930	6,079	5,260	5,298	5,299	5,798	4,997	5,623
Silver produced (ozs)	10,366	9,942	9,753	9,854	7,918	9,684	8,016	9,558
Total Company								
Gold produced (ozs)	22,106	29,186	27,151	24,350	22,116	26,912	25,607	26,260
Silver produced (ozs)	35,562	42,680	37,979	37,428	32,999	31,682	28,202	31,149

(1) Includes impact of additional ounces recovered from the mill circuit during the period.

At the Segovia Operations, the Company implemented a number of cost savings initiatives in 2013 to reduce its all-in sustaining cost, including a workforce reduction carried out in several phases throughout the year that cut the workforce in about half at the Company-operated mines. With the decline in gold prices in 2013 and mine development underway to open up access to higher grade areas of the mines for 2014, the Company shifted the emphasis in the latter half of 2013 in its production sourcing toward the higher grade contract mining operations. It is expected that tonnages from the Company-operated mines will increase starting mid-2014 as mine development at all four mines in Segovia, including a shaft at Providencia and a ramp at the Carla mine, facilitates improved daily mining rates.

Head grades in ore received from the contract mining cooperatives were reasonably stable through the first three quarters of 2013, averaging above 15 g/t. In October, head grades in ore received from the contract miner at the El Silencio mine began to deteriorate rapidly, bringing the fourth quarter average down to about 10.9 g/t. Upon investigation, the Company determined that the contract miner had ceased dewatering activities at the El Silencio mine, having a direct impact on its ability to access the higher grade pillars at El Silencio. The Company took immediate action to rectify the situation and at the end of November, the Company reached agreement with the contract miner to terminate their contract and to purchase equipment and other installations they had invested in the mine for a total of $1.9 million, $0.5 million of which was paid in the fourth quarter and the balance to be paid in 2014. In December, an agreement was put into place with another contract mining cooperative with previous experience in El Silencio to carry on with mining of the high grade pillars and to re-commence dewatering of the mine to open up access to levels 31 and 32 for mining in 2014. The mine is currently flooded below level 30 at a depth of approximately 519 metres; however, legacy mining extends 44 levels downwards to a depth of 814 metres.

At Marmato Underground, the successful crusher upgrade completed in mid-August increased tonnes milled by 16.5% in the second half of 2013. Operations remained steady in 2013 resulting in gold production of 22,566 ounces, a 3.9% increase over the prior year. Production is expected to remain at this level in 2014.

Revenues

	Fourth Quarter		Year	
($000's except ounce and $/oz data)	2013	2012	2013	2012
Gold				
Ounces sold	21,247	21,198	102,080	98,439
Average realized price ($/oz)	1,295	1,728	1,416	1,664
Silver				
Ounces sold	37,682	32,862	150,643	123,938
Average realized price ($/oz)	21	30	24	30
Revenues				
Gold	$ 27,524	$ 36,622	$ 144,596	$ 163,835
Silver	810	974	3,557	3,745
Refining	126	162	378	663
	$ 28,460	$ 37,758	$ 148,531	$ 168,243

Revenues of $28.5 million in the fourth quarter of 2013, reflecting gold sales of 21,247 ounces and 37,682 ounces of silver, were approximately 25% lower than the fourth quarter last year due to lower metals prices. Spot gold prices continued to be volatile in the fourth quarter of 2013 with the London P.M. fix ranging between $1,195 and $1,361 per ounce and an average of $1,274 per ounce. As a result of the timing of gold sales, including the benefit of some pre-sale contracts in late August, the Company realized average revenue of $1,295 per ounce in the fourth quarter. For the full year 2013, revenues of $148.5 million are approximately 12% lower than last year due primarily to the decline in gold and silver prices in 2013. It is expected that metals prices will continue to be volatile in 2014 and the Company has taken steps, and will continue to do so, to reduce its all-in sustaining costs in order to bolster cash generation from its mining operations.

Cost of sales

	Fourth Quarter 2013	Fourth Quarter 2012	Year 2013	Year 2012
Production costs	$ 22,331	$ 31,598	$ 114,150	$ 125,576
Production taxes	1,370	1,897	6,984	7,824
Provision for environmental discharges	10,883	-	10,883	-
Allowance for doubtful accounts	993	-	993	-
Depreciation, depletion and amortization	2,904	3,791	16,429	16,642
Total cost of sales	$ 38,481	$ 37,286	$ 149,439	$ 150,042
Total cash costs per ounce [(1)]				
Production costs	$ 1,051	$ 1,491	$ 1,118	$ 1,276
Production taxes	64	89	68	79
By-product credits (silver)	(38)	(46)	(34)	(38)
	$ 1,077	$ 1,534	$ 1,152	$ 1,317

(1) See "Additional Financial Measures" on page 19.

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

	2013 4th Qtr	2013 3rd Qtr	2013 2nd Qtr	2013 1st Qtr	2012 4th Qtr	2012 3rd Qtr	2012 2nd Qtr	2012 1st Qtr
Segovia Operations	$1,089	$1,159	$1,127	$1,315	$1,604	$1,288	$1,320	$1,202
Marmato Underground	1,047	1,003	1,161	1,177	1,273	1,174	1,288	1,184
Company average	$1,077	$1,127	$1,133	$1,281	$1,534	$1,261	$1,313	$1,199

In January 2013, management embarked on a comprehensive review of its operations to identify and implement $12 million in annualized cost savings, focused primarily on its Segovia Operations and G&A. Over the course of the year, the Company implemented cost savings initiatives in several phases, which included, among other things, a reduction in its workforce, spending cuts and a 10% Company-wide salary reduction in February, resulting in about $23 million of costs savings on an annualized basis. The one-time costs associated with the workforce reductions included in 2013's total cash costs amounted to approximately $1.4 million or about $13 per ounce.

In January 2014, the Company completed a restructuring of its operations at Segovia to continue the expansion and modernization of mining activities and improve security in the mining and processing operations. Certain key functions are now directly employed by the Company and a local contractor has been engaged to carry out the mining activities in the Company-operated areas at Segovia. This new mine contractor is being remunerated for their services based on tonnes mined, thereby lowering mining costs per tonne and turning the former fixed operating cost structure at the Company-operated mines into a variable cost more closely aligned with production, revenues and cash flows.

In 2013, Segovia's cash costs have decreased by 32% to $1,089 per ounce from $1,604 per ounce in the fourth quarter of 2012 as a result of three factors: (1) cost savings; (2) operating costs tied to the spot gold price; and (3) operating costs denominated in Colombian pesos ("COP"). In addition to the costs savings described above, the Company also shifted emphasis in production during this period of lower gold prices to the contract miners who are doing secondary pillar recovery in higher grade areas of the mines. Since the Company pays the contract miners for their services under a formula tied to production and the spot price of gold, it provides the Company with a natural hedge in its cost structure for changes in gold prices. In addition, a substantial portion of the Company's operating costs at Segovia are denominated in COP, which has weakened by 9% relative to the USD during 2013, and contributed to the reduction in Segovia's USD-equivalent total cash costs in 2013.

The Company recorded a provision in the amount of $10.9 million in the fourth quarter of 2013 related to the present value of the Company's best estimate of its potential liability under assessments from Corantioquia, the local competent environmental authority in Segovia, for August 2010 through the end of 2012 and an estimate for 2013 which has not yet been assessed, associated with the discharges of effluents from the Maria Dama plant into the nearby river basin. Certain of the assessed amounts related to 2010 and 2011 are being challenged in the Colombian judicial system and it may be several years before these amounts are finalized. The Company is continuing its efforts to minimize these discharges while it completes construction of the new 2,500 tpd processing facility as part of the Pampa Verde project that is expected to resolve the matter.

At Marmato Underground, the impact on fixed costs of increased tonnages and gold production in the second half of 2013 coupled with the weakening of the COP relative to the USD were the principal drivers behind the reduction in the cash cost to $1,047 per ounce in the fourth quarter of 2013 from $1,273 per ounce in the fourth quarter of 2012.

Social contributions

	Fourth Quarter		Year	
($000's)	2013	2012	2013	2012
Segovia social contributions	$ 319	$ 580	$ 2,335	$ 3,276
Donation for Segovia schooling costs	(633)	-	(395)	395
Total social contributions	$ (314)	$ 580	$ 1,940	$ 3,671

The Company makes contributions to a trust account to fund social programs in Segovia in each quarter in which the Segovia Operations produce a minimum of 15,000 ounces of gold. The contribution rate is tied through a formula to the price of gold and the Company may retain up to 75% of these quarterly contributions to recover advances made to the pension plan during the Frontino liquidation until such advances are recovered. Social contributions amounted to $2.3 million, or approximately $29 per ounce, in 2013, down from $3.3 million, or approximately $42 per ounce, in 2012 due to the lower gold prices in 2013.

In 2012 and 2013, the Company also made a total of $0.8 million in donations to a local charitable foundation to help cover the costs of schooling for children in the Segovia District. At the end of 2013, the Company was successful in getting approval to have the trust account described above assume responsibility to fund the ongoing costs of the school. As such, the Company was able to recover the contributions in the fourth quarter of 2013 that it had made in 2012 and 2013.

Other items

($000's)	Fourth Quarter 2013	Fourth Quarter 2012	Year 2013	Year 2012
G&A expenses	$ 2,300	$ 4,559	$ 11,226	$ 16,497
Impairment charges	58,266	505	163,824	4,084
Finance costs	3,673	11,626	16,574	19,194
Gain (loss) on financial instruments	5,050	(1,402)	11,529	(7,161)

G&A expenses decreased by 32% in 2013 to $11.2 million from $16.5 million last year, reflecting the positive impact of spending reductions implemented in 2013 and the impact of the weakening of the COP relative to the USD on G&A expenses in Colombia. The actions taken reduced the quarterly G&A run rate from $4.6 million in the fourth quarter last year to $2.3 million in the fourth quarter of 2013. While spending reductions did include some activities that were concluded in 2012 that did not recur in 2013, the actions taken in 2013 to reduce spending were the primary contributor to the four consecutive quarters of reduced quarterly G&A run rates achieved in 2013. These actions included, among other things, workforce reduction, a company-wide 10% salary reduction effective in February, a 40% reduction in the size of the Company's board of directors, a 33% reduction in annual board fees effective in April, downsizing of the Company's Bogota office and tighter policies surrounding travel and other discretionary expenditures. The Company expects that its G&A for 2014 will reflect the full year benefit of the actions taken in 2013 and that it can achieve a further 15% decrease in its quarterly run rate compared to the fourth quarter of 2013.

In 2013, the Company has recorded impairment charges of $163.8 million, including $105.0 million in the second quarter of 2013 related primarily to its Marmato Project and associated goodwill, triggered by the significant declines in the Company's market capitalization and in gold and silver prices together with the resultant impact on the gold industry in general. The Marmato Project continues to be a world class gold and silver deposit. However, due to the lower metals prices, the in situ market value of this undeveloped property has decreased and the Company recorded an $80 million impairment charge in the second quarter of 2013. Similarly, 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 venture or sale transactions. Accordingly, the Company recorded a $25 million impairment charge related to these exploration properties in the second quarter of 2013. In conjunction with finalizing its 2013 year end results, the Company completed a fair value assessment of its Segovia Operations using a $1,300 per ounce long-term gold price and the mining plan included in the 2014 PEA. The reduction in both the long-term gold price and the mineable contained ounces in the 2014 PEA mining plan compared with the analyses completed in prior periods triggered a $58 million impairment charge recorded in the fourth quarter of 2013. If the long-term gold price had remained at $1,400 per ounce, no impairment would have been recorded against the carrying value of the Segovia Operations at December 31, 2013. This is consistent with the conclusions of the 2014 PEA which found that the cash flows of the Segovia Operations are more sensitive to commodity price variations than variations in the changes in operating and capital costs. In 2012, the Company recorded $4.1 million of impairment charges, including a $3.4 million write-down of its Mazamorras property to its then estimated fair value and $0.7 million for certain equipment disposed at Segovia. At the end of 2013, the Company agreed with the vendor of the Mazamorras property to cancel the remainder of the purchase price agreement, negating the Company's obligation for the remaining $1.6 million acquisition payment, and to relinquish the mining titles to the local mining authority.

Finance costs amounted to $16.6 million in 2013 compared with $19.2 million in 2012. Finance costs comprise three primary categories as follows:

- Interest expense - $13.9 million in 2013 compared with $8.8 million in 2012. The Company has seen an increase in interest expense in 2013 over the prior year primarily related to the 10% Gold Notes issued in October 2012 ($10 million incurred in 2013, net of $6.6 million capitalized, compared with $1.7 million incurred in 2012, net of $1.2 million capitalized). The Company also pays interest related to (i) the semi-annual interest payments on the Silver Notes issued in August 2011 of 5% per annum, (ii) borrowings under term loans and working capital credit facilities with Colombian banks, and (iii) interest being paid on delayed installments related to amounts payable for mining titles and compensation agreements at the Marmato Project that are currently in the process of being re-negotiated. Interest on the Gold Notes has been pre-funded for the first two years with proceeds that have been set aside in escrow to meet the monthly payment obligations. The interest on all other borrowings is being funded from operating cash flow.
- Non-cash accretion of financial obligations - $2.5 million in 2013 compared with $2.7 million last year. The Company has financial obligations associated with its funding of health plan contributions at Segovia, decommissioning liabilities at Segovia and Marmato Underground, and its equity tax payable, all of which will be paid over time and therefore are recorded at the present value of the future obligation. Non-cash finance costs are recognized as these liabilities are accreted with the passage of time.
- Transaction costs – $7.7 million in 2012 associated with the Gold Notes financing, including $0.5 million related to evaluating other proposals. In 2013, a further $0.2 million has been incurred in connection with the registration of security applicable to the Gold Notes.

The gain on financial instruments of $11.5 million in 2013 includes an $11.2 million mark-to-market (“MTM”) gain on the Gold Notes (2012 – $0.4 million) and a $1.0 million MTM gain on the Silver Notes (2012 – MTM loss of $2.7 million). The fair values on the Gold and Silver Notes of $85.5 million and $66.6 million, respectively, at December 31, 2013 represent a discount to their principal amounts and were determined using a valuation methodology that captures all the features of the notes in a set of partial differential equations that are then solved to arrive at the value of the notes. The principal repayments of the Gold and Silver Notes are directly tied to gold and silver prices at the time of repayment, subject to a minimum of $1,400 per ounce in the case of the Gold Notes and $15 per ounce for the Silver Notes. Given that holders of both notes will receive minimum principal repayments equivalent to the face value of the notes, the Company expects that these fair values will increase in the future as the respective principal repayment dates get closer.

The Company reported an adjusted net loss (see page 19 for the computation of this non-IFRS measure) attributable to shareholders for the fourth quarter of 2013 of $2.6 million, or $0.17 per share, compared with an adjusted net loss of $11.7 million, or $0.77 per share, in the fourth quarter last year. For the full year 2013, the Company reported an adjusted net loss attributable to shareholders of $15.9 million or $1.04 per share compared with an adjusted net loss of $18.6 million or $1.22 per share in 2012. The slight improvement in the adjusted net loss in 2013 compared with last year is attributable to other income/expense items in 2013 as the adverse impact of the decline in gold and silver prices in 2013 on the loss from operations has been mitigated for the most part in 2013 through the Company’s program to reduce production costs and G&A and a reduction in certain production costs that are tied to commodity prices.

Summary of Quarterly Results

$000's except ounce, per ounce and per share data	2013 4th Qtr	2013 3rd Qtr	2013 2nd Qtr	2013 1st Qtr	2012 4th Qtr	2012 3rd Qtr	2012 2nd Qtr	2012 1st Qtr
Operating data:								
Gold produced (ounces)	22,106	29,186	27,151	24,350	22,116	26,912	25,607	26,260
Gold sold (ounces)	21,247	30,125	28,419	22,289	21,198	28,009	24,418	24,814
Average realized gold price (1)	$ 1,295	$ 1,299	$ 1,457	$ 1,639	$ 1,728	$ 1,642	$ 1,623	$ 1,676
Silver sold (ounces)	37,682	39,320	38,572	35,069	32,862	30,725	30,746	29,605
Average realized silver price (1)	$ 21	$ 21	$ 23	$ 30	$ 30	$ 31	$ 29	$ 32
Total cash costs (1, 2)	1,077	1,127	1,133	1,281	1,534	1,261	1,313	1,199
All-in sustaining cost (1, 2, 3)	1,230	1,239	1,293	1,558	N/A	N/A	N/A	N/A
Financial data:								
Revenue								
Gold	$ 27,524	$ 39,137	$ 41,399	$36,536	$ 36,622	$ 45,983	$ 39,630	$ 41,600
Silver	810	833	879	1,035	974	943	891	937
Other	126	106	96	50	162	144	216	141
Total	28,460	40,076	42,374	37,621	37,758	47,070	40,737	42,678
Cost of sales	38,481	39,558	37,919	33,481	37,286	40,969	37,030	34,757
G&A	2,300	2,502	2,864	3,560	4,559	4,149	4,248	3,541
Acquisition costs	-	-	-	-	2,916	177	-	-
Impairment charges	58,266	522	105,036	-	505	169	3,410	-
Share-based compensation	-	-	7	-	-	-	61	44
Social contributions	(314)	697	779	778	580	1,381	847	863
(Loss) income from operations	(70,273)	(3,203)	(104,231)	(198)	(8,088)	225	(4,859)	3,473
Other income (expense)	1,295	(50,603)	35,289	12,693	(15,225)	(679)	(8,676)	(5,346)
(Loss) income before taxes	(68,978)	(53,806)	(68,942)	12,495	(23,313)	(454)	(13,535)	(1,873)
Income tax recovery (provision)	3,726	543	12,843	(2,891)	580	(184)	(82)	2,938
Net (loss) income	(65,252)	(53,263)	(56,099)	9,604	(22,733)	(638)	(13,617)	1,065
Attributable to shareholders	(65,287)	(53,283)	(56,133)	9,545	(22,852)	(724)	(13,724)	1,128
Basic and diluted (loss) income per share	(4.27)	(3.49)	(3.67)	0.62	(1.50)	(0.05)	(0.90)	0.07
Adjusted net (loss) income attributable to shareholders (4)	(2,626)	(6,793)	(2,528)	(3,924)	(11,740)	(1,624)	(7,647)	2,425
Adjusted basic and diluted (loss) income per share (4)	(0.17)	(0.44)	(0.17)	(0.26)	(0.77)	(0.11)	(0.50)	0.16

(1) Per ounce sold.
(2) Refer to "Additional Financial Measures" on page 19.
(3) Adopted by the Company on a prospective basis in 2013. As such, comparative information for 2012 is not presented.
(4) Refer to "Additional Financial Measures" on page 19 for reconciliation to adjusted net loss and adjusted loss per share for the fourth quarter and full year of 2013 and 2012.

The net loss for the fourth quarter of 2013 includes after-tax impairment charges of $58.2 million, or $3.81 per share, principally related to an adjustment to the carrying value of the Segovia Operations to reflect a reduction in estimated fair value due to the adverse impact of lower long-term gold prices on future cash flows and estimated mineable resources. The fourth quarter 2013 net loss also includes a $10.9 million provision for environmental discharge fees at the Company's Segovia Operations related to 2010 to 2013.

The net loss for the third quarter of 2013 includes $46.2 million of MTM losses on the Company's financial instruments.

The net loss for the second quarter of 2013 includes after-tax impairment charges amounting to $87.9 million, or $5.75 per share, offset by MTM gains on financial instruments of $37.2 million, or $2.43 per share.

Total cash costs and gross margin for the fourth quarter of 2012 were adversely impacted by the lower production at the Segovia Operations due to unexpected external power disruptions and lower grades. The net loss for the fourth quarter of 2012 also includes $7.2 million of transaction costs related to the Gold Notes financing, a one-time $2.7 million actuarial charge related to the 2010 acquisition of the Segovia Operations, a $2.3 million foreign exchange loss and a $1.4 million loss on financial instruments.

The net loss for the second quarter of 2012 includes a $3.4 million impairment charge related to the Mazamorras exploration property, $2.9 million of fair value losses on financial instruments and a $3.3 million foreign exchange loss.

Liquidity and Capital Resources

At December 31, 2013, the Company's cash position had increased to $1.6 million from $1.3 million at the end of 2012 and it had $30.6 million in trust from the Gold Notes to fund the ongoing Pampa Verde expansion project at Segovia and to meet the monthly interest payments on the Gold Notes until October 2014.

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 offering and resultant increase in cash flow from mineral production or continue to secure new funding. 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 a working capital deficit at December 31, 2013 (as described below) and, 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. In March 2014, the Company completed a C$16.3 million equity offering (see *"Equity Offering – Subsequent Event"* on page 15), the net proceeds of which have been used to repay the $4 million bridge loan and the balance will be used to reduce accounts payable by up to $3.5 million and to bolster the Company's cash position with the remaining approximately $6 million to improve its liquidity as it completes the Pampa Verde expansion.

At December 31, 2013, the Company had a working capital deficit, excluding the Gold Notes cash in trust, of approximately $45.1 million (December 31, 2012 - $34.2 million). Key components on this working capital deficit at December 31, 2013 include:

- Accounts receivable - $10.0 million, includes $7.1 million of recoverable taxes, predominantly VAT refunds in Colombia. The Company received $2.6 million of this receivable in early January 2014 and used a portion of it ($0.3 million) to pay down the factoring loan. The next VAT refund is expected by May 2014 and will be used to repay the $0.7 million balance of the factoring loan included in short-term debt at December 31, 2013.
- Accounts payable and accrued liabilities - $39.7 million, down 13% from the end of 2012. The Company made progress in 2013 in reducing its overdue payables to suppliers in Segovia and

consultants associated with the Marmato Project. The Company is continuing to take steps to reduce its overdue accounts payable including arranging payment plans with certain significant suppliers for periods of up to 12 months to relieve pressure in managing the supplier relationships. The improvement in operating cash flow as all-in sustaining costs are reduced and gold production increases in 2014 will be a key enabler in this endeavour. In addition, $3.5 million of the net proceeds from the March 2014 equity offering has also been earmarked for payment to certain suppliers in connection with their payment plans.

- Amounts payable for acquisitions of exploration and evaluation assets - $16.5 million related to the Marmato Project. The Company is currently in the process of negotiating extensions to the current contractual terms of the various mining titles acquisition and compensation agreements given the expectation that the development of the open pit option at the Marmato Project has been delayed due to the current market conditions. Once complete, this will allow the Company to re-categorize a significant portion of this liability from current to non-current to reduce the working capital deficit.
- Current portion of equity tax payable - $7.0 million, of which $3.2 million represents the final payments due for the Segovia Operations and will be paid in two installments in May and September 2014. The balance of the equity tax payable relates to the Marmato and Zancudo Projects. The Company is currently in discussion with the tax authority regarding the potential to arrange to settle this liability under a five-year payment plan.
- Short-term debt - $9.2 million, of which a $4 million bridge loan was repaid as planned in March 2014 from the net proceeds of the equity offering and $1 million represents a factoring loan being repaid with VAT receivables as discussed under accounts receivable. The balance of $4.2 million is a revolving credit line in the Company's 60% owned refinery operation in Colombia.
- Current portion of long-term debt - $4.3 million, down from $9.3 million at the end of 2012 through scheduled repayments in the year and the extension of the repayment term for $8 million of the long-term debt to August 2017 to help improve monthly free cash flow over the next year while the Segovia expansion project is completed.
- Current portion of provisions - $2.1 million, representing monthly payments of approximately $0.1 million to fund the acquired health care obligation in the Segovia Operations and $0.9 million related to the payments expected to be paid in 2014 under a five-year payment plan to be arranged with Corantioquia related to the 2012 environmental discharge fees at Segovia.

Operating activities

In 2013, operating activities provided net cash of $14.6 million compared with $13.0 million in 2012. Production contributed $27.4 million of operating cash flow (revenues net of production costs and production taxes) and together with working capital items (largely a reduction in VAT receivables) was used to fund G&A expenses, social contributions, income taxes and equity tax installments.

Investing activities

Cash used in investing activities in 2013 amounted to $42.0 million. Significant items included:

- $42.5 million on capital expenditures.
    - Segovia expansion. A total of $33.0 million, funded by the proceeds of the Gold Notes, was spent during 2013, related to the expansion project at Segovia, including $18 million on plant and other equipment and $10.8 million on exploration and mine development. The expansion program, with a current total project cost estimate of $84 million (including contingency), has

entered the construction phase and is proceeding on schedule with the mine development being completed in 2014 and the plant completed for testing in the first quarter of 2015 and fully operating by mid-2015.
    - Sustaining capital expenditures. A total of $2.5 million was spent at the Segovia Operations and Marmato Underground mine in 2013 including the completion of Maria Dama mill upgrades and the crusher replacement in the second quarter at the Marmato Underground mine.
    - $3.9 million of expenditures on the Marmato Project. These expenditures include $2.4 million associated with various overhead costs at the Marmato Project site, $0.9 million related to work performed in 2013 to further the Marmato underground pre-feasibility study, $0.6 million spent in connection with a land title for the Marmato Project. In June 2013, the Company took steps to minimize ongoing overhead costs at the Marmato Project site and in August, the Company suspended work on the Marmato underground pre-feasibility study to preserve cash for the Segovia Operations.
    - $0.5 million as the initial payment in a $1.9 million transaction with a contract mining cooperative at the Segovia Operations to acquire certain equipment and installations in the mine as the contractor ceased operations at the El Silencio mine at the end of November. The balance of the acquisition price is scheduled to be paid in 2014.
    - A $2.6 million reduction in accounts payable and accrued liabilities for capital expenditures from last year.
- A recovery of $1.6 million in 2013 of the previous advances made by the Company to fund the monthly pension plan payments to retirees during the transition period following the acquisition of the Segovia Operations.
- $1.1 million paid in 2013 to fund the assumed obligation for the monthly health care premiums of the retirees at the Segovia Operations.

Financing activities

Colombian Debt Facilities

The Company has entered into several financial arrangements with local Colombian banks to fund its cash management activities and investments in its capital projects. These arrangements include:

- The Company's refinery operation has unsecured bank overdraft and working capital credit facilities with Colombian banks under which it may borrow funds for 60 to 180 days. In 2013, the Company repaid $2.5 million of this indebtedness. At December 31, 2013, a total of $4.2 million was drawn under these credit facilities.
- In October 2012, the Company entered into a $2.25 million factoring loan secured by a portion of the Company's VAT receivables. In 2013, this factoring loan was fully repaid for a portion of VAT refunds received. In October 2013, a new $1 million factoring loan was entered, secured by a portion of VAT refunds pending for receipt by the end of 2013. In December 2013, the Company arranged an extension of the factoring loan, repaying $0.3 million in January 2014 and the balance is now due by May 2014, to be repaid from VAT refunds expected to be received at that time.
- 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.

The Company may seek to renegotiate the terms of the existing term loans or to implement additional working capital lines and other similar banking arrangements with local financial institutions in Colombia to facilitate its cash management activities, subject to the permitted indebtedness covenants of the Gold Notes issued by the Company at the end of October 2012. The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objective of growing production and expanding its resources and to respond to changes in economic conditions.

Blue Pacific 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 (see "Equity Offering - *Subsequent Event*" below) 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.

Gold Notes Cash in Trust

During the fourth quarter of 2012, the Company raised $92.3 million, net of transaction costs, through the Gold Notes financing to fund the expansion of the Segovia Operations over the next approximately 18 months. During 2013, the Company used a total of $53.1 million ($61.7 million to-date) of this cash including $43.1 million ($50.0 million to-date) to fund project-related capital and other expenditures at Segovia and $10.0 million ($11.7 million to-date) to fund the monthly interest payments. At December 31, 2013, a total of $30.6 million is being held in the trust accounts, of which $8.3 million is set aside to fund the monthly interest payments on the Gold Notes over the next 10 months and $22.3 million is set aside to fund the new 2,500 tpd plant and mine development program at Segovia. In addition, the Company entered into a five-year finance lease to fund $1.7 million of mining and other equipment included in the project budget. The project team continues to review the $84 million project budget for opportunities to reduce capital costs, where possible, and to determine if additional equipment leasing can be used to fund any portion of the capital cost of the project. Segovia's operating cash flow in 2014 is expected to be sufficient to fund any balance of the capital budget in excess of the segregated account funds. The Segovia expansion project, to be completed by the first quarter of 2015, is expected to increase Segovia's production to in excess of 150,000 ounces annually and to reduce all-in sustaining costs to below $1,000 per ounce by 2015.

Equity Offering – 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 (as described above). 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.

Outstanding Shares, Stock Options, Compensation Options and Warrants

At March 31, 2014, the Company had the following securities issued and outstanding, after giving effect to the 1-for-25 common share and warrant consolidations on June 18, 2013:

Securities	Number	Exercise price per unit	Expiry date
Common shares (TSX: GCM)	23,703,228		
Stock options	378,500	CA$40.00	August 2015
	500	CA$40.00	October 2015
	4,500	CA$45.75	January 2016
	2,000	CA$44.00	January 2016
	2,000	CA$40.00	May 2016
	489,076	CA$18.25	September 2016
	8,000	CA$13.50	September 2016
	2,600	CA$15.50	October 2016
	11,220	CA$18.25	April 2017
	898,396		
	264,197 (1)	CA$33.75 to CA$53.325	July 2014 to May 2016
Warrants			
TSX: GCM.WT	6,318,792	CA$65.00	August 24, 2015
TSX: GCM.WT.A	4,211,918	CA$3.25	March 18, 2019
Unlisted	1,000,000	CA$18.75	October 30, 2017

1) Represent exchanged Gran Colombia options issued to Medoro option holders in connection with the merger in June 2011. Upon exercise, entitles the option holder to receive 1.2 common shares and 0.5 share purchase warrants (GCM.WT) of the Company.

Recent Accounting Pronouncements

Application of New and Revised Accounting Standards Effective January 1, 2013

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.

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 consolidated financial statements based on the characteristics of its financial instruments at the time of adoption.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, investments, short-term debt, amounts payable for exploration and evaluation assets, accounts payable and accrued liabilities and long-term debt. The fair value of these financial instruments approximates their carrying values.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Risks and Uncertainties

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

- Metal price volatility;
- Future production rates;
- Financing risks;
- History of losses;
- Going concern;
- Current global markets and economic conditions;
- Availability and cost of supplies;
- Exploration, development and operations;
- Risks with title to mineral properties;
- Changes in environmental laws;
- Liquidity risks;
- Mining risks and insurance risks;
- Indebtedness of the Company;
- Servicing indebtedness;
- Additional indebtedness;
- Indebtedness – restrictive covenants;
- Risks related to the Silver Notes:
    - Ranking; absence of covenant protection; and market for the Silver Notes;
- Risks related to the Gold Notes:
    - Ranking; collateral; voiding the Gold Notes or guarantees; bankruptcy and insolvency laws; subordinated collateral; reduction of pool of assets securing the Gold Notes; release of collateral; perfecting security interests; financing the change of control provision; restrictions on transfer; no public market for Gold Notes; and no public market for the warrants;
- Taxation – CRA review;
- Interest rate risk;
- Price risk;
- Integration risks;
- Regulatory approvals;
- Environmental permits;
- Changes in legislation;

- Corruption;
- Labour matters and employee relations;
- Economic and political factors:
    - Colombia:
        - Emerging market country; economic and political developments; exchange controls; decline in economic growth; seizure or expropriation of assets; local legal and regulatory systems; Colombia – less developed country; sanctions by the United States government; and guerilla and other criminal activity;
    - Venezuela*;*
- Use of and reliance on experts outside Canada;
- Operating history in Colombia;
- Currency risk;
- Governmental regulation and permitting;
- Decommissioning liabilities;
- Shortage of experienced personnel and equipment;
- Potential conflicts of interest;
- Possible volatility of stock price;
- Repatriation of earnings;
- Enforcement of civil liabilities;
- Forward-looking information may prove inaccurate;
- Infrastructure;
- Joint ventures;
- Competition;
- Dividends;
- Service of process and enforcement of judgments outside Canada;
- Resettlement of the town of Marmato; and,
- Other risks.

If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently aware or which it considers to be material in relation to the Company's business actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the prices of the Company's securities could decline and investors may lose all or part of their investment.

Readers are encouraged to read and consider the risk factors more specifically described in the Company's Annual Information Form dated as of March 31, 2014 which is available at www.sedar.com. Such risk factors could materially affect the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Judgments and estimates are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ significantly from the amounts included in the interim financial statements. The critical judgments and estimates applied in the preparation of the Company's consolidated financial statements are consistent with those applied and disclosed in Notes 3 and 4 to the Company's consolidated financial statements for the year ended December 31, 2013, including:

- Exploration and evaluation;
- Assets' carrying values and impairment charges;
- Income taxes;
- Mineral reserves and resources;
- Purchase price allocations;
- Impairment;
- Amortization and depletion of mineral properties; and,
- Decommissioning liabilities.

Additional Financial Measures

The Company has included additional financial performance measures in this MD&A, such as adjusted net income or loss and total cash costs (by-product) and all-in sustaining costs on a per ounce basis. The Company reports total cash costs and all-in sustaining costs on a sales basis. In the gold mining industry, this is a common performance measure but does not have any standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

"Adjusted net income or loss" excludes gains/losses and other costs incurred for acquisitions and disposals of mining interests, impairment charges, unrealized and non-cash realized gains/losses on financial instruments, foreign exchange impacts on deferred income tax as well as significant non-cash, non-recurring items. The Company excludes these items from net income or loss attributable to shareholders to provide a measure which allows the Company and investors to evaluate the results of underlying core operations of the Company and its ability to generate cash flow.

"Total cash costs per ounce" on a by-product basis is calculated by deducting by-product silver sales revenues from production cash costs and production taxes and dividing the sum by the number of gold ounces sold. Production cash costs include mining, milling, refining and mine site administration costs.

"All-in sustaining cash costs per ounce" includes total cash costs per ounce (as defined above) and adds the sum of G&A, sustaining capital and certain E&E costs and a provision for environmental discharge fees, if applicable, all divided by the number of ounces sold. As this measure seeks to reflect the full cost of gold production from current operations, new project capital is not included in the calculation of all-in sustaining costs per ounce. Additionally, certain other cash expenditures, including income and equity tax payments and financing costs, are not included.

The following table provides a reconciliation of ***adjusted net loss*** and ***adjusted net loss per share*** to the consolidated financial statements:

	Fourth Quarter		Year	
	2013	2012	2013	2012
Net loss attributable to shareholders	**$ (65,287)**	**$ (22,852)**	**$ (165,158)**	**$ (36,172)**
Impairment charges, net of tax	58,266	505	146,684	4,084
Provision for environmental charges	10,883	-	10,883	-
Allowance for doubtful accounts	993	-	993	-
Acquisition costs	-	2,916	-	3,093
Transaction costs, Gold Notes and other	-	7,668	-	7,668
Losses (gains) on financial instruments	(5,050)	1,402	(11,529)	7,161
Settlement of tax dispute	(3,016)	-	(3,016)	-
Unrealized losses (gains) on foreign exchange translation of deferred income tax assets and liabilities	585	(1,379)	5,272	(4,420)
Adjusted net loss	**$ (2,626)**	**$ (11,740)**	**$ (15,871)**	**$ (18,586)**
Adjusted net loss per share	**$ (0.17)**	**$ (0.77)**	**$ (1.04)**	**$ (1.22)**

The following table provides a reconciliation to the consolidated financial statements of ***total cash costs per ounce*** and ***all-in sustaining costs per ounce***:

	Fourth Quarter		Year	
($000's except ounces and per ounce data)	2013	2012	2013	2012
Gold sales (ounces)	21,247	21,198	102,080	98,439
Total cash costs per ounce				
Production costs	$ 22,331	$ 31,598	$ 114,150	$ 125,576
Production taxes	1,370	1,897	6,984	7,824
Silver revenues	(810)	(974)	(3,557)	(3,745)
Total cash costs on a by-product basis	$ 22,891	$ 32,521	$ 117,577	$ 129,655
Per ounce sold	**$ 1,077**	**$ 1,534**	**$ 1,152**	**$ 1,317**

	Fourth Quarter		Year	
($000's except ounces and per ounce data)	2013	2012	2013	2012
All-in sustaining costs per ounce (1)				
Total cash costs on a by-product basis	$ 22,891		$ 117,577	
G&A, net of depreciation and amortization	2,231		11,038	
Sustaining capital	457		2,512	
Exploration and evaluation costs	282		2,425	
Provision for environmental charges (2)	263		1,374	
All-in sustaining costs	$ 26,124		$ 134,926	
Per ounce sold	**$ 1,230**	**N/A**	**$ 1,322**	**N/A**

(1) Adopted by the Company on a prospective basis in 2013. As such, comparative information is not presented.
(2) Excludes portion of the provision recorded in 2013 related to charges for 2010 to 2012.

Sustaining capital expenditures are defined as those expenditures which do not increase annual gold ounce production and excludes all expenditures at the Company's projects and certain expenditures at the Company's operations which are deemed to be expansionary in nature. The following table reconciles ***sustaining capital expenditures and E&E costs*** to the Company's total additions as reported in the consolidated statement of cash flows for the year ended December 31, 2013:

Additions to mining interests		
Segovia expansion project, net of finance leases	$	32,990
Acquisition of equipment from contract mining cooperative		529
Sustaining capital		2,512
Exploration and evaluation costs		2,425
Marmato Project expenditures		1,502
Reduction in accounts payable and accrued liabilities related to capital expenditures		2,554
	$	42,512

Management's Report on Internal Control over Financial Reporting

Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures and has evaluated the design and operating effectiveness of the Company's disclosure controls and procedures and has concluded that they were effective as at December 31, 2013.

Internal control over financial reporting

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud. Management has used the COSO (1992) framework in order to assess the effectiveness of the design of the Company's internal control over financial reporting.

Management conducted an evaluation of the design and operating effectiveness of internal control over financial reporting and concluded that it was effective as at December 31, 2013.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the three months ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

In 2014, the Company remains focused on the controllable aspects of its cash generation, including execution of its mine plan, to ensure it meets all financial obligations while the Pampa Verde expansion project at Segovia is being completed. Total gold production for 2014 for the Company will be influenced by the timing of when the higher grade areas will ultimately become accessible for mining at Segovia and is expected to total between 102,000 to 122,000 ounces, with 80,000 to 100,000 ounces at Segovia and 22,000 ounces at the Marmato Underground mine. Mine development at Segovia, including a shaft at Providencia, dewatering at El Silencio, a ramp at the Carla mine and additional development at Sandra K, will facilitate the Company's ability in the fourth quarter of 2014 to implement mechanized mining in certain of the Company-operated areas at Segovia to increase mining rates and reduce mining costs. In addition, mine development will open access to higher grade stopes that will also generate production growth and reductions in all-in sustaining costs on a per ounce basis as the year progresses.

The Company's all-in sustaining cost averaged $1,322 per ounce in 2013. As a result of actions taken in 2013 and so far in 2014 to reduce production costs and G&A, improvements in head grades as the year progresses and continuing to keep sustaining capital expenditures to a minimum while the Pampa Verde project is completed, the Company expects its all-in sustaining costs for the full year in 2014 will average between $950 and $1,025. This includes an average total cash cost for the year of $850 to $900 per ounce, well below the average of $1,152 per ounce achieved in 2013, and G&A expenses of $65 to $80 per ounce, down from $108 per ounce in 2013. Sustaining capital expenditures, including a limited amount of exploration and geology spending at Segovia to support execution of the mine plan is expected to amount to approximately $3.4 million in 2014 and the all-in sustaining cost includes a provision of approximately $11 to $13 per ounce for environmental discharge fees at Segovia.

From an investment perspective, the primary focus in 2014 remains with the construction and development activities at the Pampa Verde expansion project at the Segovia Operations. The project remains on track and within its capital budget. Capital expenditures, exploration and mine development in support of the Pampa Verde expansion project are not included in all-in sustaining cost.

Cautionary Note Regarding Forward Looking Statements

Certain statements in this MD&A constitute forward-looking information. Often, but not always, forward-looking statements use words or phrases such as: "expects", "does not expect" or "is expected", "anticipates" or "does not anticipate", "plans" or "planned", "estimates" or "estimated", "projects" or "projected", "forecasts" or "forecasted", "believes", "intends", "likely", "possible", "probable", "scheduled", "positioned", "goal", "objective" or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Such forward-looking statements, including but not limited to statements with respect to anticipated business plans or strategies, involve known and unknown risks, uncertainties and other factors which may cause the actual actions, events and results to be materially different from estimated actions, events or results expressed or implied by such forward-looking statements. The Company believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the caption "*Risk Factors*" in the Company's Annual Information Form dated as of March 31, 2014, which is available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws.