Gran Colombia Gold Corp.

Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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, 2015

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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, 2014 and December 31, 2013, the consolidated statements of operations, comprehensive loss, changes in 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, 2014 and December 31, 2013, 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 various matters and conditions, including defaults under the terms of debt agreements with note holders holding notes with principle amounts of $178.6 million and other factors that indicate the existence of material uncertainties 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, 2015
Toronto, Canada

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

	Notes	As at December 31, 2014	As at December 31, 2013
ASSETS			
Current			
Cash and cash equivalents		$ 767	$ 1,609
Cash in trust	11d,f	5	30,637
Accounts receivable	16	13,095	10,698
Income taxes recoverable	16	5,358	4,777
Inventories	5	10,806	14,145
Prepaid expenses and deposits		1,621	2,885
Assets held for sale	6	2,275	-
		33,927	64,751
Non-current			
Cash in trust	13c	720	1,137
Mining interests	7	428,541	470,557
Goodwill	8	-	1,669
Other assets		22	546
Total assets		$ 463,210	$ 538,660
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt	11	$ -	$ 9,211
Accounts payable and accrued liabilities	10	37,500	38,657
Amounts payable for acquisitions of mining interests	7	14,182	17,046
Current portion of long-term debt	11	116,333	4,284
Equity tax payable	12	6,771	7,550
Current portion of provisions	13	1,365	2,103
Income tax payable	15	274	333
Liabilities of assets held for sale	6	1,632	-
		178,057	79,184
Non-current			
Long-term debt	11	3,965	159,020
Provisions	13	34,380	39,438
Deferred income taxes	15	30,099	20,148
Total liabilities		246,501	297,790
Equity			
Share capital	14b	369,148	359,221
Share purchase warrants	14c	137,159	133,754
Contributed surplus		42,816	42,027
Accumulated other comprehensive loss		(52,065)	(17,433)
Deficit		(280,877)	(277,567)
Total equity attributable to shareholders		216,181	240,002
Non-controlling interest		528	868
Total equity		216,709	240,870
Total liabilities and shareholders' equity		$ 463,210	$ 538,660

Nature of operations and going concern **(Note 1)**
Contingency **(Note 13b)**
Subsequent event **(Notes 11d, 16)**

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, 2014	Year ended December 31, 2013
Revenue		$ 123,027	$ 148,531
Costs and expenses			
Cost of sales	17	119,123	148,446
General and administrative expenses		7,318	11,226
Impairment charges	9	16,659	163,824
Allowance for doubtful accounts		812	993
Share-based compensation expense	14d	789	7
Social contributions	7	1,684	1,940
Loss from operations		(23,358)	(177,905)
Other income (expense)			
Finance income		792	181
Finance costs	18	(12,169)	(16,574)
Foreign exchange gain		3,548	3,538
Gain on financial instruments	19	40,556	11,529
		32,727	(1,326)
Income (loss) before income taxes		9,369	(179,231)
(Provision) for recovery of income taxes			
Current	15	(1,826)	162
Deferred	15	(11,193)	14,059
		(13,019)	14,221
Net Loss		**$ (3,650)**	**$ (165,010)**
Attributed to shareholders		**$ (3,310)**	**$ (165,158)**
Attributed to non-controlling interests		**$ (340)**	**$ 148**
Basic and diluted loss per share attributable to shareholders	**20**	**$ (0.15)**	**$ (10.81)**
Weighted average number of common shares outstanding		21,926,161	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, 2014	Year ended December 31, 2013
Net loss		**$ (3,650)**	**$ (165,010)**
Items not to be reclassified to profit (loss) in subsequent periods			
Actuarial gain on Frontino health plan obligations, net of tax effect of $275	13c	534	-
Items that may be reclassified to profit (loss) in subsequent periods (nil tax effect)			
Foreign currency translation adjustment		(35,166)	(19,847)
Comprehensive loss		**$ (38,282)**	**$ (184,857)**
Attributed to shareholders		**$ (37,832)**	**$ (184,926)**
Attributed to non-controlling interests		**$ (450)**	**$ 69**

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, 2014	Year ended December 31, 2013
Common shares	14b		
Balance, beginning of period		$ 359,221	$ 359,221
Issuance of shares		10,945	-
Share issue costs		(1,018)	-
Balance, end of period		369,148	359,221
Share purchase warrants	14c		
Balance, beginning of period		133,754	134,307
Issuance of warrants		3,723	-
Warrant issue costs		(318)	-
Expiry of warrants		-	(553)
Balance, end of period		137,159	133,754
Contributed surplus			
Balance, beginning of period		42,027	41,541
Share-based compensation	14d	789	7
Expiry of warrants, net of tax effect of $74		-	479
Balance, end of period		42,816	42,027
Accumulated other comprehensive loss			
Balance, beginning of period		(17,433)	2,414
Actuarial gain on health plan obligation, net of tax effect of $275		534	-
Foreign currency translation adjustment		(35,166)	(19,847)
Balance, end of period		(52,065)	(17,433)
Deficit			
Balance, beginning of period		(277,567)	(112,409)
Net loss attributable to shareholders		(3,310)	(165,158)
Balance, end of period		(280,877)	(277,567)
Non-controlling interests			
Balance, beginning of period		868	1,002
Dividend declared		-	(282)
Net income attributable to non-controlling interests		(340)	148
Balance, end of period		528	868
Total equity		**$ 216,709**	**$ 240,870**

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, 2014	Year ended December 31, 2013
Operating Activities			
Net loss		$ (3,650)	$ (165,010)
Adjusted for the following items:			
Depreciation, depletion and amortization		15,934	16,617
Share-based compensation		789	7
Finance income		(792)	(181)
Finance costs		12,169	16,574
Foreign exchange gain		(3,634)	(3,614)
Impairment charges	9	16,659	163,824
Provision for environmental discharges	13b	1,248	10,883
Gain on financial instruments	19	(40,556)	(11,529)
Non-cash social contribution		116	-
Income tax expense (recovery)		1,826	(162)
Deferred income taxes		11,193	(14,059)
Changes in non-cash working capital items	20	3,218	12,493
Payments of Frontino health obligations	13c	(1,086)	(1,109)
Operating cash flows before interest and taxes		13,434	24,734
Equity tax paid	12	(197)	(7,291)
Income taxes paid		(3,488)	(3,906)
Net cash provided by operating activities		9,749	13,537
Investing Activities			
Additions to mining interests	7	(31,131)	(42,512)
Proceeds on disposal of property, plant and equipment		307	-
Deposit on sale of CIIGSA, net of $102 cash transferred to Assets held for sale		202	-
Decrease in other assets		1,053	1,637
Net cash used in investing activities		(29,569)	(40,875)
Financing Activities			
Net proceeds from equity financing		13,332	-
Increase in short-term debt		-	262
Repayment of short-term debt		(8,011)	-
Increase in long-term debt		-	1,252
Repayment of long-term debt		(4,231)	(5,759)
Net interest paid		(12,475)	(20,882)
Decrease (increase) in cash in trust for debt service	11d	18	(100)
Decrease in cash in trust for Frontino health obligations	13c	247	-
Decrease in cash in trust from Gold Notes	11f	30,591	53,125
Other financing costs		(396)	-
Dividend paid to non-controlling interest		-	(141)
Net cash provided by financing activities		19,075	27,757
Impact of foreign exchange rate changes on cash and cash equivalents		(97)	(108)
(Decrease) increase in cash and cash equivalents		**(842)**	**311**
Cash and cash equivalents, beginning of year		1,609	1,298
Cash and cash equivalents, end of year		**$ 767**	**$ 1,609**

See accompanying notes to the consolidated financial statements.

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.

The Company is currently in default of the terms of its Gold Notes (principal amount - $100 million) and Silver Notes (principal amount - $78.6 million) (as discussed herein and further disclosed in Note 11) and has a working capital deficit (excluding the Gold and Silver Notes) of $29.8 million as at December 31, 2014. To continue as a going concern, the Company must remedy the current defaults under the Gold and Silver Notes or secure new funding.

While the Company has production and positive cash flow from operations for the year ended December 31, 2014, future cash flows may not be sufficient to fully fund the Company's debt service and working capital deficit requirements.

There can be no assurance that any one or all of these initiatives will be successful. These material uncertainties may cast 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.

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, stability or increases in future gold prices, and the success of future operations or dispositions of the mineral properties.

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, approved by the Board of Directors on March 31, 2015, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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, 2014.
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

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

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.

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 for the years ended December 31, 2014 and 2013 includes a 40% interest in 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 re-measured. 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 re-translated; 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, 2014 and 2013, 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 or loss. Payments made in respect of these benefits are accounted for as operating activities.

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.

Prior year comparatives

Certain amounts in mining interests, accounts payable and accrued liabilities and cost of sales in the prior year comparatives have been reclassified to conform to the current year presentation.

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, 2013. 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, 2014:

i) 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 adoption of this standard did not have any effect on the Company's consolidated financial statements.
ii) IFRIC 21, *Levies,* provides guidance on accounting for levies in accordance with IAS 37*, Provisions, Contingent Liabilities and Contingent Assets*. It defines a levy as an outflow from an entity imposed by a government in accordance with legislation, other than: (a) those outflows of resources that are within the scope of other Standards (such as income taxes); and (b) fines and other penalties that are imposed for breaches of the legislation. This interpretation confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The adoption of this standard did not have any effect on the Company's consolidated financial statements.

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2014, and have not been applied in preparing these consolidated financial statements.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). The standard replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets From Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2017, and permits early adoption. The Company is in the process of determining the impact of IFRS 15 on its consolidated financial statements.

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments ("IFRS 9")* which will replace IAS 39, *Financial Instruments* ("IAS 39"). This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition and measurement of financial instruments with two classification categories: amortized cost and fair value. As well, under the new standard a single impairment method is required, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes a substantially reformed approach to hedge accounting that aligns accounting more closely with risk management. The Company is in the process of determining the impact of IFRS 9 on its consolidated financial statements.

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 assets

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 estimates 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.

Fair values of the Gold and Silver Notes

The Gold and Silver Notes represent financial liabilities held at fair value with the change in fair value being recognized through profit and loss. Fair values have been determined based on a valuation methodology that captures all of the features of the respective notes in a set of partial differential equations that are then solved numerically to arrive at the value of the notes. The fair value estimates are based on numerous assumptions including, but not limit to, commodity prices, time value, volatility factors, risk-free rates and credit spreads. 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.

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, 2014	December 31, 2013
Mineral inventories	$ 3,950	$ 5,214
Materials and supplies	6,856	8,931
	$ 10,806	$ 14,145

In 2014, the Company recorded an impairment charge of $0.5 million for obsolete materials and supplies inventory (2013 - $Nil) and $0.4 million for mineral inventories (2013 - $0.1 million).

6. ASSETS HELD FOR SALE

In October 2014, the Company agreed to the principal terms regarding the sale of its 60% interest in the CIIGSA refinery operation to an arm's length third party for total cash consideration of approximately $1.1 million, of which a deposit of $0.3 million was received upon signing and the balance will be received in instalments over the next three years. The sale transaction is expected to close in the second quarter of 2015. The Company also entered into a 12-year supply agreement pursuant to which it will continue to sell all of its gold and silver production in Colombia to the third party for processing at CIIGSA at market prices.

	December 31, 2014	December 31, 2013
Assets held for sale	$ 2,275	$ -
Liabilities of assets held for sale	(1,632)	-
Net assets held for sale	$ 643	$ -

7. MINING INTERESTS

	Mineral properties	Plant and equipment	Construction in progress	Exploration and evaluation	Total
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 and impairments	75,372	12,602	-	-	87,974
Net book value	$ 154,622	$ 43,721	$ 39,748	$ 232,466	$ 470,557
Year ended December 31, 2014					
Opening net book value	$ 154,622	$ 43,721	$ 39,748	$ 232,466	$ 470,557
Additions	1,823	4,453	21,760	79	28,115
Disposals	(118)	(189)	-	-	(307)
Capitalized interest	-	-	10,000	-	10,000
Social contributions [1]	(116)	-	-	-	(116)
Increase in decommissioning liability	128	-	-	-	128
Depreciation	(11,262)	(4,789)	-	-	(16,051)
Transfers to assets held for sale	-	(157)	-	-	(157)
Impairment charges (Note 9)	(12,944)	(2,826)	-	-	(15,770)
Exchange difference	(25,713)	(7,598)	(10,432)	(4,115)	(47,858)
Closing net book value	$ 106,420	$ 32,615	$ 61,076	$ 228,430	$ 428,541
As at December 31, 2014					
Cost	$ 210,780	$ 48,788	$ 61,076	$ 228,430	$ 549,074
Accumulated depreciation and impairments	104,360	16,173	-	-	120,533
Net book value	$ 106,420	$ 32,615	$ 61,076	$ 228,430	$ 428,541

(1) In 2014, the Company donated land and buildings in Segovia to the local government with a carrying value of $0.1 million.

A summary of mining interests by property is as follows:

	Mineral properties	Plant and equipment	Construction in progress	Exploration and evaluation	December 31, 2014	December 31, 2013
Segovia Operations	$ 106,420	$ 23,426	$ 61,076	$ -	$ 190,922	$ 223,790
Marmato	-	9,189	-	228,430	237,619	245,425
Other	-	-	-	-	-	1,342
Total	$ 106,420	$ 32,615	$ 61,076	$ -	$ 428,541	$ 470,557

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

	2014	2013
Cost of sales	$ 15,737	$ 16,429
General and administrative expenses	197	188
Total charged to operations	15,934	16,617
Decrease in inventories	(39)	(29)
Capitalized to exploration and evaluation assets	156	256
	$ 16,051	$ 16,844

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

Segovia Operations 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. Based on the Company's gold production during 2014, the Company incurred a total obligation for social contributions of $1.7 million (2013 – $1.9 million).

Marmato Project commitments

(i) 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, 2014, $2.4 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, 2013 - $3.4 million). In addition, the Company has commitments to spend an additional $15 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 ($2.5 million).

(ii) 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, 2014, $11.8 million is included in amounts payable for acquisition of mining interests related to compensation agreements (December 31, 2013 - $13.1 million).

8. GOODWILL

Balance, December 31, 2012	$ 29,332
Impairment charge – Marmato Project (Note 9)	(27,663)
Balance, December 31, 2013	1,669
Transfer to assets held for sale (Note 6)	(1,669)
Balance, December 31, 2014	$ -

9. IMPAIRMENT CHARGES

	Years ended December 31, 2014	2013
Mineral properties		
Segovia Operations	$ 12,944	$ 58,000
Exploration and evaluation assets		
Marmato Project	-	52,543
El Zancudo	-	21,195
Mazamorras	-	4,289
Goodwill		
Marmato Project	-	27,663
Other related to inventories and plant and equipment (Note 5, 7)	3,715	134
	$ 16,659	$ 163,824

At December 31, 2014, the carrying amount of the net assets of the Company continued to exceed its market capitalization, which is an indicator of potential impairment of the carrying amount of its net assets. As a result, the Company assessed the recoverable amounts of each of its CGUs at December 31, 2014.

Segovia Operations CGU

As part of the annual review of recoverable amounts of its CGUs at December 31, 2014, the fair value (less cost of disposal) of the Segovia Operations CGU was reassessed utilizing an updated mine plan completed in February 2015 together with further changes in the expected long-term gold price and recently enacted changes in income tax rates in Colombia. The determination of fair value (less cost of disposal) for the Segovia Operations CGU uses Level 3 valuation techniques.

The assessment of carrying value of the Segovia Operations CGU at December 31, 2014 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%, a gold price of $1,200 in 2015 and long-term gold prices beyond 2015 of $1,300 per ounce (December 31, 2013 - $1,300 per ounce for 2015 and beyond). At December 31, 2014, as a result of recently enacted increases in income tax rates in Colombia, the carrying value exceeded the estimated recoverable amount of the Segovia Operations CGU, and as such, a $12.9 million impairment charge was recognized against mineral properties. At December 31, 2013, a $58.0 million impairment charged was recognized against mineral properties primarily attributable to a reduction in the long-term gold price to $1,300 per ounce from $1,400 to $1,600 per ounce used in the previous annual review in 2012.

As part of this year's 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 the assumptions used for the December 31, 2014 impairment testing, 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 beyond 2015 of $1,350 per ounce or a 5% reduction in the LOM operating costs would have been required for the estimated recoverable amount to equal its carrying amount and no impairment charge recorded.

Marmato Project CGU and related goodwill

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 December 31, 2014, the Company concluded that there are no significant changes in the potential gold equivalent ounces, the long-term price of gold or other factors that would indicate that the recoverable amount on an in situ per ounce basis has decreased from the prior year.

In 2013, the Company recorded a $52.5 million impairment charge ($35.4 million after tax) against the Marmato exploration and evaluation assets and an impairment charge of $27.7 million was recorded against goodwill associated with the Marmato Project.

Other exploration and evaluation assets

In 2013, the Company recorded impairment charges in the amount of $21.2 million and $4.3 million related to its El Zancudo and Mazamorras exploration properties, respectively, as no further exploration work was planned on these projects for the foreseeable future and the Company's ability to either joint venture or sell its interests was adversely impacted by the gold price decline on junior exploration budgets and financings. 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.

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

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2014	December 31, 2013
Trade payables related to operating, general and administrative expenses	$ 24,105	$ 25,770
Trade payables related to capital expenditures	4,862	9,073
Withholding taxes payable	3,868	2,026
Deposit related to sale of CIIGSA (Note 6)	304	-
Advances received against future gold sales	1,028	-
Provision for supplier contract termination	1,510	-
Other provisions and accrued liabilities	1,823	1,788
Total accounts payable and accrued liabilities	$ 37,500	$ 38,657

11. SHORT- AND LONG-TERM DEBT

	Maturity	Currency	Interest Rate	December 31, 2014	December 31, 2013
Short-term debt					
Credit facility (a)	Revolving	USD	Variable	$ -	$ 4,211
Factoring loan (b)	2014	USD	1.60% monthly	-	1,000
Bridge loan (c)	2014	USD	Interest free	-	4,000
Total short-term debt				$ -	$ 9,211
Long-term debt					
Term loans (d)	2015 to 2017	COP	Variable	$ 4,428	$ 9,520
Finance leases (e)	2016 to 2018	COP	Variable	1,530	1,710
Gold Notes (f)	2017	USD	10%	80,904	85,469
Silver Notes (g)	2018	USD	5%	33,436	66,605
Total long-term debt				120,298	163,304
Less: current portion				116,333	4,284
Long-term portion				$ 3,965	$ 159,020

a) Credit facilities

The Company's refinery operation has an unsecured working capital credit facility with a Colombian bank, bearing interest at the 90-day London interbank offered rate ("LIBOR") (December 31, 2014 – 0.2556%) plus 1.25% and 1.30%, under which it may borrow funds up to 180 days. This facility is included in liabilities of assets held for sale at December 31, 2014 (Note 6).

b) Factoring of Value-added tax ("VAT") receivables in Segovia Operations

In 2014, the Company repaid the $1.0 million borrowed in 2013 under a factoring loan agreement secured against a portion of its VAT receivables.

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 up to 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 14(b)) and issued 2,211,442 units to Blue Pacific in settlement of $3.85 million of the bridge loan, which amount was the maximum amount Blue Pacific could subscribe for under TSX regulations. The remaining

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

$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.

d) Term loans

At December 31, 2014, the Company had a total of COP 10.7 billion, equivalent to approximately $4.4 million (December 31, 2013 – COP 18.3 billion or $9.5 million), outstanding pursuant to two term loans with Colombian banks which are repaid on a quarterly basis and bear interest at the Colombian market weekly average of fixed-term deposits ("DTF") rate (December 31, 2014 – 4.34%) plus 4.0%. One term loan with a balance of approximately $0.1 million at December 31, 2014 was repaid in March 2015. The other term loan, due August 2017, had a balance outstanding at December 31, 2014 of COP 10.3 billion (approximately $4.3 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, 2014, there was no cash held in trust for this term loan (December 31, 2013 - $0.1 million).

e) Obligations under finance leases

During the years ended December 31, 2013 and 2014, the Company entered into a total of five 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 total outstanding lease payments amount to COP 4.5 billion (including interest), equivalent to approximately $1.9 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 0.4 billion, equivalent to less than 10% of the original value or approximately $0.2 million. The leases have an average effective interest rate of 8.96%.

Under the arrangements, the Company's annual minimum lease payments at December 31, 2014 are:

Within 1 year	$ 434
2-5 years, including purchase option	1,429
Total minimum lease payments	1,863
Amount representing interest	(333)
Present value of net minimum lease payments	$ 1,530

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

	Number of Gold Notes	Amount
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
Gain on mark-to-market adjustment (Note 19)	-	(5,469)
Interest in arrears	-	904
As at December 31, 2014	100,000	$ 80,904

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 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 13, *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.

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 and used 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 and used to fund 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, 2014, nil was held in the interest escrow account after monthly payments of interest were made on the Gold Notes (December 31, 2013 – $8.3 million) and nil was held in the segregated account (December 31, 2013 – $22.3 million) to fund the ongoing capital expenditure program.

On December 31, 2014, the Company was required to make an interest payment on the Gold Notes in the amount of $0.9 million. However, the Corporation was not able to do so at that time. Although the interest payment was due on December 31, 2014, it did not immediately give rise to an event of default under the Gold Note indenture. However, as the Company was unable to pay the amount within the 30-business day cure period, this became an event of default after the passage of time on February 12, 2015. Subsequent to the end of 2014, the Company did not pay its monthly interest due on January 30, 2015 of US$0.8 million and did not honour the Put Option exercise due January 30, 2015. To date, the Company has not segregated any gold production as required under the terms of the Gold Notes indenture. Interest is being accrued on the interest in arrears at the rate of 10% per annum. Monthly interest payments started again on February 27, 2015; however, the Company remains in default with respect to the monthly interest payments and the first Put Option. The Company continues to work on the evaluation of remedies and options with its financial and legal advisors and expects to begin preliminary discussions with Gold Note holders in the second quarter of 2015.

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")

	Number of Silver Notes	Amount
As at December 31, 2012	78,632	$ 67,620
Loss on mark-to-market adjustment (Note 19)	-	(1,015)
As at December 31, 2013	78,632	66,605
Gain on mark-to-market adjustment (Note 19)	-	(35,153)
Interest in arrears	-	1,984
As at December 31, 2014	78,632	$ 33,436

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 changed the classification of the Silver Notes in 2013 from Level 1 to Level 2 in the fair value hierarchy outlined in IFRS 13, *Financial Instruments:*

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

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.

On December 31, 2014, the Company was required to make an interest payment on the Silver Notes in the amount of $2.0 million. However, the Company was not able to do so at that time. Although the interest payment was due on December 31, 2014, it did not immediately give rise to an event of default under the Silver Notes indenture. Subsequent to December 31, 2014, the Company was unable to pay the amount within the 10 day cure period and this became an event of default after the passage of time on January 10, 2015. Interest is being accrued on the interest in arrears at the rate of 5% per annum. The Company began making monthly interest payments on the Silver Notes on February 27, 2015, which are being applied against the interest amount in arrears; however, the Company remains in default with respect to the interest payment owed on December 31, 2014. The Company continues to work on the evaluation of remedies and options with its financial and legal advisors and expects to begin preliminary discussions with Silver Notes holders in the second quarter of 2015.

h) Scheduled debt repayments

	2015	2016	2017	2018	2019	Total
Term loans	$ 1,685	$ 1,567	$ 1,176	$ -	$ -	$ 4,428
Finance leases [1]	434	431	412	515	71	1,863
Gold Notes [2]	80,904	-	-	-	-	80,904
Silver Notes [2]	33,436	-	-	-		33,436
	$ 116,459	$ 1,998	$ 1,588	$ 515	$ 71	$ 120,631

(1) Includes interest and purchase option.
(2) The Gold and Silver Notes are currently in default as described in Notes 11(f) and 11(g). As such, irrespective of the scheduled debt repayments under the notes' indentures, the entire amount of the notes has been included in 2015 at their respective fair values, including interest in arrears, while the Company continues to work on the evaluation of options to remedy the defaults. Actual amounts paid under the Gold and Silver Notes may be materially different.

12. EQUITY TAX

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

As at December 31, 2012	$ 14,925
Accretion of discount	302
Paid during the period	(7,291)
Interest accrued on amounts in arrears	551
Exchange difference	(937)
As at December 31, 2013	7,550
Accretion of discount	106
Paid during the period	(197)
Interest accrued on amounts in arrears	655
Exchange difference	(1,343)
As at December 31, 2014	$ 6,771

(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 plan obligations	Tax dispute	Total
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
Recognized in period	-	1,114	-	-	1,114
Effect of changes in estimates	128	133	(808)	-	(547)
Interest recognized in the period	-	728	-	-	728
Payments in the period	-	-	(1,086)	-	(1,086)
Accretion of discount	536	515	1,571	-	2,622
Exchange difference	(2,261)	(2,481)	(3,885)	-	(8,627)
As at December 31, 2014	$ 9,566	$ 10,892	$ 15,287	$ -	$ 35,745
Current	$ -	$ 474	$ 891	$ -	$ 1,365
Non-current	9,566	10,418	14,396	-	34,380
	$ 9,566	$ 10,892	$ 15,287	$ -	$ 35,745

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%	$ 921
Segovia Operations	2020	4.6%	4.91%	11,236

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, about the Company's continuing efforts to minimize and eventually eliminate these discharges through the completion of construction of the 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 $12.3 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. The matter is currently still in process in the judicial system.

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).

In June 2014, Corantioquia issued an invoice to the Company in the amount of COP 3.6 billion (approximately $1.9 million), including interest, in respect of discharge fees for 2013.

In February 2015, the Company signed a four-year payment plan agreement for settlement of the 2012 and 2013 discharge fee obligations which includes COP 1.9 billion (approximately $0.8 million) of accrued interest up to the date of commencement of the payment plan. The payment plan agreement bears interest at 19.21% per annum and will be paid in 48 escalating monthly payments which commenced on February 19, 2015.

Based on the foregoing, the Company has recorded a provision in operating costs for the year ended December 31, 2014 in the amount of $1.1 million (December 31, 2013 - $10.9 million) representing the present value of its best estimate of the potential liability for environmental discharge fees incurred during the year ended December 31, 2014 that have not yet been assessed by Corantioquia.

c) Provision for Frontino health plan obligations

In connection with the 2010 acquisition of the Frontino assets, the Company agreed to fund the obligatory ongoing health plan contributions of the participants in Frontino's pension plan. The fair value of this obligation based on an actuarial report prepared as at December 31, 2014, with an inflation rate of 2.41% and a discount rate of 7.32%, was COP 36.6 billion (approximately $15.3 million). During the year ended December 31, 2014, the Company recorded an actuarial gain of $0.8 million in other comprehensive income due to changes in estimates and assumptions used to value the health plan obligations. 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, 2014, cash in trust includes $0.7 million deposited in a restricted fund account as a security against this obligation (December 31, 2013 - $1.1 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 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 (Note 14(c)). 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.

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

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 was used for working capital and to fund capital expenditures 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 (Note 22).

As at December 31, 2014, there were 23,703,248 common shares issued and outstanding (December 31, 2013 – 15,279,391 common shares).

c) Share purchase warrants

Warrants (GCM.WT)

As at December 31, 2014, there were 6,318,792 Warrants issued and outstanding (December 31, 2013 – 6,318,812). In 2014, 20 Warrants were exercised. 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 will expire on August 24, 2015.

Warrants (GCM.WT.A)

In connection with the March 18, 2014 equity offering (Note 14(b)), the Company issued one-half of one common share purchase warrant for each unit sold. Each warrant will entitle the holder to purchase one of the Company's common shares at CA$3.25 per common share for a period of five years. The value assigned to the share purchase warrants of $3.7 million was determined using a Black-Scholes option pricing model assuming no dividends were paid, an expected volatility of 75%, an annual risk free interest rate of 1.68% and an expected life of 5 years. As at December 31, 2014, 4,211,918 Warrants were outstanding and exercisable.

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, 2014, 1,000,000 Warrants were outstanding and exercisable.

d) 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. Almost all stock options granted to date vested immediately and have a five year life from the date of grant. A summary of changes in common shares reserved for issuance pursuant to stock options is as follows:

	Outstanding common shares issuable	**Weighted average exercise price per common share (CA$)**
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
Granted during the year	847,500	1.84
Cancelled during the year	(745,257)	31.88
Balance, December 31, 2014	1,367,075	$ 12.34

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

On July 21, 2014, the Company granted a total of 847,500 stock options to directors, management and employees. These stock options, exercisable at CA$1.84 per share, vested immediately and have a five-year term to expiry.

On April 11, 2013, the Company granted 6,000 stock options that vested over the balance of the year and have a three-year term to expiry.

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, 2014	2013
Stock compensation expense	$ 789	$ 7
Per option	CA$1.00	CA$1.22
Black-Scholes option pricing model inputs		
Weighted average share price	CA$1.84	CA$3.20
Dividends paid	Nil	Nil
Weighted expected volatility	93%	75%
Weighted risk-free interest rate	0.95%	1.15%
Expected life of options	2.5 years	2.7 years

The table below summarizes information about the stock options outstanding and the common shares and warrants issuable as at December 31, 2014:

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
0.00 – 15.00	848,000	848,000	-	4.5	1.95
15.01 – 30.00	259,216	259,216	-	1.7	18.24
30.01 – 45.00	229,633	237,659	14,932	0.6	39.51
45.01 – 60.00	19,000	22,200	8,000	1.0	49.60
	1,355,849	1,367,075	22,932	3.3	12.34

(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 the accounting net income (loss) before income taxes multiplied by the Company's domestic federal and provincial combined tax rate is provided below:

	Years ended December 31, 2014	2013
Net income before income taxes	$ 9,369	$ (179,231)
Canadian statutory income tax rate	26.5%	26.5%
Income tax expense (recovery) at statutory rate	2,483	(47,496)
Increase (decrease) in income tax provision resulting from:		
Other non-deductible (non-taxable) expenses	742	11,344
Share-based compensation	209	2
Impact of foreign exchange	12,025	5,272
Differences in tax rates in foreign jurisdictions	(1,877)	(11,591)
Change in unrecorded deferred tax asset	(774)	30,703
Non-deductible tax assessed on previous years	-	478
Non-taxable recovery from tax settlement (Note 13(d))	-	(3,016)
Presumptive tax	211	83
Income tax expense (recovery) for the year	$ 13,019	$ (14,221)
Current income tax expense (recovery)	$ 1,826	$ (162)
Deferred income tax expense (recovery)	11,193	(14,059)
Income tax expense for the year	$ 13,019	$ (14,221)

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

	December 31, 2014	December 31, 2013
Deferred tax assets		
Tax loss carryforwards	$ 15,224	$ 3,112
Deferred tax liabilities		
Exploration and evaluation assets	(32,417)	(23,260)
Long-term debt	(12,906)	-
Deferred tax liabilities - net	$ (30,099)	$ (20,148)

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, 2014	2013
Balance at the beginning of the year	$ 20,148	$ 34,900
Recognized in profit / loss	11,193	(14,059)
Recognized in contributed surplus	-	74
Recognized in other comprehensive loss	(1,242)	(767)
Balance at the end of the year	$ 30,099	$ 20,148

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, 2014, non-capital losses totaled $28.9 million (December 31, 2013 - $45.6 million) in Canada and expire between 2015 and 2034, for which no deferred tax assets have been recognized. In Colombia, Segovia operations non-capital losses totaled $20.7 million (December 31, 2012 - $16.4 million) and non-capital losses for non-operating entities totaled $3.0 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 $192 million (December 31, 2013 - $98.6 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, 2014	December 31, 2013
Trade	$ 191	$ 1,593
VAT recoverable	12,071	7,810
Other	833	1,295
Total accounts receivable	$ 13,095	$ 10,698

The Company's accounts receivable are aged as follows:

	December 31, 2014	December 31, 2013
Not past due	$ 13,103	$ 10,733
Past due (0-30 days)	-	-
Past due (31-120 days)	85	-
Past due (over 120 days)	932	986
Allowance for doubtful accounts	(1,025)	(1,021)
Total accounts receivable	$ 13,095	$ 10,698

Subsequent to year-end on March 3, 2015, the Company entered into a new $2.4 million factoring loan agreement secured against refund applications for approximately $13.6 million of its recoverable VAT and income taxes in the Segovia Operations, expected to be collected prior to the end of the second quarter of 2015. The loan bears interest at 2.0% monthly plus an additional interest payment corresponding to 10% of the initial amount outstanding upon collection of the above mentioned recoverable taxes. Three months' interest was prepaid from the proceeds of the loan. The Company agreed to repay the loan in full, the remaining monthly interest due and the additional interest payment at the earlier of August 27, 2015, or when the aforementioned recoverable taxes are received. $2.0 million of the factoring loan was provided by a consortium of investment funds that are managed by U.S. Global Investors, Inc. ("U.S. Global"), a company that beneficially holds approximately 12% of the issued and outstanding shares in the capital of the Company on a non-diluted basis.

Foreign currency risk

The Company is exposed to foreign currency fluctuations in COP and 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. In January 2014, the Company had entered into forward contracts with a Colombian bank to sell

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

a total of $2.0 million for COP at an average rate of COP 1991.37 per U.S. dollar, all of which were settled before the end of February 2014. These currency forward contracts were not designated as a hedge and the change in fair value was recorded in profit or loss.
The following table summarizes, in USD equivalents, the Company's major currency exposures as of December 31, 2014:

	CA	COP
Cash	$ 28	$ 664
Cash in trust	-	725
Accounts receivable	18	15,523
Accounts payable and accrued liabilities(1)	(1,226)	(45,957)
Long-term debt, including current portion	-	(5,957)
Net financial liabilities	$ (1,180)	$ (35,002)

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

Based on the net exposure at December 31, 2014, 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 $1.4 million increase or decrease in the Company's after-tax net loss and would result in approximately a $2.2 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, 2014, 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 and, if required, renegotiate the terms of the obligations. 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 and Notes 11(f) and 11(g) regarding the events of default under the Gold and Silver Notes, respectively.

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 extended periods, typically less than 12 months.
- *Amounts due for property acquisitions*: The Company has suspended payments on most of its agreements related to the Marmato title contracts and compensation agreements and is currently in negotiations with many of the counterparties to amend the terms of the agreements, including extending the timing to complete past due payments related to its Marmato Project commitments.
- *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).
- *Gold and Silver Notes*: As described in Notes 11(f) and 11 (g), these obligations, carried at fair value, are currently in default and accordingly, the full amount of the obligations, including interest in arrears, has been included in current liabilities until such time as the defaults have been cured. The Company continues to work on the evaluation of remedies and options with its financial and legal advisors and

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

expects to begin preliminary discussions with Gold and Silver Notes holders in the second quarter of 2015.

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, 2014, in accordance with the classification of fair value input hierarchy in IFRS 13, Financial Instruments – Disclosures.

	Level 1	Level 2	Level 3	Total
Investment in Tolima Gold Inc.	$ 22	$ -	$ -	$ 22
Gold Notes (Note 11(f))	-	80,000	-	80,000
Silver Notes (Note 11(g))	-	31,453	-	31,453
	$ 22	$ 111,453	$ -	$ 111,475

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.

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 ($216.2 million) and its long-term debt ($120.3 million).

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

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, 2014, the Company is not subject to any externally imposed capital requirements.

17. COST OF SALES

	Years ended December 31, 2014	2013
Production costs	$ 93,142	$ 112,842
Production taxes	5,478	6,984
Provision for environmental discharges (Note 13(b))	1,247	10,883
Workforce reduction costs	1,619	1,308
Supplier contract termination costs	1,900	-
Depreciation, depletion and amortization	15,737	16,429
	$ 119,123	$ 148,446

18. FINANCE COSTS

	Years ended December 31, 2014	2013
Accretion of equity tax payable (Note 12)	$ 106	$ 302
Accretion of provisions (Note 13)	2,622	2,195
Interest expense	9,045	13,925
Transaction costs on Gold and Silver Notes (Notes 11(f)(g))	46	152
Other financing fees	350	-
	$ 12,169	$ 16,574

In addition to the above, the Company capitalized $10.0 million interest costs related to the Gold Notes in the year ended December 31, 2014 (2013 - $6.6 million) (Note 7).

19. GAIN (LOSS) ON FINANCIAL INSTRUMENTS

	Years ended December 31, 2014	2013
Gain (loss) on mark-to-market adjustment of Gold Notes (Note 11(f))	$ 5,469	$ 11,177
Gain on mark-to-market adjustment of Silver Notes (Note 11(g))	35,153	1,015
Impairment of available-for-sale investment	(66)	(663)
	$ 40,556	$ 11,529

(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, 2014	2013
Net loss attributable to shareholders	$ (3,310)	$ (165,158)
Basic weighted average number of shares	21,926,161	15,279,391
Basic and diluted loss per common share	$ (0.15)	$ (10.81)

As at December 31, 2014 and 2013, basic loss per share is equal to diluted loss per share, as all options and warrants outstanding are anti-dilutive. As at December 31, 2014, the Company has 1,367,075 stock options and 11,530,710 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, 2014	2013
Accounts receivable	$ (6,145)	$ 13,449
Inventories	(227)	1,908
Prepaid expenses and deposits	881	(1,471)
Accounts payable and accrued liabilities	8,709	(1,449)
Net assets held for sale	-	56
	$ 3,218	$ 12,493

22. RELATED PARTY TRANSACTIONS

The following transactions with related parties occurred during the years ended December 31, 2014 and 2013:

Key management personnel compensation

Key management at December 31, 2014 includes the Company's Chief Executive Officer (CEO), Chief Financial Officer (CFO), President, 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. During the year ended December 31, 2014, 690,000 stock options were granted to executive officers and directors (December 31, 2013 – Nil).

Key management personnel compensation comprised the following:

	Years ended December 31, 2014	2013
Short-term employee benefits	$ 1,296	$ 1,951
Share-based payments	643	-
	$ 1,939	$ 1,951

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 14(b)).

U.S. Global factoring loan

As disclosed in Note 16, subsequent to year end, on March 3, 2015, the Company entered into a $2.4 million factoring loan agreement with a consortium of investment funds, of which $2.0 million of the funds are from U.S. Global, a 12% beneficial shareholder of the Company.

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 year ended December 31, 2014, the Company's sales were made to customers located in Colombia and the United States. For the year ended December 31, 2013, all of the Company's sales were made to customers located in the United States. As at December 31, 2014 and 2013, all material non-current assets of the Company were located in Colombia.