GRAN COLOMBIA GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
March 31, 2015

The following discussion and analysis of the results of operations and financial condition ("MD&A") for Gran Colombia Gold Corp. (the "Company" or "Gran Colombia") should be read in conjunction with the audited consolidated financial statements and related notes thereto for the year ended December 31, 2014 which are available on the Company's web site at www.grancolombiagold.com and on www.sedar.com. Readers are encouraged to read the Cautionary Note Regarding Forward Looking Information included on page 23 of this MD&A. The financial information in this MD&A is derived from the Company's audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). ***All figures contained herein are expressed in United States dollars ("USD"), except for production, share data or as otherwise stated.***

Fourth Quarter and Full Year 2014 Highlights

- **Gold production** totalled 98,622 ounces in 2014, about 4% lower than the previous year due to operational challenges at the Segovia Operations in the first quarter of 2014. Total gold production in the fourth quarter of 2014 amounted to 29,043 ounces, an 18% increase over the third quarter of 2014 driven by higher grades at the Segovia Operations.
- ***Revenue*** of $123.0 million in 2014 was 17% below last year reflecting a 13% decline in realized gold prices coupled with the 4% decrease in annual gold production. In the fourth quarter of 2014, improved gold production more than offset lower gold prices, increasing revenue to $33.5 million.
- The Company's ongoing focus on reducing its costs, coupled with the impact of the devaluation of the Colombian peso and improved production on fixed costs per ounce, resulted in a decrease in ***total cash costs*** to $908 per ounce in the fourth quarter of 2014. ***All-in sustaining costs ("AISC")*** continued to show improvement, decreasing to $995 per ounce in the fourth quarter of 2014, within the Company's guidance. See page 20 for the computation of these non-IFRS measures.
- The Company continued to control its ***general and administrative ("G&A") expenses,*** which amounted to $0.9 million in the fourth quarter of 2014, bringing the annual G&A for 2014 to $7.3 million, down 35% compared with the prior year. In early January 2015, the Company announced that it had cancelled the full amount of deferred salaries of the Company's executives accumulated through December 2014 in the amount of $0.6 million.
- The Company recorded after-tax ***impairment charges*** in the fourth quarter of 2014 in the amount of $16.7 million, or $0.70 per share, primarily from the impact on estimated future after-tax cash flows at the Segovia Operations of the significant tax rate increases enacted in Colombia in December 2014.
- The Company reported an ***adjusted net loss attributable to shareholders*** of $0.2 million, or $0.01 per share, in the fourth quarter of 2014 compared with an adjusted net loss of $4.0 million, or $0.26 per share, in the fourth quarter last year. The adjusted net loss attributable to shareholders for the full year in 2014 amounted to $14.3 million, or $0.65 per share, compared with an adjusted net loss of $17.2 million, or $1.13 per share, reported in 2013. See page 20 for the computation of these non-IFRS measures.

Description of Business

The Company is incorporated under the laws of the Province of British Columbia and is engaged in the acquisition, exploration, development and operation of gold properties in Colombia. The head office of the Company is located at 333 Bay Street, Suite 1100, Toronto, Ontario, M5H 2R2 and its registered office is located at 1188 West Georgia Street, Suite 650, Vancouver, British Columbia, V6E 4A2. The Company also has offices in Medellin and Bogota, Colombia. The Company is currently the largest underground gold and silver producer in Colombia with several underground mines and two processing plants in operation. In addition, the Company is in the midst of an expansion and modernization project at its Segovia Operations.

Selected Financial Information

	Fourth Quarter 2014	Fourth Quarter 2013	Year 2014	Year 2013
Operating data:				
Gold produced (ounces)	29,043	22,106	98,622	102,792
Gold sold (ounces)	28,287	21,247	97,628	102,080
Average realized gold price ($/oz sold)	$ 1,168	$ 1,295	$ 1,237	$ 1,416
Total cash costs ($/oz sold) (1)	908	1,077	1,024	1,152
All-in sustaining costs ($/oz sold) (1)	995	1,230	1,145	1,322
Financial data ($000's, except per share amounts):				
Revenue	$ 33,528	$ 28,460	$ 123,027	$ 148,531
Impairment charges, net of tax	16,659	58,266	16,659	146,684
Net income (loss) attributable to shareholders	11,610	(65,287)	(3,310)	(165,158)
Basic and diluted income (loss) per share	0.49	(4.27)	(0.15)	(10.81)
Adjusted net loss attributable to shareholders(1)	(183)	(4,000)	(14,334)	(17,245)
Basic and diluted adjusted loss per share (1)	(0.01)	(0.26)	(0.65)	(1.13)

	December 31, 2014	December 31, 2013
Balance sheet ($000's):		
Cash and cash equivalents	$ 767	$ 1,609
Cash in trust, current and non-current (2)	725	31,774
Gold and Silver Notes (3)	114,341	152,074
Other debt, including current portion	5,958	20,441

(1) Refer to "Additional Financial Measures" on page 19.
(2) 2013 included $30.6 million set aside to fund capital costs of the Segovia expansion in 2014 and to pay interest on the Gold Notes through October 2014.
(3) Represents estimated fair values plus arrears interest. Principal amounts of the Gold and Silver Notes, both of which are currently in default, are $100.0 million and $78.6 million, respectively.

Senior Secured Gold-Linked Notes due October 2017 (the " Gold Notes") and Senior Unsecured Silver-Linked Notes due August 2018 (the "Silver Notes)

On December 31, 2014, the Company was required to make a monthly interest payment on the Gold Notes (principal amount - $100 million) in the amount of $0.9 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 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 $0.8 million and did not honour the Put Option exercise due January 30, 2015. To date, the Company has also 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.

On December 31, 2014, the Company was required to make a semi-annual interest payment on the Silver Notes (principal amount - $78.6 million) 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 of approximately $0.3 million 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.

As announced on January 9, 2015, the Company engaged GMP Securities L.P. (“GMP”) to assist in the evaluation of its various options to remedy the current situation and to develop a plan to move forward. The Company also engaged SRK Consulting (U.S.), Inc. (“SRK”) to work with site personnel to conduct mine plan optimization of the latest resource model for the Segovia Operations to improve future cash flow in the current gold price environment. At the end of February 2015, SRK completed the mine plan update for the Segovia Operations. As part of this work, SRK also reviewed capital and operating costs associated with the updated life of mine plan. The Company is now in the process of implementing the actions required to align its mining operations with the mine plan update and it continues to work on the evaluation of remedies with GMP and its legal advisors. The Company expects to begin preliminary discussions with Gold and Silver Notes holders in the second quarter of 2015.

Resources

The following table summarizes the Company’s resource estimates at the Segovia Operations and the Marmato Project as of December 31, 2014:

	Measured			Indicated			Measured & Indicated			Inferred		
	Tonnes (M)	**Grade (g/t)**	**Oz Au (000s)**	**Tonnes (M)**	**Grade (g/t)**	**Oz Au (000s)**	**Tonnes (M)**	**Grade (g/t)**	**Oz Au (000s)**	**Tonnes (M)**	**Grade (g/t)**	**Oz Au (000s)**
Segovia Operations (1)	0.1	20.6	81	0.7	16.7	352	0.8	17.3	433	4.0	10.8	1,379
Marmato Project (2)	51.0	1.0	1,713	358.1	0.9	10,024	409.1	0.9	11,737	79.1	1.0	2,584

(1) Derived from the NI 43-101 Technical Report on a Mineral Resource Estimate on the Segovia and Carla Operations, Department of Antioquia, Colombia, dated September 2013, prepared by SRK and updated for production to December 31, 2014 by Ben Parsons, an independent Qualified Person under NI 43-101, of SRK. Some production is sourced from mining areas that are not currently included in the Company’s Mineral Resource Estimate.
(2) Derived from the NI 43-101 Mineral Resource Estimate on the Marmato Project, Colombia dated August 7, 2012, prepared by SRK and updated for production to December 31, 2014 by Ben Parsons, an independent Qualified Person under NI 43-101, of SRK.

Results of Operations and Overall Performance

Gold production

(Ounces)	Fourth Quarter 2014	Fourth Quarter 2013	Year 2014	Year 2013
Segovia Operations				
Company-operated mines	3,139	4,194	15,361	24,524
Contract mining cooperatives	19,288	11,982	59,145	55,702
Total Segovia Operations	22,427	16,176	74,506	80,226
Marmato Underground	6,616	5,930	24,116	22,566
Total	29,043	22,106	98,622	102,792

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

	2014				2013			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Segovia Operations (1)								
Company-operated mines								
Tonnes milled	29,756	24,271	27,032	23,393	25,281	44,433	61,617	57,071
Head grade (g/t)	3.28	3.61	5.15	6.20	4.38	3.48	3.97	5.43
Mill recovery (2)	100.0%	102.6%	97.5%	106.5%	117.8%	101.4%	89.0%	83.1%
Gold produced (ozs)	3,139	2,889	4,365	4,968	4,194	5,048	7,001	8,281
Contract mining cooperatives								
Tonnes milled	31,384	36,644	32,708	32,552	40,014	39,305	34,147	25,547
Head grade (g/t)	21.37	14.81	16.73	9.22	10.92	16.14	15.11	15.82
Mill recovery	89.5%	89.3%	89.2%	88.8%	85.3%	88.6%	89.8%	82.9%
Gold produced (ozs)	19,288	15,590	15,694	8,573	11,982	18,059	14,890	10,771
Total Segovia Operations								
Tonnes milled	61,140	60,915	59,740	55,945	65,295	83,738	95,765	82,618
Tonnes per day (tpd)	665	662	656	622	710	910	1,052	918
Head grade (g/t)	12.56	10.35	11.49	7.96	8.39	9.42	7.94	8.64
Mill recovery	90.8%	91.2%	90.9%	94.6%	91.9%	91.1%	89.5%	83.0%
Gold produced (ozs)	22,427	18,479	20,059	13,541	16,176	23,107	21,891	19,052
Silver produced (ozs)	23,514	22,832	24,450	20,312	25,196	32,738	28,226	27,574
Marmato Underground								
Tonnes milled	74,936	75,281	72,257	72,549	73,259	74,271	65,536	61,124
Tonnes per day (tpd)	815	818	794	806	796	807	720	679
Head grade (g/t)	3.04	2.87	2.76	2.74	2.87	2.88	2.81	3.03
Mill recovery	90.2%	89.2%	88.2%	88.5%	87.6%	88.5%	88.7%	88.9%
Gold produced (ozs)	6,616	6,187	5,654	5,659	5,930	6,079	5,260	5,298
Silver produced (ozs)	8,806	8,387	8,800	8,614	10,366	9,942	9,753	9,854
Total Company								
Gold produced (ozs)	29,043	24,666	25,713	19,200	22,106	29,186	27,151	24,350
Silver produced (ozs)	32,320	31,219	33,250	28,926	35,562	42,680	37,979	37,428

(1) Certain production data in Q2 and Q3 of 2014 has been reclassified from Company-operated mines to contract mining cooperatives to conform to the Q4 2014 presentation.
(2) Includes impact of additional ounces recovered from the mill circuit during the period.

At the Segovia Operations, gold production totaled 22,427 ounces in the fourth quarter of 2014, a 21% increase over the third quarter of 2014, fuelled by the impact of improved head grades in material mined by the contract mining cooperatives which averaged 21.37 g/t in the fourth quarter. Development activity continued in the fourth quarter of 2014 in the Company-operated areas at the Providencia and El Silencio mines to prepare them for 2015, with access to higher grade stopes and improved efficiency through the construction of internal ramps to mechanize material handling, introducing scoops and jumbos into the mining process.

In 2014, material mined by the contract mining cooperatives represented 79% of the 74,506 ounces of gold produced by the Company in its Segovia Operations. This source of production will continue to be an important contributor to operating cash flow in 2015 as the Company completes the transition to mechanized mining at Providencia and El Silencio and development reaches the higher grade mining area in Providencia in the second half of the year.

At Marmato Underground, an increase in head grades in the fourth quarter of 2014 resulted in an increase in quarterly gold production to 6,616 ounces. Total annual gold production for 2014 reached 24,116 ounces, up approximately 7% over the prior year.

Revenues

	Fourth Quarter		Year	
($000's except ounce and $/oz data)	2014	2013	2014	2013
Gold				
Ounces sold	28,287	21,247	97,628	102,080
Average realized price ($/oz)	1,168	1,295	1,237	1,416
Silver				
Ounces sold	27,532	37,682	119,435	150,643
Average realized price ($/oz)	15	21	18	24
Revenues				
Gold	$ 33,028	$ 27,524	$ 120,734	$ 144,596
Silver	416	810	2,140	3,557
Refining	84	126	153	378
	$ 33,528	$ 28,460	$ 123,027	$ 148,531

Revenues of $33.5 million in the fourth quarter of 2014 were approximately 8.5% better than the third quarter of 2014 due primarily to the impact of Segovia's fourth quarter 2014 production increase on total gold sales. The Company realized an average gold price of $1,168 per ounce in the fourth quarter of 2014, approximately 97% of the average London P.M. fix of $1,201 per ounce, due primarily to refining charges incurred by processing its gold at another refinery while it continues to work to complete the sale of its 60% interest in the CIIGSA refinery and timing of gold sales in the quarter.

For the full year 2014, revenues of $123.0 million were 17% below last year reflecting a 13% decline in realized gold prices coupled with the 4% decrease in annual gold production.

The Company is responding to the volatility of the current gold price environment by focusing on reducing its AISC per ounce, limiting capital investment and leveraging the high grade gold resources in its Segovia Operations to bolster its cash flow available to service its debt and other working capital obligations.

Cost of sales

	Fourth Quarter 2014	Fourth Quarter 2013	Year 2014	Year 2013
Production costs	$ 24,691	$ 21,866	$ 93,142	$ 112,842
Production taxes	1,409	1,370	5,478	6,984
Workforce reduction costs	-	465	1,619	1,308
Supplier contract termination	-	-	1,900	-
Provision for environmental discharges	458	10,883	1,247	10,883
Depreciation, depletion and amortization	3,944	2,904	15,737	16,429
Total cost of sales	$ 30,502	$ 38,481	$ 119,123	$ 148,446
Total cash costs per ounce [(1)]				
Production costs	$ 873	$ 1,029	$ 954	$ 1,105
Production taxes	50	64	56	68
Workforce reduction costs	-	22	17	13
Supplier contract termination	-	-	19	-
By-product credits (silver)	(15)	(38)	(22)	(34)
	$ 908	$ 1,077	$ 1,024	$ 1,152

(1) See "Additional Financial Measures" on page 20.

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

	2014 4th Qtr	2014 3rd Qtr	2014 2nd Qtr	2014 1st Qtr	2013 4th Qtr	2013 3rd Qtr	2013 2nd Qtr	2013 1st Qtr
Segovia Operations	$918	$1,054	$1,118	$1,083	$1,089	$1,159	$1,127	$1,315
Marmato Underground	874	1,055	1,056	976	1,047	1,003	1,161	1,177
Company average	$908	$1,054	$1,103	$1,053	$1,077	$1,127	$1,133	$1,281

In January 2014, the Company completed a restructuring of its operations at Segovia to continue the expansion and modernization of mining activities and to improve security in the mining and processing operations. In so doing, the Company incurred $1.6 million in costs in the first half of 2014 to reduce its workforce and another $1.9 million in the second quarter of 2014 in connection with termination of a long-term supplier contract. These costs had an adverse impact on total cash costs per ounce in the first half of 2014.

Through the second half of 2014, total cash costs per ounce showed improvement, reaching an all-time low of $908 per ounce in the fourth quarter of 2014. Total cash costs per ounce at both mines benefitted in the fourth quarter of 2014 from the positive impact on U.S. dollar equivalent production costs of the 14% devaluation of the Colombian peso compared with the third quarter 2014 average exchange rate. In addition, increased production at both mines reduced fixed costs on a per ounce basis. At Segovia, the decrease in gold prices in the fourth quarter of 2014 also reduced costs associated with gold production sourced from the contract mining cooperatives which were tied by a formula to spot gold prices.

On January 21, 2015, the Company announced that it had negotiated a contract amendment, with immediate effect, with the primary contract miner at the Segovia Operations that is expected to generate additional monthly cost savings of approximately $0.7 million to $0.9 million based on current production volumes and gold prices. To illustrate the positive impact of this improvement to the Company's cost structure, had this amendment been in place during the fourth quarter of 2014, Segovia's total cash cost per ounce would have been about $800 per ounce.

The Company expects that its total cash costs on a per ounce basis will continue to decrease going forward due to further devaluation in 2015 of the Colombian peso, optimization of the Segovia mine plan resulting in increased head grades, the positive impact on fixed overhead costs of increased gold production volumes and the improvement in efficiency through mechanization of mining at the Segovia Operations.

Social contributions

	Fourth Quarter		Year	
($000's)	2014	2013	2014	2013
Segovia social contributions	$ 518	$ 319	$ 1,568	$ 2,335
Segovia land donation	-	-	116	-
Donation for Segovia schooling costs	-	(633)	-	(395)
Total social contributions	$ 518	$ (314)	$ 1,684	$ 1,940

The Company is required to make contributions to a trust account to fund social programs in Segovia in each quarter in which the Segovia Operations produce a minimum of 15,000 ounces of gold. The contribution rate is tied through a formula to the price of gold and the Company may retain up to 75% of these quarterly contributions to recover advances made to the pension plan during the Frontino liquidation until such advances are recovered. With Segovia's gold production in the first quarter of 2014 being below the threshold, it was not required to make a social contribution related to the first quarter. The Company's production in all remaining quarters in 2014 surpassed the 15,000 ounces threshold and its social contribution expense amounted to approximately $0.5 million per quarter, or approximately $26 per ounce of Segovia's gold sales. In 2013, Segovia social contributions were higher than the current year as production exceeded the threshold in all four quarters and with higher gold prices, the contributions averaged $29 per ounce of Segovia's gold sales.

In the second quarter of 2014, the Company donated land at Segovia with a carrying value of $0.1 million to the local government to be used in certain social initiatives.

In the fourth quarter of 2013, the Company was successful in getting approval to have the trust account described above assume responsibility to fund the ongoing costs of the school in the Segovia District which the Company had been supporting through donations to a local charitable foundation. As such, the Company was able to recover the contributions in the fourth quarter of 2013 that it had previously made in 2012 and 2013.

Other items

($000's)	Fourth Quarter 2014	Fourth Quarter 2013	Year 2014	Year 2013
G&A expenses	$ 939	$ 2,300	$ 7,318	$ 11,266
Impairment charges	16,659	58,266	16,659	163,824
Share-based compensation	-	-	789	-
Finance costs	3,506	3,673	12,169	16,574
Gain on financial instruments	38,352	5,050	40,556	11,529

G&A expenses in the fourth quarter of 2014 of $0.9 million included the benefit of the cancellation of $0.6 million of deferred salaries of the Company's executives that had accumulated through December 31, 2014. On January 9, 2015, the Company announced that effective January 1, 2015, the deferred portion of executive salaries was eliminated and the full amount of the previously deferred salaries was cancelled. With this change, 2014's annual G&A expenses amounted to $7.3 million, 35% lower than the prior year. The Company expects that its annual G&A expenses will decrease to about $6 million in 2015 as a result of realizing the full year benefit of cost reductions implemented in 2014, elimination of some one-time costs incurred in 2014, the impact of devaluation of the Colombian peso and Canadian dollar on its costs and the elimination of the overhead costs of its CIIGSA refinery through the pending sale expected to close in the second quarter of 2015.

The Company recorded impairment charges totaling $16.7 million in the fourth quarter of 2014. In connection with its annual review of the recoverable amounts of its cash generating units, the Company completed an assessment of the carrying value of its Segovia Operations at the end of 2014, recording a $12.9 million impairment charge resulting primarily from the impact on estimated future after-tax cash flows of the significant tax rate increases enacted in Colombia in December 2014. Impairment charges in the fourth quarter of 2014 also included $3.7 million for obsolete inventory and equipment. In 2013, the Company recorded impairment charges totaling $163.8 million, triggered by the decline in gold prices and resultant impact on the gold industry in general, including $80.2 million related to the Marmato Project, $58.0 million related to the Segovia Operations and $25.5 million related to its El Zancudo and Mazamorras exploration properties.

The Company recorded share-based compensation expense of $0.8 million in 2014 related to the grant of 847,500 stock options at an exercise price of CA$1.84 per common share to directors, management and employees on July 21, 2014.

Finance costs amounted to $12.2 million in 2014 compared with $16.6 million last year. Finance costs comprise two primary categories as follows:

- Interest expense - $9.0 million in 2014 compared with $13.9 million last year. Including amounts capitalized related to the Segovia expansion project, total interest costs in 2014 were $19.0 million, down from $20.5 million last year as a result of the reduction in the Company's short-term debt and term loans. Principal components of the $19.0 million of total interest costs incurred in 2014 included $10.0 million related to the Company's 10% Gold Notes, $4.0 million related to the Company's 5% Silver Notes and the balance related to the local Colombian bank debt and finance leases, accounts payable, equity tax payables and amounts payable for mining titles and compensation agreements at the Marmato Project that are currently the subject of renegotiation.

- Non-cash accretion of financial obligations - $2.7 million in 2014 compared with $2.5 million last year. The Company has financial obligations associated with its funding of health plan contributions at Segovia, decommissioning liabilities at Segovia and Marmato Underground, environmental discharge fees at Segovia and its equity tax payable, all of which will be paid over time and therefore are recorded at the present value of the future obligation. Non-cash finance costs are recognized as these liabilities are accreted with the passage of time.

The estimated fair values on the Gold and Silver Notes of $80.0 million and $31.5 million, respectively, at December 31, 2014 represent a discount to their principal amounts of $100 million and $78.6 million, respectively, and were determined using a valuation methodology that captures all the features of the notes in a set of partial differential equations that are then solved to arrive at the value of the notes. The estimated fair values of the Gold and Silver Notes are based on numerous assumptions including, but not limited to, commodity prices, time value, volatility factors, risk-free rates and credits spreads. As noted on page 2 of this MD&A, the Gold and Silver Notes are currently in default. The fair value estimates may differ from actual fair values or from amounts that may be recovered by the holders of the Gold and Silver Notes and these differences may be significant and could have a material impact on the Company's financial position and results of operations. In 2014, the Company recorded a gain on financial instruments of $40.6 million, including a $5.5 million mark-to-market ("MTM") gain on the Gold Notes (2013 – MTM gain of $11.2 million) and a $35.2 million MTM gain on the Silver Notes (2013 – MTM gain of $1.0 million).

The Company reported an adjusted net loss (see page 20 for the computation of this non-IFRS measure) attributable to shareholders for the fourth quarter of 2014 of $0.2 million, or $0.01 per share, compared with an adjusted net loss of $4.0 million, or $0.26 per share, in the fourth quarter last year. While lower gold prices adversely impacted the fourth quarter 2014 adjusted net loss, increased production, lower cash costs, lower G&A expenses and foreign exchange gains were successful in reducing the adjusted net loss compared to last year.

For the full year 2014, the Company reported an adjusted net loss attributable to shareholders of $14.3 million, or $0.65 per share, compared with an adjusted net loss of $17.2 million, or $1.13 per share, last year.

Summary of Quarterly Results

$000's except ounce, per ounce and per share data	2014 4th Qtr	2014 3rd Qtr	2014 2nd Qtr	2014 1st Qtr	2013 4th Qtr	2013 3rd Qtr	2013 2nd Qtr	2013 1st Qtr
Operating data:								
Gold produced (ounces)	29,043	24,666	25,713	19,200	22,106	29,186	27,151	24,350
Gold sold (ounces)	28,287	24,203	25,310	19,828	21,247	30,125	28,419	22,289
Average realized gold price (1)	$ 1,168	$ 1,256	$ 1,271	$ 1,268	$ 1,295	$ 1,299	$ 1,457	$ 1,639
Silver sold (ounces)	27,532	30,146	33,182	28,575	37,682	39,320	38,572	35,069
Average realized silver price (1)	$ 15	$ 18	$ 18	$ 20	$ 21	$ 21	$ 23	$ 30
Total cash costs (1, 2)	908	1,054	1,103	1,053	1,077	1,127	1,133	1,281
All-in sustaining cost (1, 2)	995	1,216	1,203	1,197	1,230	1,239	1,293	1,558
Financial data:								
Revenue								
Gold	$ 33,028	$ 30,404	$ 32,157	$ 25,145	$ 27,524	$ 39,137	$ 41,399	$36,536
Silver	416	547	601	576	810	833	879	1,035
Other	84	(47)	88	28	126	106	96	50
Total	33,528	30,904	32,846	25,749	28,460	40,076	42,374	37,621
Cost of sales	30,502	30,515	32,852	25,254	37,488	39,558	37,919	33,481
G&A	939	2,342	1,788	2,249	2,300	2,502	2,864	3,560
Impairment charges	16,659	-	-	-	58,266	522	105,036	-
Allowance for doubtful accounts	812	-	-	-	993	-	-	-
Share-based compensation	-	789	-	-	-	-	7	-
Social contributions	518	513	653	-	(314)	697	779	778
Loss from operations	(15,902)	(3,255)	(2,447)	(1,754)	(70,273)	(3,203)	(104,231)	(198)
Other income (expense)	37,426	19,866	(17,417)	(7,148)	1,295	(50,603)	35,289	12,693
Income (loss) before taxes	21,524	16,611	(19,864)	(8,902)	(68,978)	(53,806)	(68,942)	12,495
Income tax recovery (provision)	(10,037)	(4,386)	2,780	(1,376)	3,726	543	12,843	(2,891)
Net (loss) income	11,487	12,225	(17,084)	(10,278)	(65,252)	(53,263)	(56,099)	9,604
Attributable to shareholders	11,610	12,372	(17,041)	(10,251)	(65,287)	(53,283)	(56,133)	9,545
Basic and diluted income (loss) per share	0.49	0.52	(0.72)	(0.62)	(4.27)	(3.49)	(3.67)	0.62
Adjusted net loss attributable to shareholders (4)	(183)	(3,275)	(6,123)	(4,753)	(4,000)	(6,793)	(2,528)	(3,924)
Adjusted basic and diluted loss per share (4)	(0.01)	(0.14)	(0.26)	(0.29)	(0.26)	(0.44)	(0.17)	(0.26)

(1) Per ounce sold.
(2) Refer to "Additional Financial Measures" on page 19.
(3) Refer to page 20 for reconciliation to adjusted net loss and adjusted loss per share for the fourth quarter and full year of 2014 and 2013.

The net loss for the fourth quarter of 2014 includes after-tax impairment charges of $16.7 million, or $0.70 per share, principally related to an adjustment to the carrying value of the Company's mining interests at the Segovia Operations as outlined on page 8 of this MD&A.

Quarterly net income in 2014 has been impacted by volatility in the valuation of the Company's Gold and Silver Notes. The net losses in the first and second quarters of 2014 included $4.4 million and $13.5 million, respectively, of MTM losses on these financial instruments while the third and fourth quarters of

2014 included $20.1 million and $38.4 million, respectively, of MTM gains. The Company expects that quarterly results will continue to be impacted by volatility in the valuations of these financial instruments.

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

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

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

Liquidity and Capital Resources

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 on page 2 of this MD&A). 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 requirements and working capital deficit (as outlined below at December 31, 2014). There can be no assurance that 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.

At December 31, 2014, excluding the Gold and Silver Notes, the Company had an operating working capital deficit of approximately $29.8 million, key components of which include:

- *Cash - $0.8 million*; as a result of the impact on operating cash flow of lower gold prices and lower than previously expected gold production from the Segovia Operations, cash is being turned over quickly to meet working capital requirements, including supplier payment programs and debt service, and capital expenditures.
- *Accounts receivable - $13.1 million*, including $12.1 million of recoverable VAT taxes in Colombia. Rule changes in the Colombian VAT recovery process resulted in a difficult working capital situation for the Company when it was advised by the local tax authority in early 2014 that it must pay certain supplier withholding tax remittances in advance of being allowed to file its VAT refund applications related to the Segovia Operations. Previously, the VAT refund claims were being settled by the tax authority on a net basis with the supplier withholding tax remittances. At December 31, 2014, accounts payable and accrued liabilities included approximately $3.4 million of supplier withholding tax remittances that the Company would have to pay before being allowed to file Segovia's VAT refund claims totaling approximately $11.1 million. On March 3, 2015, the Company completed a $2.4 million factoring loan agreement with a consortium of investment funds ($2.0 million of which came

from U.S. Global Investors, Inc., a 12% beneficial shareholder of the Company). The proceeds of this loan plus cash from operations were used to pay the outstanding supplier withholding tax remittances in full. In so doing, the Company was then able to file all pending refund claims up to December 31, 2014 in March 2015 to begin the recovery process which is expected to be completed before the end of the second quarter of 2015. In addition, the Company benefitted from certain amnesty provisions in the latest Colombian tax reform measures enacted in December 2014 and saved approximately $2.6 million in penalties and arrears interest that would have otherwise been payable related to the supplier withholding tax remittances in arrears. The Segovia Operations' VAT and income tax refund (as described below) claims have been pledged as security against the factoring loan.

- *Income taxes recoverable - $5.4 million*, primarily for statutory withholdings in Colombia against payments received by the Segovia Operations from 2010 through 2014 that may be applied to reduce Segovia's income taxes payable in the future. In March 2015, the Company filed a $2.5 million refund application for a portion of the amounts withheld to the end of 2013.
- *Accounts payable and accrued liabilities - $37.5 million*, including approximately $3.4 million of supplier withholding taxes that have since been paid (as described in accounts receivable above), $4.9 million related to capital expenditures, a $1.0 million advance payment from the refinery on a gold shipment delivered in early January 2015 and $1.5 million related to the settlement of a dispute in the termination of a supplier contract earlier in 2014 at Segovia. As previously disclosed, the Company has arranged payment plans with numerous suppliers to relieve pressure in managing the supplier relationships while it completes the expansion project at its Segovia Operations to improve operating cash flow. Although the Company is currently in default under the Gold and Silver Notes, it is continuing to service these payment plans while it continues to work with its financial advisors to remedy the situation with respect to the senior debt.
- *Amounts payable for acquisitions of exploration and evaluation assets - $14.2 million* related to the Marmato Project. The Company made payments amounting to $0.7 million under these agreements in 2014. The Company is continuing its efforts to negotiate with the counterparties to amend the current contractual terms, including extensions of unpaid amounts due, of the various mining titles acquisition and compensation agreements. There can be no assurance that these negotiations will be successful.
- *Current portion of equity tax payable - $6.8 million*, of which $2.6 million represents the final payments due for the Segovia Operations expected to be paid from the net proceeds of the pending Segovia VAT refund claims when settled. The balance of the equity tax payable relates to the Marmato and Zancudo Projects, including $1.2 million of interest owing on the amounts in arrears. The Company has been unable thus far to obtain a payment plan for these amounts and is evaluating other options to settle these obligations. If the Company can do so prior to October 2015, it could save up to 60% of the arrears interest through certain amnesty provisions in the latest Colombian tax reform measures enacted in December 2014.
- *Current portion of long-term debt, excluding the Gold and Silver Notes - $2.0 million* representing the scheduled repayments of local Colombian bank term loans and the finance leases for mining and other equipment at the Segovia Operations.
- *Current portion of provisions - $1.4 million*, representing ongoing monthly payments of approximately $0.1 million to fund the Frontino health obligations and $0.5 million related to the payments due in 2015 under a monthly payment plan that commenced in February 2015 with Corantioquia, the local environmental authority, related to the 2012-2013 environmental discharge fees at Segovia.

Operating activities

The Company took steps to reduce its total cash cost per ounce and G&A expenses in 2014 to mitigate the adverse impact of lower realized gold prices on its operating cash flow. However, cash provided from operating activities in 2014 decreased to $9.7 million compared with $13.5 million in 2013, largely due to changes in non-cash working capital items including the increase in VAT receivables in Colombia in 2014.

Investing activities

Cash used in investing activities in 2014 amounted to $29.6 million. Significant items included:

- $31.1 million on capital expenditures:
    - Segovia expansion. A total of $22.6 million, funded primarily by the proceeds of the Gold Notes, was spent in 2014 related to the expansion project at Segovia, including $18.5 million on plant and other equipment and $4.1 million on mine development. Through December 31, 2014, a total of $62.7 million had been spent on the project, including $2.4 million of mining and other equipment funded by finance leases.
    - Sustaining capital expenditures. The Company spent $2.8 million at the Segovia Operations and $0.6 million at the Marmato Underground mine in 2014.
    - A $5.1 million reduction in accounts payable and accrued liabilities for capital expenditures from prior years.
- $1.1 million of other assets recovered through the reduction in Segovia social contributions in 2014. As of the end of 2014, the Company has fully recovered all of the advances it had made during the transitional period after acquiring the Frontino assets.

CIIGSA Refinery Pending 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.

Financing activities

Colombian Debt and Lease Facilities

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

- The Company's refinery operation has an unsecured working capital credit facility with a Colombian bank under which it may borrow funds for up to 90 days. In the first quarter of 2014, the refinery operation repaid $3.0 million of this indebtedness. At December 31, 2014, $1.2 million remained drawn under this credit facility, included in "Liabilities of assets held for sale" (see discussion under *CIIGSA Refinery Sale*).

- In 2014, the Company repaid the remaining $1.0 million of its factoring loan, secured by a portion of its VAT receivables in Colombia, carried over from 2013.
- At December 31, 2014, the Company had a total of COP 10.7 billion, equivalent to $4.4 million (December 31, 2013 – COP 18.3 billion or $9.5 million), outstanding pursuant to term loans with two Colombian banks bearing interest at the Colombian market weekly average of fixed-term deposits ("DTF") rate (December 31, 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, the Company had five finance leases amounting to a total of approximately $1.5 million (net of future interest) relating to the acquisition of mining and other equipment in the Segovia expansion project. These finance leases are paid on a monthly basis over three- to five-year terms. The Company has the option to purchase the assets under lease at the end of the lease terms for a total of approximately $0.2 million.

Blue Pacific Bridge Loan

In November 2013, the Company filed a preliminary short form prospectus for an 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 (see "Equity Offering" below) 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 the TSX regulations. The remaining $0.15 million of the bridge loan was repaid in cash to Blue Pacific on March 28, 2014 from the net proceeds of the equity offering.

Equity Offering

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

The Company used a portion of the net proceeds of the equity offering to immediately repay the Blue Pacific bridge loan. 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.

Gold Notes Cash in Trust

In October 2012, the Company raised $92.3 million (net of transaction costs) through the Gold Notes financing to fund the expansion of the Segovia Operations and the monthly interest payments on the Gold Notes during the first two years following issuance of the Gold Notes. In 2014, the Company used the remaining balance of $30.6 million of this cash, including $22.3 million ($72.3 million to-date) to fund project-related capital expenditures at Segovia and $8.3 million ($20.0 million to-date) to fund the monthly interest payments through the end of October 2014.

Outstanding Shares, Stock Options and Warrants

At March 31, 2015, the Company had the following securities issued and outstanding:

Securities	Number	Exercise price per unit	Expiry date
Common shares (TSX: GCM)	23,703,268		
Stock options	187,500	CA$40.00	August to October 2015
	3,000	CA$45.75	January 2016
	2,000	CA$40.00	May 2016
	256,996	CA$18.25	September 2016
	8,000	CA$13.50	September 2016
	1,000	CA$15.50	October 2016
	1,220	CA$18.25	April 2017
	840,000	CA$1.84	July 2019
	1,299,716		
	56,133 (1)	CA$33.75 to CA$53.325	January 2015 to May 2016
Warrants			
TSX: GCM.WT	6,318,772	CA$65.00	August 24, 2015
TSX: GCM.WT.A	4,211,918	CA$3.25	March 18, 2019
Unlisted	1,000,000	CA$18.75	October 30, 2017

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

Recent Accounting Pronouncements

The Company has adopted the new and amended IFRS pronouncements listed below as at January 1, 2014, in accordance with the transitional provisions outlined in the respective standards.

Accounting Standards Issued and Effective January 1, 2014

IAS 32 Financial Instruments: Presentation has been amended to clarify when an entity has a legally enforceable right to off-set financial assets and liabilities. The adoption of this standard did not have any effect on the Company's consolidated financial statements.

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.

Accounting Standards Issued and Effective Undetermined

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 the Company's 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.

Financial Instruments

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

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Risks and Uncertainties

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

Such risks include:

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

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

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

Readers are encouraged to read and consider the risk factors more specifically described in the Company’s Annual Information Form dated as of March 31, 2015 which is available at www.sedar.com. Such risk factors could materially affect the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Judgments and estimates are continuously evaluated and are based on management’s best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ significantly from the amounts included in the interim financial statements.

The critical judgments and estimates applied in the preparation of the Company’s consolidated financial statements are consistent with those applied and disclosed in Notes 3 and 4 to the Company’s consolidated financial statements for the year ended December 31, 2014, including:

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

Additional Financial Measures

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

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

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

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

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

	Fourth Quarter 2014	Fourth Quarter 2013	Year 2014	Year 2013
Net income (loss) attributable to shareholders	**$ 11,610**	**$ (65,287)**	**$ (3,310)**	**$ (165,158)**
Provision for environmental charges from prior years	-	9,509	-	9,509
Impairment charges, net of tax	16,659	58,266	16,659	146,684
Allowance for doubtful accounts	812	993	812	993
(Gains) losses on financial instruments	(38,352)	(5,050)	(40,556)	(11,529)
Settlement of tax dispute	-	(3,016)	-	(3,016)
Unrealized losses (gains) on foreign exchange translation of deferred income tax assets and liabilities	9,088	585	12,061	5,272
Adjusted net loss attributable to shareholders	**$ (183)**	**$ (4,000)**	**$ (14,334)**	**$ (17,245)**
Adjusted net loss per share	**$ (0.01)**	**$ (0.26)**	**$ (0.65)**	**$ (1.13)**

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

($000's except ounces and per ounce data)	Fourth Quarter 2014	Fourth Quarter 2013	Year 2014	Year 2013
Gold sales (ounces)	28,287	21,247	97,628	102,080
Total cash costs per ounce				
Production costs	$ 24,691	$ 21,866	$ 93,142	$ 112,842
Production taxes	1,409	1,370	5,478	6,984
Workforce reduction costs	-	465	1,619	1,308
Supplier contract termination	-	-	1,900	-
Silver revenues	(416)	(810)	(2,140)	(3,557)
Total cash costs on a by-product basis	$ 25,684	$ 22,891	$ 99,999	$ 117,577
Per ounce sold	**$ 908**	**$ 1,077**	**$ 1,024**	**$ 1,152**
AISC per ounce				
Total cash costs on a by-product basis	$ 25,684	$ 22,891	$ 99,999	$ 117,577
G&A, net of depreciation and amortization	898	2,231	7,121	11,038
Sustaining capital and E&E costs	1,106	739	3,395	4,937
Provision for environmental charges (1)	458	263	1,247	1,374
Total AISC	$ 28,146	$ 26,124	$ 111,762	$ 134,926
Per ounce sold	**$ 995**	**$ 1,230**	**$ 1,145**	**$ 1,322**

(1) 2013 excludes $9.5 million portion of the provision recorded in 2013 related to charges for 2010 to 2012.

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

	Fourth Quarter		Year	
	2014	2013	2014	2013
Additions to mining interests				
Segovia expansion project, net of finance leases	$ 231	$ 11,579	$ 22,636	$ 32,990
Sustaining capital	908	457	2,763	2,512
Acquisition of equipment from contract mining cooperative	-	529	-	529
E&E costs	198	282	632	2,425
Marmato prefeasibility study	-	110	-	1,502
Reduction in accounts payable and accrued liabilities related to capital expenditures	995	(439)	5,100	2,554
	$ 2,332	$ 12,518	$ 31,131	$ 42,512

Management's Report on Internal Control over Financial Reporting

Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures and has evaluated the design and operating effectiveness of the Company's disclosure controls and procedures and has concluded that they were effective as at December 31, 2014.

Internal control over financial reporting

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

Management conducted an evaluation of the design and operating effectiveness of internal control over financial reporting and concluded that it was effective as at December 31, 2014.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the three months ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

The Company's focus in 2015 will be to reorganize its debt and maximize operating cash flow through implementation of the optimized mine plan at its Segovia Operations commencing in March 2015.

The Company expects to see an increase in total annual gold production in 2015 to approximately 114,000 to 136,000 ounces. This includes production at the Segovia Operations of 90,000 to 110,000 ounces in 2015, influenced by the head grades in material mined by the contract mining cooperatives, which are expected to account for about 70% of 2015's annual production at Segovia, and the rate of advance of mine development activities outlined in the optimized mine plan permitting access to higher grade stopes within the Company-operated areas of the mines. The Company also expects a total of 24,000 to 26,000 ounces at the Marmato underground mine in 2015.

The Company anticipates that its all-in sustaining cost will be between $900 and $1,000 per ounce in 2015. This includes a further reduction in total cash cost per ounce to $700 to $750 per ounce, which will benefit from the Segovia cost savings announced in January 2015, further devaluation of the Colombian peso as experienced in the first quarter of 2015 and from the higher grades expected at the Segovia Operations. G&A expenses are expected to decrease to approximately $6 million for 2015 or approximately $45 to $50 per ounce. Sustaining capital expenditures, as described below, are projected to range from $140 to $190 per ounce in 2015. The all-in sustaining cost estimate for 2015 also includes a provision for environmental discharge fees at Segovia of approximately $13 per ounce.

Expansion and mechanization activities in the optimized mine plan at Segovia are predominantly focused on the Providencia mine in 2015 with projected capital investment of approximately $10 million to $12 million. A significant portion of this capital investment comprises the ongoing monthly mine development to construct the access and attack ramps required to exploit the higher grade stopes. The optimization plan also requires further deepening of the shaft commenced at Providencia in 2014 to improve material handling capabilities as volumes increase and to reduce reliance on the historical mine infrastructure which has limited capacity. Additional mechanized mining equipment will be acquired for use in the Providencia mine. The Company also plans to invest approximately $3 million to $4 million in mine development and mining equipment in certain areas in the El Silencio mine in 2015. The optimized mine plan also includes a limited amount of exploration and geology spending at Segovia to support the 2015 mine plan. At the Marmato underground mine, sustaining capital expenditures, including additional mine development to expand production, are expected to amount to $2.5 million in 2015.

The new plant included in the Pampa Verde Project is currently approximately 40% complete. In light of the Company's default on the Gold and Silver Notes, as described elsewhere in this MD&A, the Company has halted work on the new plant in 2015 to preserve cash resources to service its debt and working capital obligations and focus on the essential capital investment in the mining areas at the Segovia Operations. According to SRK, the Segovia mine plan optimization demonstrated that the existing Maria Dama plant has sufficient capacity to process material over the life of mine. The Company is giving consideration to the need for a limited amount of capital investment at its Maria Dama plant in 2015 or 2016 to address discharges of effluents to the environment while the Company analyzes its options for the new plant.

Cautionary Note Regarding Forward Looking Statements

Certain statements in this MD&A constitute forward-looking information. Often, but not always, forward-looking statements use words or phrases such as: "expects", "does not expect" or "is expected", "anticipates" or "does not anticipate", "plans" or "planned", "estimates" or "estimated", "projects" or "projected", "forecasts" or "forecasted", "believes", "intends", "likely", "possible", "probable", "scheduled", "positioned", "goal", "objective" or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Such forward-looking statements, including but not limited to statements with respect to anticipated business plans or strategies, involve known and unknown risks, uncertainties and other factors which may cause the actual actions, events and results to be materially different from estimated actions, events or results expressed or implied by such forward-looking statements. The Company believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the caption "*Risk Factors*" in the Company's Annual Information Form dated as of March 31, 2015, which is available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws.