CONTINENTAL GOLD
TSX : CNL OTCQX : CGOOF

Audited Annual Consolidated Financial Statements

For the year ended December 31, 2013

Continental Gold Limited

INDEX

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying annual consolidated financial statements of Continental Gold Limited (the “Company”) were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the audited annual consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company’s circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors of the Company is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the annual audited consolidated financial statements together with other financial information. An Audit Committee, whose members are not officers of the Company, assists the Board of Directors in fulfilling this responsibility. The Audit Committee, on behalf of the Board of Directors, meets with management to review the internal controls over the financial reporting process, the annual audited consolidated financial statements together with other financial information of the Company, and the auditor’s report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the annual consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) Ari Sussman

Ari Sussman
Chief Executive Officer

(signed) Paul Begin

Paul Begin
Chief Financial Officer

March 5, 2014

March 5, 2014

Independent Auditor's Report

To the Shareholder of
Continental Gold Limited

We have audited the accompanying consolidated financial statements of Continental Gold Limited, which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and the related notes, which comprise 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 (IFRS), 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.

Auditor's 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 the auditor's 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, the auditor considers 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.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Continental Gold Limited as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with IFRS.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Continental Gold Limited
Consolidated Statements of Financial Position

As at (in thousands of U.S. Dollars)	Notes	**December 31, 2013**	December 31, 2012
		$	$
Assets			
Current assets			
Cash and cash equivalents	8	**117,526**	169,983
Marketable securities		**888**	1,284
Receivables and prepaid expenses	9, 22(f)	**3,338**	6,590
		121,752	177,857
Non-current assets			
Restricted cash		**–**	66
Long-term portion of receivables	22(d),(f)	**–**	1,091
Prepaids and advances	10	**2,317**	1,892
Intangible assets		**155**	330
Property, plant and equipment	11	**8,339**	7,186
Exploration and evaluation assets	12	**163,888**	121,154
Investments in associates	13	**862**	1,020
		175,561	132,739
		297,313	310,596
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	14, 26	**5,780**	2,420
Income taxes payable		**–**	193
		5,780	2,613
Non-current liabilities			
Equity tax liability	14	**–**	293
Rehabilitation provision	15	**1,389**	373
Deferred tax liability	18	**11,397**	10,661
		12,786	11,327
		18,566	13,940
Equity			
Share capital	19	**24**	24
Share premium reserve		**391,998**	390,927
Share-based payment reserve		**28,094**	21,765
Deficit		**(141,369)**	(116,060)
		278,747	296,656
		297,313	310,596

Commitments and contingencies	26
Subsequent events	12(a), 27

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

(signed) Ari Sussman
Director

(signed) Paul Murphy
Director

The accompanying notes are an integral part of these consolidated financial statements.

Continental Gold Limited

Consolidated Statements of Operations and Comprehensive Loss

For the years ended (in thousands of U.S. Dollars, except share and per share amounts)	Notes	**December 31, 2013**	December 31, 2012
		$	$
Operating expenses:			
Corporate administration	21(b), 23	**(10,287)**	(10,161)
Exploration expense		**(34)**	–
Loss on sale or write-down of assets	11, 12, 13	**(7,403)**	(105)
		(17,724)	(10,266)
Other income (expense):			
Foreign exchange (loss) gain		**(8,180)**	277
(Loss) gain on marketable securities		**(741)**	238
Share of net loss of investments in associates	13	**(232)**	(225)
Gain on Canadian dollar-denominated warrants	20(a)	**–**	651
Other income		**613**	521
Net loss before finance items and income tax		**(26,264)**	(8,804)
Finance income (expense):			
Interest income		**1,733**	837
Interest and accretion expense		**(33)**	(42)
Net loss before income tax		**(24,564)**	(8,009)
Income tax (expense) recovery:			
Current		**(9)**	(429)
Deferred		**(736)**	509
Total income tax (expense) recovery	18	**(745)**	80
Net loss and comprehensive loss for the year attributable to the equity holders of Continental Gold Limited		**(25,309)**	(7,929)
Net loss per common share			
Basic and diluted		**(0.20)**	(0.07)
Weighted average number of common shares outstanding			
Basic	24(a)	**126,504,326**	112,441,940
Diluted	24(b)	**128,878,264**	112,441,940

The accompanying notes are an integral part of these consolidated financial statements.

Continental Gold Limited

Consolidated Statements of Changes in Shareholders' Equity

(in thousands of U.S. Dollars)	Issued Capital		Reserves			
	Share Capital (Note 19)	**Share Premium Reserve**	**Warrants and Broker Warrants Reserve**	**Share-Based Payment Reserve**	**Deficit**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2011	24	247,281	1,706	14,924	(108,131)	155,804
Issue of shares (Note 19(b)(i))	–	86,875	–	–	–	86,875
Fair value of warrants issued	–	(107)	–	–	–	(107)
Exercise of warrants – cash proceeds	–	49,081	–	–	–	49,081
Fair value of warrants exercised	–	6,999	(916)	–	–	6,083
Exercise of broker warrants – cash proceeds	–	1,211	–	–	–	1,211
Fair value of broker warrants exercised	–	790	(790)	–	–	–
Share-based payments (Note 21(b))	–	–	–	8,501	–	8,501
Exercise of share-based payments – cash proceeds	–	2,046	–	–	–	2,046
Fair value of share-based payments exercised	–	1,660	–	(1,660)	–	–
Cost of issue (Note 19(b)(i))	–	(4,909)	–	–	–	(4,909)
Net loss for the year	–	–	–	–	(7,929)	(7,929)
Balance, December 31, 2012	**24**	**390,927**	**–**	**21,765**	**(116,060)**	**296,656**
Share-based payments (Note 21(b))	**–**	**–**	**–**	**6,746**	**–**	**6,746**
Exercise of share-based payments – cash proceeds	**–**	**654**	**–**	**–**	**–**	**654**
Fair value of share-based payments exercised	**–**	**417**	**–**	**(417)**	**–**	**–**
Net loss for the year	**–**	**–**	**–**	**–**	**(25,309)**	**(25,309)**
Balance, December 31, 2013	**24**	**391,998**	**–**	**28,094**	**(141,369)**	**278,747**

Continental Gold Limited
Consolidated Statements of Cash Flows

For the years ended (in thousands of U.S. Dollars)	Notes	**December 31, 2013**	December 31, 2012
		$	$
Cash provided by (used in):			
Operating activities:			
Net loss for the year		**(25,309)**	(7,929)
Items not affecting cash:			
Foreign exchange loss (gain)		**8,180**	(277)
Loss on sale or write-down of assets	11, 12	**7,403**	105
Share-based payments	21(b)	**3,934**	4,406
Deferred tax recovery (expense)	18	**736**	(509)
Other non-cash items	25(a)	**2,135**	(290)
Changes in non-cash operating working capital balances	25(a)	**(425)**	(1,127)
		(3,346)	(5,621)
Investing activities:			
Exploration and evaluation assets		**(48,057)**	(37,634)
Recoveries in property from gold sales	12(c)	**6,619**	5,169
Receivables related to mineral properties		**3,551**	(3,256)
Property, plant and equipment		**(2,141)**	(2,227)
Investment in associates	13	**(391)**	(1,170)
Other investing activities	25(b)	**(1,658)**	(3,251)
		(42,077)	(42,369)
Financing activities:			
Cash proceeds from equity financing, net of costs		**–**	81,966
Cash proceeds from exercise of stock options, warrants, and broker warrants		**654**	52,338
		654	134,304
Net change in cash and cash equivalents during the period		**(44,769)**	86,314
Cash and cash equivalents, beginning of period		**169,983**	83,404
Foreign exchange effect on cash balances		**(7,688)**	265
Cash and cash equivalents, end of period		**117,526**	169,983

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Tabular dollar amounts represent thousands of United States ("U.S.") dollars, unless otherwise shown. References to C$/CAD and COP are to Canadian dollars and Colombian pesos, respectively.

1. NATURE OF OPERATIONS

Continental Gold Limited, a Bermuda-based, privately-owned company, was incorporated under the Companies Act, 1981 (Bermuda) by articles of incorporation dated April 26, 2007. Continental Gold Limited and Cronus Resources Ltd. ("Cronus"), a TSX Venture Exchange listed company, amalgamated under the Companies Act, 1981 (Bermuda) by articles of amalgamation dated March 30, 2010. The resulting issuer, a Bermuda-based company, now operates under the Continental Gold Limited name (the "Company) and is governed by the bye-laws of the original Continental Gold Limited. The Company formed a branch pursuant to the laws of Colombia, South America effective May 23, 2007 and principally carries on business in Colombia under the name "Continental Gold Limited Sucursal Colombia". In addition, wholly-owned subsidiaries, incorporated in Colombia and Bermuda, hold certain exploration properties.

The Company engages principally in the acquisition, exploration and development of its mineral properties in Colombia. The Company's activities include a small-scale mining operation related to exploration work and considered by the Company to be in the pre-production stage. Substantially all of the Company's efforts are devoted to exploring, financing and developing these properties.

The Company's shares are listed on the Toronto Stock Exchange ("TSX") and also trade in the United States on the OTCQX® International, the highest tier of the U.S. Over-the-Counter market. The registered address and corporate records of the Company are located at Cumberland House, 9th Floor, 1 Victoria Street, Hamilton HM 11, Bermuda.

2. BASIS OF PREPARATION

Statement of Compliance

The annual consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued and effective for the year ended December 31, 2013, as issued by the International Accounting Standards Board ("IASB").

These annual consolidated financial statements were approved and authorized by the Board of Directors on March 5, 2014.

Basis of Measurement

These annual consolidated financial statements have been prepared under the historical cost convention except for financial instruments, which are measured at fair value.

The Company engages principally in the acquisition, exploration and development of mineral properties in Colombia. The Company currently has interests in mineral properties, including a small-scale mining operation related to exploration work and considered by the Company to be in the pre-production stage. Substantially all of the Company's efforts are devoted to exploring, financing and developing these properties. There has been no determination whether the Company's interests in mineral properties contain mineral reserves which are economically recoverable. The Company's assets are located in Colombia and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise financing or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values of the mineral properties.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and development activities and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements.

Basis of Consolidation

Subsidiaries

Subsidiaries are entities over which the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the annual consolidated financial statements from the date that control commences until the date the control ceases. Any remaining interest in the entity is re-measured to fair value on the date when control is lost, with the change in carrying amount recognized in profit or loss.

Investments in Associates

Associates are entities over which the Company has significant influence, but not control or joint control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Company accounts for its investment in associates using the equity method of accounting whereby the Company's investments in associates are initially recognized at cost and, subsequently, the Company's share of profits or losses of associates are recognized in the consolidated statement of operations and comprehensive loss until the date on which significant influence ceases.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains on transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investment in associates are recognized in the consolidated statement of operations and comprehensive loss.

Functional and Reporting Currency

The functional and reporting currency of the Company is the U.S. dollar. All financial information has been presented in U.S. dollars in these annual consolidated financial statements, except when otherwise indicated.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the chief executive officer of the Company that makes strategic decisions.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions, which by their nature are uncertain, affect the carrying value of assets, impact decisions as to when exploration and evaluation costs should be capitalized or expensed, and affect estimates for rehabilitation provisions. Other significant estimates made by the Company include factors affecting valuations of share-based compensation, investments in warrant securities and income tax accounts. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(a) whether future economic benefits may be realized on exploration properties and the recoverability of exploration and evaluation expenditures capitalized;

(b) the inputs used in estimating the fair value of share-based payment and warrant securities transactions;

(c) the assumptions used in the measurement of the rehabilitation provision included in the consolidated statement of financial position; and

(d) the assumptions used in determining the likelihood and magnitude of an outflow of resources for commitments and contingencies accrued in the consolidated statement of financial position.

4. CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(a) **Changes in Accounting Policies**

Except for the changes noted below, the Company has consistently applied the accounting policies set out in Note 5 to all the periods presented in these audited annual consolidated financial statements.

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions. The nature and effect of the changes are explained below:

(i) IFRS 10, *Consolidated Financial Statements* ("IFRS 10") replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements* ("IAS 27") and *SIC-12, Consolidation—Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation for the Company have remained largely consistent with IAS 27.

The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

(ii) IFRS 12, *Disclosure of Interests in Other Entities* establishes disclosure requirements in a single standard for interests in other entities, such as subsidiaries (see Note 6), joint arrangements, associates (see Note 13), and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

(iii) IFRS 13, *Fair Value Measurement* ("IFRS 13") provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

The Company adopted IFRS 13 on January 1, 2013 on a prospective basis and has therefore not provided comparative information for any new disclosures required (see Note 16). The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

(iv) IAS 1, *Presentation of Financial Statements* ("IAS 1") has adopted amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income ("OCI") items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to OCI or comprehensive income (loss) on January 1, 2013.

(b) **New Accounting Standards and Interpretations**

The following revised standards and amendments, unless otherwise stated, are effective on or after January 1, 2014 with early adoption permitted and have not been applied in preparing these annual consolidated financial statements. Management has not yet considered the potential impact of their adoption and does not plan to adopt these standards early.

(i) IFRS 9, *Financial Instruments* ("IFRS 9") was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial Instruments – Recognition and Measurement* ("IAS 39") for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through OCI. Where equity instruments are measured at fair value through OCI, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment. However, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carry forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in OCI.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

(ii) IAS 32, *Financial Instruments: Presentation* ("IAS 32") clarifies some of the requirements for offsetting financial assets and financial liabilities on the consolidated statement of financial position.

IAS 32 is effective for annual periods beginning on or after January 1, 2014 with early adoption permitted.

(iii) IFRIC 21, *Levies* sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized. The Company has not yet assessed the impact on its financial statements.

IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 with early adoption permitted.

There are no other IFRS or IFRS Interpretations Committee ("IFRIC") interpretations that are not yet effective that would be expected to have a material impact on the Company.

5. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities are translated at the rate of exchange prevailing when the assets were acquired or the liabilities incurred. Revenue, expense items and capitalized exploration and evaluation expenditures are translated using the average rate of exchange during the financial statement periods, except for depreciation and amortization, which are translated at historic rates.

Foreign exchange gains and losses resulting from the translation of transactions and balances denominated in foreign currencies are included in the consolidated statement of operations and comprehensive loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments and certificates of deposit with maturities of less than 90 days. The majority of the Company's cash and cash equivalents are held in banks in Bermuda, Canada and Colombia.

Financial instruments

Financial assets and liabilities recognition
Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Non-derivative financial assets are classified into the following categories based on the purpose for which the financial assets were acquired: fair value through profit or loss ("FVTPL"), held-to-maturity, loans and receivables and available-for-sale. Non-derivative financial liabilities are classified into the other financial liabilities category. All financial instruments and derivatives are measured on the consolidated statement of financial position date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument.

Financial assets measurement
Financial assets are recognized and classified as FVTPL on the settlement date if they are acquired principally for the purpose of selling or repurchasing in the short-term or are designated as such on initial recognition and are measured at fair value with unrealized gains and losses recognized through the consolidated statement of operations and loss. The Company's marketable securities are classified as FVTPL.

Financial assets are recognized and classified as held-to-maturity or loans-and-receivables on the trade date if they are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially measured at the amount expected to be received, less a discount, when material, to reduce the loans and receivables to fair value. Subsequently, the assets are measured at amortized cost using the effective interest method less a provision for impairment. The Company's cash and cash equivalents and trade and other receivables are classified as held-to-maturity and loans-and receivables, respectively.

Financial assets are classified as available-for-sale if they are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value and are subsequently measured at fair value with unrealized gains and losses from re-measurement recognized in OCI except for impairment losses and foreign currency gains and losses on translation of debt securities. When an available-for-sale asset is de-recognized, the accumulated gains or losses are transferred from OCI to net income (loss) within the consolidated statement of operations and comprehensive loss. As at December 31, 2013 and 2012, the Company has not classified any financial assets as available-for-sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities measurement
Financial liabilities classified as other financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these liabilities are measured at amortized cost using the effective interest method. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Derivatives
Derivative assets and liabilities include derivative financial instruments that do not qualify as hedges, or are not designated as hedges and were classified as FVTPL. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are measured at fair value with unrealized gains and losses recognized through the consolidated statement of operations and comprehensive loss. Any directly attributable transactions costs are expensed as incurred. As at December 31, 2013 and 2012, the Company did not have any derivatives.

Impairment of financial assets
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired.

The criteria used to determine if objective evidence of impairment exists include:

(i) significant financial difficulty of a debtor;
(ii) delinquencies in interest or principal payments;
(iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization; and
(iv) significant decline or prolonged loss in value.

If such evidence exists, the Company recognizes an impairment loss as follows:

1. Assets carried at amortized cost
The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment either directly or indirectly through the use of an allowance account. The amount of the loss is recognized in the consolidated statement of operations and comprehensive loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously-recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of operations and comprehensive loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in the consolidated statement of operations and comprehensive loss when there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

2. Available-for-sale
An amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in the consolidated statement of operations and comprehensive loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the consolidated statement of operations and comprehensive loss.

De-recognition of financial assets and liabilities
Financial assets are de-recognized when the contractual rights to receive cash flows from the assets expire or when the Company no longer retains substantially all of the risks and rewards of

ownership and does not retain control over the financial asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in the consolidated statement of operations and comprehensive loss.

For financial liabilities, de-recognition occurs when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in the consolidated statement of operations and comprehensive loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Intangible assets

Intangible assets are comprised of computer software acquired separately and are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Following initial recognition, intangible assets are carried at cost less any accumulated amortization on a straight-line basis over their useful lives of three years and any accumulated impairment losses.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of operations and comprehensive loss when the asset is de-recognized.

Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use along with the future cost of dismantling and removing the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of major overhauls of property, plant and equipment is recognized in the carrying amount of the overhaul provides future economic benefits to the Company, and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the consolidated statement of operations and comprehensive loss as incurred.

Depreciation
Property, plant and equipment are depreciated over the estimated useful lives of the assets using the straight-line or units-of-production method, as appropriate, as follows:

Office equipment	5 to 10 years
Computer equipment	5 years
Vehicles	5 years
Buildings	20 years or units-of-production when in commercial production
Mining and plant equipment	10 years or units-of-production when in commercial production
Mine development costs	Units-of-production when available for use
Leasehold improvements	Lease term
Land	Not depreciated

Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Impairment of property, plant, equipment and intangible assets

Property, plant and equipment and finite life intangible assets are reviewed for impairment when events or circumstances indicate that their carrying value may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in operations. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. Any subsequent reversal of an impairment loss is recognized in operations.

Exploration and evaluation ("E&E") costs

Recognition and measurement
Exploration and evaluation costs are those costs required to find a mineral property and determine technical feasibility and commercial viability. E&E costs include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources and whether measured and indicated mineral resources are commercially viable. Costs incurred before the Company has obtained the legal right to explore an area are recognized in the consolidated statement of operations and comprehensive loss.

E&E costs relating to the acquisition of, exploration for and development of mineral properties are capitalized and include, but are not restricted to: drilling, trenching, sampling, surveying and gathering exploration data; tunnelling and development, calculation and definition of mineral resource; test work on geology, metallurgy, mining, geotechnical and geophysical; and conducting geological, geophysical, engineering, environmental, marketing and financial studies.

All pre-production and bulk sampling revenues are credited against the capitalized expenditures. Option payments received are credited to the related exploration and evaluation asset. Option payments received in excess of amounts capitalized are recognized in the consolidated statement of operations and comprehensive loss.

Administration costs that do not relate directly to specific exploration activity for capitalized projects are expensed as incurred.

Impairment
All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Indicators of impairment include, but are not limited to:

(a) the period for which the right to explore is less than one year;
(b) further exploration expenditures are not anticipated;
(c) a decision to discontinue activities in a specific area; and
(d) the existence of sufficient data indicating that the carrying amount of an exploration and evaluation asset is unlikely to be recovered from the development or sale of the asset.

Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration and evaluation assets are not expected to be recovered, they are charged to operations.

Reclassification to property, plant and equipment
Capitalized exploration and evaluation costs for a project are classified as such until the project demonstrates technical feasibility and commercial viability. Upon demonstrating technical feasibility and commercial viability, and subject to an impairment analysis, capitalized exploration and evaluation costs are transferred to mine development costs within property, plant and equipment. Technical feasibility and commercial viability generally coincide with the establishment of proven and probable reserves and/or a decision to commence construction of a mine. However, this determination may be impacted by management’s assessment of certain modifying factors including legal, environmental, social and governmental factors. All subsequent expenditures on the construction, installation or completion of infrastructure facilities is capitalized within mine development costs.

Upon the commencement of commercial production, capitalized costs will be transferred to the relevant asset classes within property, plant and equipment and charged to operations on a unit-of-production basis. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, future production or proceeds of disposition.

Business combinations and asset purchases
The Company also recognizes exploration and evaluation costs as assets when acquired as part of a business combination, or asset purchase. These assets are recognized at fair value.

Provisions

General
Provisions are recognized when:

(a) the Company has a present obligation (legal or constructive) as a result of a past event; and
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of operations and comprehensive loss. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Rehabilitation provision
The Company records the present value of estimated costs of legal and constructive obligations required to restore operating and exploration locations in the period in which the obligation is incurred. The nature of these restoration activities includes study and analyses of known and potentially affected areas, dismantling and removing infrastructures and operating facilities, rehabilitating mines, tailings dams and waste dumps, closure of tunnel entry points, plant and waste sites, management and adequate disposal of underground waters from the tunnels, restoration, reclamation and re-vegetation of affected areas and post-closure monitoring.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining or exploration assets to the extent that it was incurred prior to the production. Over time, the discounted liability is increased for the change in present value based on the risk-free pre-tax discount rate in Colombia. The periodic unwinding of the discount is recognized in the consolidated statement of operations and comprehensive loss. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of operations and comprehensive loss.

Income tax

Income tax is comprised of current and deferred tax. Income tax is recognized in the consolidated statement of operations and comprehensive loss except to the extent that it relates to items recognized directly in OCI or directly in equity, in which case the income tax is recognized directly in OCI or equity, respectively.

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

Deferred tax
In general, deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred 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 and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred income tax assets and liabilities are presented as non-current.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 21.

The fair value determined at the grant date of the equity-settled share-based payments is determined using the Black-Scholes option pricing model and expensed on a graded vesting method of amortization over the period during which the employee becomes unconditionally entitled to exercise these equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the consolidated statement of operations and comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. Consideration received on the exercise of stock options is recorded as share capital and share premium reserve. The related share-based payment reserve is transferred to share premium reserve. Upon expiry, the recorded value is transferred to deficit.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Share capital

Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Revenue recognition

Revenue from gold bullion sales, including pre-production and bulk sampling revenues, is recognized when the significant risks and rewards of ownership have been transferred to the counterparty and the selling prices have been agreed or can be reasonably estimated.

Pre-production and bulk sampling revenues are recorded as a credit to exploration and evaluation assets.

Interest revenue

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of operations and comprehensive loss over the period of the lease.

Comprehensive income

Comprehensive income includes both net earnings and OCI includes holding gains and losses on available-for-sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until the period that the related asset or liability affects income. Cumulative changes in OCI are included in accumulated OCI which is presented as a category in shareholders' equity. For the years ended December 31, 2013 and 2012, the comprehensive income (loss) equals net income (loss).

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to the equity holders of the Company by the weighted-average number of common shares outstanding during the period.

Diluted earnings (loss) per share is calculated by adjusting the weighted-average number of common shares outstanding for dilutive instruments. The number of shares with respect to options, warrants and similar instruments is computed using the treasury stock method under which deemed proceeds on the exercise of stock options and other dilutive instruments are considered to be used to reacquire common shares at the average share price for the period with the incremental number of shares being included in the denominator of the diluted income (loss) per share calculation. The Company's potential dilutive common shares comprise stock options, Canadian-dollar denominated warrants, warrants and broker warrants. The diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

6. SUBSIDIARIES

The following is a list of subsidiaries of the Company at December 31, 2013:

Name	Country of incorporation	Nature of business	Proportion of shares held directly by Company (%)	Proportion of shares held consolidated group (%)
CGL International Holdings Limited	Bermuda	Intermediate holding company	100	–
CGL Berlin Holdings Limited	Bermuda	Intermediate holding company	–	100
CGL Dominical Holdings Limited	Bermuda	Intermediate holding company	–	100
CGL Santander Holdings Limited	Bermuda	Intermediate holding company	–	100
CGL Greater Buritica Holdings Limited	Bermuda	Intermediate holding company	–	100
CGL Dojura Holdings Limited	Bermuda	Intermediate holding company	–	100
CGL Berlin S.A.S.	Colombia	Exploration	–	100
CGL Dominical S.A.S.	Colombia	Exploration	–	100
CGL Santander S.A.S.	Colombia	Exploration	–	100
CGL Gran Buritica S.A.S.	Colombia	Exploration	–	100
CGL Dojura S.A.S.	Colombia	Exploration	–	100

The Company finances the operations of all of its subsidiaries and thus these companies will have unsecured borrowings from the Company that are interest free and at call. The ability for these controlled entities to repay debts due to the Company (and other parties) will be dependent on the commercialization of the exploration and evaluation assets owned by the subsidiaries.

7. OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Colombia.

Supplemental information

The Company has provided information regarding unallocated assets, liabilities and net loss as supplemental information:

December 31, 2013 (in thousands of U.S. dollars)	**Corporate**	**Colombia**	**Total**
	$	**$**	**$**
As at:			
Cash and cash equivalents	**114,274**	**3,252**	**117,526**
Exploration and evaluation assets	**–**	**163,888**	**163,888**
Total assets	**118,250**	**179,063**	**297,313**
Total liabilities	**104**	**18,462**	**18,566**
For the year ended:			
Net loss	**(16,557)**	**(8,752)**	**(25,309)**
Capital expenditures	**30**	**46,013**	**46,043**

December 31, 2012 (in thousands of U.S. dollars)	Corporate	Colombia	Total
	$	$	$
As at:			
Cash and cash equivalents	169,632	351	169,983
Exploration and evaluation assets	–	121,154	121,154
Total assets	174,079	136,517	310,596
Total liabilities	633	13,307	13,940
For the year ended:			
Net loss	(7,589)	(340)	(7,929)
Capital expenditures	200	35,385	35,585

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

As at (in thousands of U.S. Dollars)	**December 31, 2013**	December 31, 2012
	$	$
Cash in banks and petty cash	**56,413**	169,983
Short-term bank deposits	**61,113**	–
Total	**117,526**	169,983

9. RECEIVABLES AND PREPAID EXPENSES

As at (in thousands of U.S. dollars)	**December 31, 2013**	December 31, 2012
	$	$
Accounts receivable (a)	**2,588**	6,487
Other receivables (Notes 12(a), 22(f))	**524**	–
Income tax receivable	**144**	–
Prepaid expenses	**82**	103
	3,338	6,590

(a) **Accounts receivable**

Accounts receivable includes $1,601,000 (2012 - $5,849,000) of Colombia value-added-tax refund receivable.

10. PREPAIDS AND ADVANCES

As at (in thousands of U.S. dollars)	**December 31, 2013**	December 31, 2012
	$	$
Prepaid environmental fee (See Note 26)	**1,527**	–
Prepaid construction costs (a)	**645**	1,682
Other prepaid exploration and evaluation costs	**145**	210
	2,317	1,892

Prepaids and advances represent advances for costs that will be capitalized when incurred.

(a) **Prepaid construction costs**

Prepaid construction costs represent advances to contractors for development costs that will be capitalized according to the Company's accounting policy for exploration and evaluation costs.

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

(in thousands of U.S. dollars)	**Land and Buildings**	**Vehicles, Mining and Exploration Equipment**	**Leasehold Improvements, Office and Computer Equipment**	**Total**
	$	**$**	**$**	**$**
Balance, January 1, 2012				
Cost	1,658	3,025	2,104	6,787
Accumulated depreciation	(12)	(475)	(489)	(976)
Net book value	1,646	2,550	1,615	5,811
Year ended December 31, 2012				
Opening net book value	1,646	2,550	1,615	5,811
Additions	1,494	266	467	2,227
Disposals and write-downs	(15)	(30)	(18)	(63)
Depreciation	(23)	(315)	(451)	(789)
Closing net book value	3,102	2,471	1,613	7,186
Balance, December 31, 2012				
Cost	3,137	3,199	2,532	8,868
Accumulated depreciation	(35)	(728)	(919)	(1,682)
Net book value	3,102	2,471	1,613	7,186
Year ended December 31, 2013				
Opening net book value	**3,102**	**2,471**	**1,613**	**7,186**
Additions	**1,118**	**683**	**371**	**2,172**
Disposals	**(31)**	**(162)**	**(27)**	**(220)**
Depreciation	**(26)**	**(336)**	**(437)**	**(799)**
Closing net book value	**4,163**	**2,656**	**1,520**	**8,339**

(in thousands of U.S. dollars)	Land and Buildings	Vehicles, Mining and Exploration Equipment	Leasehold Improvements, Office and Computer Equipment	Total
Balance, December 31, 2013				
Cost	**4,224**	**3,689**	**2,876**	**10,789**
Accumulated depreciation	**(61)**	**(1,033)**	**(1,356)**	**(2,450)**
Net book value	**4,163**	**2,656**	**1,520**	**8,339**

Depreciation of $383,000 (2012 - $360,000) is included in depreciation and amortization in the consolidated statement of operations and comprehensive loss and depreciation of $416,000 (2012 - $429,000) is capitalized in exploration and evaluation assets.

Loss on sale or write-down of equipment of $71,500 (2012 – gain of $38,000) is included in the consolidated statement of operations and comprehensive loss.

12. EXPLORATION AND EVALUATION ASSETS

(in thousands of U.S. dollars)	Balance December 31, 2012	Additions	Gold Sales, Options and Recoveries	Disposals or Write-downs	Balance December 31, 2013
	$	**$**	**$**	**$**	**$**
Anza (a)	**–**	**–**	**–**	**–**	**–**
Berlin (b)	**14,401**	**158**	**–**	**(361)**	**14,198**
Buriticá(c)	**99,908**	**56,401**	**(6,619)**	**–**	**149,690**
Dojura (d)	**1,118**	**307**	**–**	**(1,425)**	**–**
Dominical (e)	**5,233**	**(565)**	**–**	**(4,668)**	**–**
Santander (f)	**494**	**66**	**–**	**(560)**	**–**
Total	**121,154**	**56,367**	**(6,619)**	**(7,014)**	**163,888**

(in thousands of U.S. dollars)	Balance December 31, 2011	Additions	Gold Sales, Options and Recoveries	Disposals or Write-downs	Balance December 31, 2012
	$	$	$	$	$
Anza (a)	5	–	(5)	–	–
Berlin (b)	14,114	287	–	–	14,401
Buriticá(c)	62,598	42,479	(5,169)	–	99,908
Dojura (d)	1,265	39	(186)	–	1,118
Dominical (e)	4,949	284	–	–	5,233
Santander (f)	590	47	–	(143)	494
Total	83,521	43,136	(5,360)	(143)	121,154

(a) **Anza Project**

The Company and five other parties (the “Optionors”) entered into an option agreement dated May 20, 2010 to option a contiguous group of properties (the “Properties”) including the Company’s Anza property. The Company’s share of all consideration flowing to the Optionors pursuant to the option agreement was 25%. Under the option agreement, the option holder was required to make annual cash payments totaling $3,750,000, issue a total of 3,750,000 common shares to the Optionors and incur a minimum total of $4,000,000 of exploration expenditures over four years on the Properties in order to earn a 100% interest in the Properties.

For the year ended December 31, 2013, the Company received its final share of option payments, in cash and shares, and licenses under the option agreement were transferred from the Optionors to the option holder, pursuant to the terms of the option agreement.

The Company's portion of the option payments received for the year ended December 31 2013 was $500,000 and 500,000 shares (2012 – $250,000 and 250,000 shares). The 500,000 shares received in 2013 were initially valued at $76,000 (2012 – 250,000 shares valued at $57,000). The option payments received were recorded as a reduction to the net book value of the property with the excess of $576,000 (2012 – $302,000) recognized in other income on the consolidated statement of operations and comprehensive loss.

In addition, the Optionors will maintain a 2% net smelter royalty in the Properties and the option holder will have the option to purchase half of the net smelter royalty from the Optionors at a cost of $1,000,000. These amounts will be recognized as monies are received.

Furthermore, the Company entered into a loan agreement during the second quarter with the option holder for $500,000 with a maturity date of March 1, 2014. The Company received a general security agreement over the option holder's personal property. Subsequent to year end, the maturity date was extended to September 1, 2014 in exchange for 1,200,000 warrants in the option holder with an exercise price of C$0.125 per warrant with a term of 2 years, subject to an accelerated expiry provision should the option holder's share price equal or exceed C$0.225 for 10 consecutive days. All other terms remain the same.

(b) **Berlin Project**

The Berlin project is located in the Antioquia Department of Colombia and is adjacent to the Ituongo hydro-electrical project that is to be constructed by a Colombian public entity. The Company has been notified of the particular areas of property that will be required for the hydro-electrical plant which affects approximately 2.5% of the number of hectares in the Company's Berlin project. The Company will enter into negotiations with the public entity in respect of compensation for the relinquishment of property. However, as there is no certainty in respect of the outcome of the negotiations, the Company has recorded a write-down for the year ended December 31, 2013 of $361,000 (2012 – $nil) in the consolidated statement of operations and comprehensive loss for the property that is expected to be relinquished. Any resulting compensation will be recognized in income at the time of receipt.

(c) **Buriticá Project**

The Buriticá project includes the Yaraguá mine that had previously been under small-scale production by the Company and is now utilized for underground exploration development and a bulk sample testing operation.

Gold concentrate inventory of $8,000 (December 31, 2012 - $26,000) is included in mineral properties and is carried at the lower of cost and net realizable value. Inventory is recorded at cost as the Company capitalizes its pre-production revenues and costs. During the years ended December 31, 2013 and 2012, no amounts have been expensed in the consolidated statement of operations and comprehensive loss.

Gold sales from pre-production and bulk sampling revenues of $6,619,000 (2012 - $5,169,000) were credited against the capitalized expenditures.

On October 19, 2012, the Company transferred to a company controlled by the Chairman of the Company ("the Chairman") certain mining concessions within the Buriticá property and its 25% equity interest in Minerales OTU S.A.S. ("OTU") in exchange for additional mining concessions that have now been included in the Company's Buriticá portfolio. As a result of this transaction, the Company added 28,731 hectares to the Buriticá project. See Note 22(g) for further details.

(d) **Dojura Project**

The Company entered into an assignment agreement with a company controlled by the Chairman whereby the Company was assigned an option agreement with an unrelated third party ("the option holder"), dated October 4, 2006, in respect of the Dojura property.

The option holder is required to incur exploration expenditures and payments from the date the option holder begins exploration in order to earn a 51% interest in the project, in accordance with the option agreement. A company controlled by the Chairman of the Company (the "Chairman") is entitled to 25% of all cash payments received by the Company with regards to the Dojura option agreement.

In 2011, work was halted on the Dojura project on a partial force majeure basis until such time as security conditions in the area improve. In 2013, the Company agreed to temporarily postpone the January 15, 2013 option payment of $500,000 while the two parties discuss alternatives to the current agreement. As at December 31, 2013, a mutually acceptable agreement has not been reached and the two parties differ in opinion as to the status of the agreement. As it is uncertain whether the Company will be able to recover its costs or commence exploration for the project, a write-down of $1,425,000 was recorded for the year ended December 31, 2013 in the consolidated statement of operations and comprehensive loss in respect of the Dojura project.

In 2013, the Company received $nil (2012 – $250,000) from the option holder with regard to the Dojura project.

(e) **Dominical Property**

The Dominical project is located in the Cauca Department in Colombia. As a result of worsening security conditions in the Cauca Department, the Company re-evaluated its work plan and concluded that no resources will be allocated to exploration activities to the project in the near future. Accordingly, a write-down of $4,668,000 was recorded for the year ended December 31, 2013 in the consolidated statement of operations and comprehensive loss in respect of the Dominical project.

(f) **Santander Property**

The Santander project was initially acquired in 2007, upon incorporation of the Company, from a company controlled by the Chairman.

In February 2013, the Company voluntarily relinquished 1,001 hectares of its mineral exploration rights located in the Santander region within the newly-declared Parque Natural Regional Páramo de Santurbán. The Company retained its remaining 3,471 hectares of mineral exploration rights in the Santander region. Exploration activities during 2013 resulted in the conclusion by management to relinquish its remaining rights.

As a result, the Company recognized a write-down for the year ended December 31, 2013 of $560,000 (2012 - $143,000) in the consolidated statement of operations and comprehensive loss in respect of the Santander project.

In December 2013, all of the Company's remaining exploration licenses for the Santander project were transferred to a company controlled by the Chairman for nil consideration.

13. INVESTMENTS IN ASSOCIATES

Investments in associates consist of the following:

(in thousands of U.S. dollars)	Sabre Metals Inc. (a)	ThunderBolt Resources Inc. (b)	Minerales OTU S.A.S. (c)	Total
	$	$	$	$
Balance, January 1, 2012	–	–	2,526	2,526
Initial investment in associate	70	70	–	140
Additional investment	756	349	–	1,105
Share of net loss	(159)	(66)	–	(225)
Disposal	–	–	(2,526)	(2,526)
Balance, December 31, 2012	**667**	**353**	**–**	**1,020**
Additional investment	**391**	**–**	**–**	**391**
Share of net loss	**(196)**	**(36)**	**–**	**(232)**
Impairment adjustment	**–**	**(317)**	**–**	**(317)**
Balance, December 31, 2013	**862**	**–**	**–**	**862**

(a) **Sabre Metals Inc.**

In 2012, the Company invested a total of C$820,000 and received common shares in Sabre Metals Inc. ("Sabre"), a private company incorporated in the Province of Ontario, Canada and indirectly controlled by the Chairman. The Company also received shares of Sabre in consideration for the waiver of the Company's option on certain properties transferred to Sabre by a company controlled by the Chairman. As at December 31, 2013, the Company owned approximately 17% of Sabre.

The Company has accounted for its investment in Sabre as an investment in associate as the Company has significant influence over the activities of Sabre through the involvement of the Company's management and staff in the associate's activities and the financing of a portion of the associate's operations.

On August 1, 2013, Cordoba Minerals Corp. ("Cordoba"), an unrelated public company, announced a binding agreement with respect to the acquisition of Sabre by Cordoba (the "Cordoba transaction"). Upon completion of the proposed transaction, the Company's ownership of Cordoba is expected to be less than 10%, including shares of Cordoba currently owned by the Company and classified as marketable securities, which are classified by the Company as FVTPL. As a result, the investment in Sabre is expected to be reclassified and accounted for a FVTPL investment at that time. As at December 31, 2013, the transaction had not closed.

In 2013 and in January 2014, the Company invested an additional C$410,000 and C$108,000, respectively, in Sabre in the form of convertible promissory notes. The convertible promissory notes are unsecured, bears interest at a rate of 8% per annum, which is payable upon the maturity date, being the earlier of September 6, 2015 and the date the shares of Sabre or its successor company commences trading on a recognized stock exchange in Canada. The convertible promissory notes provides the Company the right to convert the receivable, at its option, into common shares of Sabre prior to the maturity date at a conversion price equal to the lesser of C$0.50 per share and the price per share in a subsequent equity financing, if completed prior to conversion, less a 30% discount. The convertible promissory notes will be converted to shares immediately prior to closing of the Cordoba transaction.

As at December 31, 2013, $24,000 (December 31, 2012 – $nil) was included in current receivables and $nil (December 31, 2012 – $458,000) was included in long-term receivable relating to exploration and administrative expenditures incurred by the Company on behalf of Sabre.

(b) **ThunderBolt Resources Inc.**

In 2012, the Company invested a total of C$414,000 in the form of a convertible promissory note and common shares in ThunderBolt Resources Inc. (“ThunderBolt”) (formerly Nighthawk Resources Inc.), a private company incorporated in the Province of Ontario, Canada and indirectly controlled by the Chairman. Additionally, the Company received shares of ThunderBolt in consideration for the waiver of the Company’s option on certain properties transferred to ThunderBolt by a company controlled by the Chairman in 2012.

The Company has accounted for its investment in ThunderBolt as an investment in associate as the Company has significant influence over the activities of ThunderBolt through the involvement of the Company’s management and staff in the associate’s activities and the financing of a portion of the associate’s operations.

For the year ended December 31, 2013, the Company recorded an impairment adjustment to its investment in ThunderBolt and recorded a full provision against its receivable from ThunderBolt of $317,000 and $1,096,000, respectively, as a result of management’s assessment that ThunderBolt’s current properties do not meet the criteria for the potential for an economically viable mine in the current precious metal environment.

(c) **Minerales OTU S.A.S. (“OTU")**

The Company owned 25% of OTU, with the remaining 75% owned by a company controlled by the Chairman and has accounted for its investment in OTU as an investment in associate.

On October 19, 2012, the Company completed an exchange of assets, including its investment in OTU and the settlement of a receivable for $75,000, with a company controlled by the Chairman resulting in no gain or loss to the Company. See Note 22(g) for further details.

14. EQUITY TAX LIABILITY

On December 29, 2010, the Colombian Congress passed a law which imposes a 6% equity tax levied on Colombian operations. The Company’s equity tax payable for the years 2011 to 2014 is a total of $1,115,000, payable in eight equal semi-annual instalments.

The amount of equity tax payable is fixed for the four-year term ending in 2014 and is payable regardless of whether subsequent changes to the Company’s financial position would result in a reduction or elimination of the equity tax amount during the four-year term. As a result, the Company expensed the entire amount in consolidated statement of operations and comprehensive loss for the year ending December 31, 2011 with the initial corresponding liability recognized on the consolidated statement of financial position as equity tax payable. The equity tax payable at December 31, 2013 is calculated by discounting the future equity tax payments by a discount rate of 4.04% (2012 – 5.27%).

Equity tax liability consists of the following:

(in thousands of U.S. Dollars)	**2013**	2012
	$	$
Balance, January 1	**613**	824
Payments	**(302)**	(316)
Accretion	**26**	33
Foreign exchange	**(44)**	72
Balance, December 31	**293**	613
Current, included in accounts payable and accrued liabilities	**293**	320
Non-current	**–**	293
Balance, December 31	**293**	613

15. REHABILITATION PROVISION

The Company's rehabilitation provision is based on management's best estimate of costs to abandon and reclaim mineral properties and facilities as well as an estimate of the future timing of the costs to be incurred.

(in thousands of U.S. dollars)	**2013**	2012
	$	$
Balance, January 1	**373**	509
Change in provision	**1,009**	(139)
Accretion expense	**7**	3
Balance, December 31	**1,389**	373

The Company has estimated its total rehabilitation provision at December 31, 2013 based on an undiscounted future liability of approximately $1,529,000 (2012 – $388,000), a risk-free rate of 3.25% (2012 – 4.5%) and an inflation rate of 1.76% (2012 – 2.77%). Reclamation is expected to occur in 2017.

16. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 5.

Financial assets and financial liabilities as at December 31, 2013 and December 31, 2012 were as follows:

As at December 31, 2013 (in thousands of U.S. Dollars)	**Fair Value through profit and loss**	**Loans and receivables and held-to-maturity**	**Other financial assets/ (liabilities)**	**Total**
	$	**$**	**$**	**$**
Cash and cash equivalents	**–**	**117,526**	**–**	**117,526**
Marketable securities	**888**	**–**	**–**	**888**
Receivables	**–**	**3,256**	**–**	**3,256**
Accounts payable and accrued liabilities	**–**	**–**	**(5,487)**	**(5,487)**
Equity tax liability	**–**	**–**	**(293)**	**(293)**
Total	**888**	**120,782**	**(5,780)**	**115,890**

As at December 31, 2012 (in thousands of U.S. Dollars)	Fair Value through profit and loss	Loans and receivables and held-to-maturity	Other financial assets/ (liabilities)	Total
	$	$	$	$
Cash and cash equivalents	–	169,983	–	169,983
Marketable securities	1,284	–	–	1,284
Restricted cash	66	–	–	66
Receivables	–	7,578	–	7,578
Accounts payable and accrued liabilities	–	–	(2,613)	(2,613)
Equity tax liability	–	–	(293)	(293)
Total	1,350	177,561	(2,906)	176,005

The carrying value of cash and cash equivalents, receivables, accounts payable and accrued liabilities and equity tax liability approximate fair value because of the limited term of these instruments.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Fair Value hierarchy and liquidity risk disclosure:

Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from its properties. The Company's cash and cash equivalents are held with banks in Colombia, Bermuda and Canada. The Company limits material counterparty credit risk on these assets by dealing with financial institutions with credit ratings of at least A or equivalent, or those which have been otherwise approved. Amounts receivable mainly consist of receivables from unrelated parties. Current and long-term amounts receivable as of December 31, 2013 were $3,256,000 and $nil, respectively (2012 – $6,487,000 and $1,091,000, respectively). Management believes that the credit risk concentration with respect to amounts receivable is minimal based on the Company's history with these unrelated parties and security held over the receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company has treasury policies designed to support managing of liquidity risk by proactively mitigating exposure through cash management, including forecasting its liquidity requirements with available funds and anticipated cash flows.

As at December 31, 2013, the Company had cash and cash equivalents of $117,526,000 (2012 - $169,983,000) to settle current liabilities of $5,780,000 (2012 - $2,613,000). The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has various commitments detailed in Note 26.

For the year ended December 31, 2013, the Company recorded a net loss of $25,309,000 (2012 – $7,929,000, after recognizing a gain in respect of the Canadian dollar-denominated warrants of $651,000) and reported an accumulated deficit of $141,369,000 (2012 - $116,060,000).

The Company has a need for equity capital and other financing to fund working capital in the exploration and development of its properties. The Company's ability to continue as an active mineral property explorer and developer is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or sufficient, or if the Company will attain profitable levels of operation.

The Company has begun to examine it options to secure additional sources of funds including public issuances and private placements.

Market risk

Interest rate risk
Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. The Company has cash balances and no interest-bearing debt. Management believes that interest rate risk is remote as cash investments have maturities of less than one year.

Foreign currency risk
Foreign currency risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. The Company's functional currency is the U.S. dollar. The Company conducts some of its operating and investing activities in currencies other than the U.S. dollar. The Company is therefore subject to gains or losses due to fluctuations in these currencies relative to the U.S. dollar.

The Company had the following foreign currency balances:

As at December 31, 2013	**Foreign Currency**	**Foreign Balance $(000's)**	**$(000's)**
Cash and cash equivalents	**COP**	**6,277,483**	**3,252**
Cash and cash equivalents	**CAD**	**107,264**	**100,850**
Marketable securities	**CAD**	**945**	**888**
Receivables	**COP**	**3,329,735**	**1,725**
Receivables	**CAD**	**917**	**862**
Accounts payable and accrued liabilities	**COP**	**9,458,189**	**4,900**
Accounts payable and accrued liabilities	**CAD**	**110**	**103**
Equity tax liability	**COP**	**565,580**	**293**

As at December 31, 2012	Foreign Currency	Foreign Balance $(000's)	$(000's)
Cash and cash equivalents	COP	620,574	351
Cash and cash equivalents	CAD	145,344	146,085
Marketable securities	CAD	1,277	1,284
Receivables	COP	11,630,869	6,582
Receivables	CAD	236	237
Restricted cash	CAD	66	66
Accounts payable and accrued liabilities	COP	2,513,778	1,423
Accounts payable and accrued liabilities	CAD	551	553
Equity tax liability	COP	1,083	613

Commodity and equity price risk
The Company is exposed to price risk with respect to commodity price. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious minerals to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

Based on management's knowledge of and experience with the financial markets, the Company believes the following movements are "reasonably possible" over a year:

(i) The Company is exposed to foreign currency risk on fluctuations of financial instruments primarily relating to cash and cash equivalents that are denominated in Canadian dollars and Colombian pesos. As at December 31, 2013, had both the Canadian dollar and the Colombian peso strengthened/weakened by 10% against the U.S. dollar with all other variables held constant, the Company’s reported net loss for the year ended December 31, 2013 would have been approximately $10,417,000 lower/higher.

Commodity price risk could affect the Company. In particular, the Company’s future profitability and viability of development depends upon the world market of precious metals. As of December 31, 2013, the Company was not a commercial producing entity. As a result, commodity price risk could affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Fair value

Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

The following tables illustrate the classification of the Company's financial instruments within the fair value hierarchy, representing all recurring financial assets. 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).

As at December 31, 2013 (in thousands of U.S. dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Marketable securities	**888**	**–**	**–**	**888**
	888	**–**	**–**	**888**

As at December 31, 2012 (in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Total
	$	$	$	$
Marketable securities	1,054	230	–	1,284
	1,054	230	–	1,284

As at December 31, 2013, there were no non-recurring financial assets or liabilities that were valued at fair value.

17. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, which is comprised of share capital, share premium reserve, share-based payment reserve and deficit which at December 31, 2013 totalled $278,747,000 (2012 - $296,656,000). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on activities related to its mineral properties. Selected information is frequently provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2013. The Company is not subject to any capital requirements imposed by a regulator or lending institution.

18. INCOME TAXES

Income taxes are comprised of:

For the years ended (in thousands of U.S. dollars)	**December 31, 2013**	December 31, 2012
	$	$
Current tax:		
Current minimum tax	**9**	**429**
	9	**429**
Deferred tax (recovery):		
Origination and reversal of temporary differences	**736**	**(509)**
	736	**(509)**
Income tax expense (recovery)	**745**	**(80)**

The Company is incorporated in Bermuda and it is not subject to income taxes in Bermuda, and as such the losses incurred as a result of corporate expenses in Bermuda will not result in an income tax recovery. The Company is tax resident in Canada and is subject to income taxes at a combined federal and provincial statutory tax rate as at December 31, 2013 of 26.5% (2012 – 26.5%). The tax on the Company's net income (loss) before tax differs from the amount that would arise using the tax rate applicable to the Company as follows:

For the years ended (in thousands of U.S. dollars)	**December 31, 2013**	December 31, 2012
	$	$
Net loss before taxes	**(24,564)**	(8,009)
Expected income tax recovery	**(6,509)**	(2,122)
Foreign tax rate differences	**493**	416
Non-deductible expenses	**1,051**	1,178
Non-taxable gain on Canadian dollar-denominated warrants	**–**	(173)
Change in future tax rates	**–**	(819)
Foreign exchange impact on deferred tax liability	**2,056**	(1,186)
Adjustment in respect of prior years	**144**	(334)
Current year loss not recognized	**3,625**	2,960
Other	**(115)**	–
Net income tax recovery	**745**	(80)

All deferred tax assets and liabilities are expected to be settled after 12 months. The tax effect of temporary differences that give rise to deferred tax assets and liabilities are as follows:

For the year ended December 31, 2013 (in thousands of U.S. dollars)	**Property, plant and equipment**	**Exploration and evaluation assets**	**Investment in associate**	**Other**	**Net deferred income tax (asset) liability**
	$	**$**	**$**	**$**	**$**
Balance, January 1	**(304)**	**10,941**	**–**	**24**	**10,661**
Recognized in equity	**–**	**–**	**–**	**–**	**–**
Recognized in profit or loss	**392**	**346**	**–**	**(2)**	**736**
Balance, December 31	**88**	**11,287**	**–**	**22**	**11,397**

For the year ended December 31, 2012 (in thousands of U.S. dollars)	Property, plant and equipment	Exploration and evaluation assets	Investment in associate	Other	Net deferred income tax (asset) liability
	$	$	$	$	$
Balance, January 1	(908)	12,043	16	–	11,151
Recognized in equity	–	–	–	19	19
Recognized in profit or loss	604	(1,102)	(16)	5	(509)
Balance, December 31	(304)	10,941	–	24	10,661

The above deferred tax assets and liabilities include the effect of tax losses available in Colombia of COP$19,417,000,000 (2012 – COP$9,160,000,000) to reduce income taxes payable in Colombia in the future. These tax losses have no expiry date.

As at the periods ended, the Company had not recognized the following deferred tax balances that are available for utilization against taxable income:

As at (in thousands of U.S. dollars)	**December 31, 2013**	December 31, 2012
	$	$
Exploration and evaluation assets	**(3,335)**	(2,402)
Property, plant and equipment	**(192)**	(291)
Financing fees	**1,236**	1,855
Unrealized loss (gain) on marketable securities	**54**	(22)
Tax losses carried forward utilizable against taxable income (a)	**22,891**	13,239
	20,654	12,379

(a) As at December 31, 2013, the Company had unused tax losses available for carry forward in Canada of $86,383,000 (2012 - $49,959,000) that expire between the years 2030 and 2033.

19. SHARE CAPITAL

(a) Authorized

The Company has an authorized share capital of $60,000 and may issue up 50,000,000,000 common shares with a par value of $0.000001 per share and up to 100,000,000 preferred shares with a par value of $0.0001, issuable in series. All issued shares are fully paid. No dividends have been paid or declared by the Company since inception.

(b) Issued

As of December 31, 2013, the issued share capital was 126,635,005. The change in issued share capital for the 2013 and 2012 years were as follows:

	Number of Shares	
	2013	2012
Balance, January 1	**126,191,155**	108,145,007
Issue of shares (i)	**–**	9,039,000
Exercise of stock options (Note 21)	**443,850**	683,086
Exercise of warrants and broker warrants	**–**	8,324,062
Balance, December 31	**126,635,005**	126,191,155

(i) On December 4, 2012, the Company completed an equity financing resulting in the issuance of 9,039,000 common shares at a price of C$9.55 per share for gross proceeds of C$86,322,000. Share issue costs of $4,909,000, including a cash commission to the underwriters of 5% of gross proceeds of C$4,316,000, were recognized as a reduction to equity.

20. WARRANTS

(a) Canadian Dollar-Denominated Warrants

All warrants denominated in Canadian dollars were classified as derivative financial liabilities and were exercised or expired as of the September 16, 2012 expiry date. A derivative gain of $651,000 was recognized in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2012 relating to the revaluation of the warrants upon exercise or expiry. Fair value estimates were based on quoted market prices for the warrants and were therefore classified as level 1 within the fair value hierarchy.

(b) Warrants

Share purchase warrants had an expiry date of March 30, 2012 and an exercise price of $0.98 per share. All such warrants were exercised or expired as of the expiry date of March 30, 2012.

(c) Broker warrants

Broker warrants had an expiry date of September 16, 2012 and had an exercise price of C$5.70 per unit. Each unit consisted of one common share and one-half of one share purchase warrant. Each underlying share purchase warrant had an expiry date of September 16, 2012, had an exercise price of C$7.50 per common share and was classified as a Canadian dollar-denominated warrant.

As at September 16, 2012, all broker warrants were exercised.

21. SHARE-BASED PAYMENTS

Under the Company's stock option plan (the "Plan"), the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding share capital. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. The aggregate number of common shares reserved for issuance granted to any one individual in a 12-month period may not exceed 5% of the total number of shares outstanding. Options granted under the Plan will be for a term not to exceed 10 years.

Movements in share options during the period were as follows:

	2013		2012	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		C$		C$
Balance, January 1	**8,612,112**	**5.18**	6,868,285	4.10
Granted (*)(a)	**2,365,000**	**7.98**	2,878,788	7.76
Exercised	**(443,850)**	**1.50**	(683,086)	2.98
Expired or Forfeited	**(602,500)**	**8.29**	(451,875)	8.52
Balance, December 31	**9,930,762**	**5.82**	8,612,112	5.18

(*) The weighted average grant date fair value of stock option grants during the years ended December 31, 2013 and December 31, 2012 was $3.12 and $3.13, respectively.

The following table shows the options outstanding at December 31, 2013:

	Options Outstanding			Options Exercisable		
Range of Price (C$)	Number of Options Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C$)	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (C$)
\$0.41 - \$2.00	2,775,824	1.77	1.39	2,775,824	1.77	1.39
\$2.01 – \$4.00	433,000	1.36	2.35	433,000	1.36	2.35
\$4.01 - \$6.00	725,000	3.81	5.40	275,000	3.08	5.54
\$6.01 - \$8.00	3,754,438	2.82	7.67	3,222,241	2.77	7.66
\$8.01 – \$10.24	2,242,500	3.62	9.02	1,023,750	3.11	9.17
	9,930,762	2.72	5.82	7,729,815	2.39	5.24

(a) The following is a summary of the options granted, the fair values and the assumptions used in the Black-Scholes option pricing formula:

For the years ended	**December 31, 2013**	December 31, 2012
Number of options granted	**2,365,000**	2,878,788
Weighted average exercise price (C$)	**7.98**	7.49
Weighted average market price ($)	**8.01**	7.76
Expected dividend yield	**Nil**	nil
Expected volatility	**56%**	58%
Weighted average risk-free interest rate	**1.20%**	1.16%
Forfeiture rate	**8.61%**	6.86%
Weighted expected life (years)	**3.12**	3.12
Weighted average grant date fair value ($)	**3.12**	3.13

The options granted in 2013 and 2012 have vesting terms of 1/4 every six months from the date of grant and have a five-year term.

(b) The Company recorded share-based payments as follows:

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2013**	December 31, 2012
		$	$
Share-based payments, included in corporate administration expenses	23	**3,934**	4,406
Share-based payments capitalized to exploration and evaluation assets		**2,812**	4,095
		6,746	8,501

22. RELATED PARTY TRANSACTIONS

Related parties include management, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The following related party transactions were conducted in the normal course of operations and are measured at the exchange value (the amount established and agreed to by the related parties):

(a) During the year ended December 31, 2013, aggregate gold sales to a refinery company, in which a director of the Company has an equity interest and is an officer, amounted to $6,619,000 (2012 - $5,169,000) and are reported as a reduction to exploration and evaluation assets on the consolidated statement of financial position. As at December 31, 2013, the refinery company owed the Company $nil (2012 – $203,000) which is included in accounts receivable. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

(b) Effective November 22, 2011, the Company entered into a consulting agreement with a company controlled by the Chairman for $20,000 per month. Services include site visit security and logistics, technical assistance and assistance with Colombia mining law and processes. In February 2014, the Company advanced the payments for two months of services.

(c) During 2013, option payments of $nil (2012 – $63,000), representing 25% of option payments received from the third-party joint venture partner in the Dojura project, was paid to a company controlled by the Chairman, pursuant to the option agreement (See Note 12(d)).

(d) As at December 31, 2013, $nil (2012 – $633,000) was included in long-term receivable relating to exploration and administrative expenditures incurred by the Company on behalf of ThunderBolt, an associate of the Company. For the year ended December 31, 2013, a provision of $1,096,000, representing the full receivable balance, was recorded as an expense within corporate administration expenses.

(e) During the year ended December 31, 2013, the Company paid $141,000 to ThunderBolt for geological services which was recorded in exploration and evaluation assets.

(f) As at December 31, 2013, $24,000 (December 31, 2012 – $nil) was included in current receivables and $nil (December 31, 2012 – $458,000) was included in long-term receivables relating to exploration and administrative expenditures incurred by the Company on behalf of Sabre. The receivable is expected to be repaid upon the completion of the Cordoba transaction (see Note 13(a)).

(g) On October 19, 2012, the Company transferred to a company controlled by the Chairman certain mining concessions within the Buriticá property and its 25% equity interest in OTU in exchange for additional mining concessions that have now been included in the Company's Buriticá portfolio.

The fair value of the assets exchanged were determined to be equal to the Company's book value for the assets transferred, resulting in no gain or loss recognized by the Company upon completion of the transaction.

(h) As of December 31, 2013, the Company has an outstanding letter of support to the Colombian Mining Authority representing a total of 257,690 hectares covered in exploration applications submitted on July 2, 2013 by Sabre, an associate of the Company. The letter of support indicates a financial commitment by the Company to financially support the exploration activities by Sabre that is limited to an approximate cost of $98/hectare, for future exploration expenditures for the three-year period commencing from the date a concession contract is registered in respect of the specified areas in the applications. The letters of support were required in order for Sabre to meet rules governing mineral exploration applications.

As of March 5, 2014, the application process for Sabre is still underway and no mining concession contracts have been registered to Sabre in respect of the areas covered in the noted applications. There is no certainty as to the number of hectares that will be ultimately awarded to Sabre and the Company expects that the number of hectares, for which concession contracts may be granted, will be reduced, resulting in a reduced financial commitment for the Company. Areas for which concession contracts are not expected to be granted include, but are not limited to, previously-contracted areas and environmentally-protected areas. Under current Colombian mining law, exploration obligations commence upon the registration of concession contracts and, under previous interpretation of Colombian mining law, each applicant retains the right to desist from applications made before the Mining Authority at any point during the application phase, with no further liability to Sabre or the Company.

(i) During the year ended December 31, 2013, the Company transferred ownership of the exploration licenses for the Lunareja and Santander projects to a company controlled by the Chairman for no consideration. The book value of the properties prior to the transfer was $nil, resulting in no gain or loss at the time of the transfer.

(j) **Compensation of key management personnel of the Company**

The remuneration of directors and other members of key management personnel were as follows:

For the years ended (in thousands of U.S. dollars)	**December 31, 2013**	December 31, 2012
	$	$
Management salaries, benefits and bonuses	**2,062**	1,699
Director fees	**407**	369
Consulting fees	**241**	253
Share-based payments	**4,330**	4,492
	7,040	6,813

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee having regard to the performance of individuals and market trends.

Total management salaries, benefits, bonuses and share-based payments of $1,245,000 (2012 - $1,072,000) that were included above were capitalized to exploration and evaluation assets.

23. CORPORATE ADMINISTRATION EXPENSES

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2013**	December 31, 2012
		$	$
Share-based payments	21(b)	**3,934**	4,406
Salaries		**1,826**	2,255
General office and administration expense		**1,085**	596
Provision for bad debts		**799**	–
Professional fees		**729**	760
Investor relations		**640**	639
Directors fees and expenses		**423**	555
Depreciation and amortization	11	**405**	410
Travel expenses		**251**	321
Regulatory fees		**195**	251
Capital and equity tax		**–**	(32)
		10,287	10,161

24. EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the net income (loss) attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year:

For the years ended	**December 31, 2013**	December 31, 2012
Net loss attributable to equity holders of the Company (in thousands of U.S. Dollars)	**$ (25,309)**	$ (7,929)
Weighted average number of common shares outstanding (in thousands)	**126,504**	112,442
Basic net loss per common share	**$ (0.20)**	$ (0.07)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares to assume conversion of all dilutive potential common shares. The Company has two categories of dilutive potential common shares: warrants and stock options. For both, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's outstanding shares for the year), based on the exercise prices attached to the warrants and stock options. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of the warrants and stock options.

For the years ended	December 31, 2013	December 31, 2012
Net loss attributable to equity holders of the Company (in thousands of U.S. Dollars)	$ (25,309)	$ (7,929)
Weighted average number of common shares outstanding (in thousands)	126,504	112,442
Adjustments for (in thousands):		
Warrants	–	–
Stock options	2,374	–
Weighted average number of common shares for diluted earnings per share (in thousands)	128,878	112,442
Diluted net loss per common share	$ (0.20)	$ (0.07)

25. CASH FLOW – OTHER ITEMS

(a) Other Operating Activities

For the years ended (in thousands of U.S. Dollars)	Note	December 31, 2013	December 31, 2012
		$	$
Other non-cash items:			
Provision for bad debts		799	–
Loss (gain) on marketable securities		741	(238)
Depreciation and amortization		405	410
Share of net loss in investments in associates	13	232	225
Interest and accretion expense		33	36
Interest income		–	(15)
Gain on Canadian dollar-denominated warrants	20(a)	–	(651)
Non-cash option payments		(75)	(57)
		2,135	(290)

For the years ended (in thousands of U.S. Dollars)	Note	December 31, 2013	December 31, 2012
		$	$
Net changes in non-cash operating working capital balances:			
Receivables and prepaid expenses		57	(206)
Accounts payable and accrued liabilities		(482)	(921)
		(425)	(1,127)

(b) Other Investing Activities

For the years ended (in thousands of U.S. Dollars)	Note	December 31, 2013	December 31, 2012
		$	$
Proceeds from sale of assets		100	102
Restricted cash		66	23
Intangible assets		(135)	(255)
Marketable securities		(270)	(503)
Equity tax payments	14	(302)	(316)
Prepaids and advances		(497)	(1,583)
Receivables	9, 22(d),(e)	(620)	(719)
		(1,658)	(3,251)

(c) **Supplemental information regarding non-cash transactions**

During the 2013 and 2012 financial periods, the Company entered into the following non-cash investing and financing activities, which are not reflected in the consolidated statement of cash flows:

- On October 2012, the Company transferred certain mining concessions and its equity interest in an associate in exchange for additional mining concessions. No gain or loss was recognized by the Company upon completion of the transaction.

26. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2013, the Company had the following contractual commitments and obligations:

(in thousands of U.S. dollars)	Total	Less than 1 Year	Years 2 - 5	After 5 Years
(a) N	$	$	$	$
Operating leases (a)	742	511	231	–
Capital commitments(b)	4,329	4,329	–	–
	5,071	4,840	231	–

(a) Non-cancellable operating lease payments in respect of the Company's office, warehouse and housing facilities in Toronto and Colombia.

(b) Capital commitments mainly relate to exploration drilling and the construction of the exploration tunnels. All costs will be capitalized to exploration and evaluation assets when incurred.

Environmental Contingencies

The Company's mining and exploration activities are subject to Colombian laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

In November 2013, the Company was assessed a fine of COP$2,947,500,000 from Corantioquia for alleged environmental infractions dating back to 2007 and 2008. The Company does not believe that the allegations have any merit and intends to vigorously defend this matter. However, in Colombia, the administrative process requires companies to pay the fine while they present their defense in the judicial system. As a result, the Company has recorded a liability of $1,527,000 in accounts payable and accrued liabilities and $1,527,000 in long-term prepaids and advances as the Company expects to recover the amount.

27. SUBSEQUENT EVENTS

On February 6, 2014, the Company loaned C$2,000,000 to a company controlled by the Chairman to facilitate the closing of the Cordoba transaction. The company controlled by the Chairman is owed C$2,000,000 from Sabre within one year of closing of the Cordoba transaction. The promissory note bears interest of 2.5% per annum and is payable on the earlier of the closing or cancellation of the Cordoba transaction. The funds loaned are currently held in escrow until the Cordoba transaction is closed or cancelled. In the event that the Cordoba transaction is cancelled, the funds held in escrow will be returned to the Company including accumulated interest.

On February 6, 2014, the Company invested C$1,000,000, currently held in escrow, for the subscription of 2,000,000 units of Cordoba and to be issued upon closing of the Cordoba transaction. The units will consist of 2,000,000 common shares of Cordoba and 2,000,000 warrants with an exercise price of C$0.75 for one common share of Cordoba and a period to expiry of three years from the date of issuance.