

Gran Colombia Gold Corp.

Interim Condensed Consolidated Financial Statements
(Unaudited)

For the three and nine months ended September 30, 2017

Gran Colombia Gold Corp.
Interim Condensed Consolidated Statements of Financial Position
(Unaudited; expressed in thousands of U.S. dollars)

	Notes	As at September 30, 2017	As at December 31, 2016
ASSETS			
Current			
Cash and cash equivalents		\$ 3,335	\$ 2,783
Cash in trust	6a	-	245
Accounts receivable	10	9,571	11,352
Inventories	3	15,812	10,828
Prepaid expenses and deposits		2,399	1,679
		31,117	26,887
Non-current			
Cash in trust	6d,6e,8c	4,005	1,260
Accounts receivable		-	701
Mining interests	4	416,124	348,998
Deferred tax asset		-	3,268
Available-for-sale investment		38	38
Total assets		\$ 451,284	\$ 381,152
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 20,951	\$ 16,627
Amounts payable for acquisitions of mining interests	4c	11,112	10,975
Current portion of long-term debt	6	30,966	1,232
Current portion of provisions	8	4,846	3,318
Income tax payable		2,166	6,053
		70,041	38,205
Non-current			
Long-term debt	6	63,030	85,022
Provisions	8	24,437	25,311
Deferred income taxes		64,456	49,922
Total liabilities		221,964	198,460
Equity			
Share capital	9b	383,872	381,888
Share purchase warrants	9c	6,317	6,317
Contributed surplus		173,822	163,109
Accumulated other comprehensive loss		(71,312)	(78,434)
Deficit		(263,379)	(290,188)
Total equity		229,320	182,692
Total liabilities and shareholders' equity		\$ 451,284	\$ 381,152
Share consolidation	(Note 9b)		
Subsequent events	(Notes 6c, 9c)		

See accompanying notes to the interim condensed consolidated financial statements.

Gran Colombia Gold Corp.
Interim Condensed Consolidated Statements of Operations
(Unaudited; expressed in thousands of U.S. dollars, except share amounts)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
Revenue		\$ 42,737	\$ 51,224	\$ 144,427	\$ 133,708
Costs and expenses					
Cost of sales	11	30,113	32,383	98,758	85,905
General and administrative expenses		1,992	1,541	5,775	4,509
Reversal of impairment	4a	-	-	(52,926)	-
Share-based compensation expense		-	-	582	548
Social contributions	4b	779	808	2,825	2,322
Income from operations		9,853	16,492	89,413	40,424
Other income (expense)					
Finance income		53	105	233	249
Finance costs	12	(8,073)	(7,920)	(23,938)	(25,229)
Foreign exchange loss		(107)	103	(313)	(93)
Wealth tax		-	-	(918)	(2,231)
Gain (loss) on financial instruments	13	(1,196)	(528)	(54)	19,161
		(9,323)	(8,240)	(24,990)	(8,143)
Income before income taxes		530	8,252	64,423	32,281
(Provision for) recovery of income taxes					
Current		(2,483)	(4,561)	(10,379)	(14,770)
Deferred		906	4,381	(19,703)	1,452
		(1,577)	(180)	(30,082)	(13,318)
Net (loss) income		\$ (1,047)	\$ 8,072	\$ 34,341	\$ 18,963
Basic and diluted (loss) earnings per share		\$ (0.05)	\$ 0.52	\$ 1.70	\$ 1.82
Weighted average number of common shares outstanding		20,450,365	15,604,109	20,166,100	10,424,699

Share consolidation (Note 9b)

See accompanying notes to the interim condensed consolidated financial statements.

Gran Colombia Gold Corp.
Consolidated Statements of Comprehensive Income
(Unaudited; expressed in thousands of U.S. dollars)

	Notes	Three months ended September 30		Nine months ended September 30,	
		2017	2016	2017	2016
Net (loss) income		\$ (1,047)	\$ 8,072	\$ 34,341	\$ 18,963
Items that may be reclassified to profit in subsequent periods:					
Unrealized gain on available- for-sale investment, net of tax		-	-	-	19
Foreign currency translation adjustment, (nil tax effect)		10,343	3,201	7,122	21,428
Comprehensive income		\$ 9,296	\$ 11,273	\$ 41,463	\$ 40,410

See accompanying notes to the interim condensed consolidated financial statements.

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

	Notes	Nine months ended September 30,	
		2017	2016
Common shares			
Balance, beginning of period	9b	\$ 381,888	\$ 369,150
Issuance of common shares on exchange of:			
Gold notes	6d	-	84
Silver notes	6c	-	3,831
Issuance of common shares on exchange of:			
2018 Debentures	6c	1,984	8,438
2020 Debentures	6d	-	385
Balance, end of period		383,872	381,888
Share purchase warrants			
Balance, beginning and end of period	9c	6,317	6,317
Contributed surplus			
Balance, beginning of period		163,109	160,303
Share-based compensation	9d	582	548
Additional deferred income tax on warrant expiry	9b	-	(1,008)
Fair value of conversion option on issuance of:			
2018 Debentures	6c	-	2,213
2020 Debentures	6d	-	1,705
2024 Debentures	6e	10,248	-
2018 Debentures converted to common shares	6c	(117)	(641)
2020 Debentures converted to common shares	6d	-	(11)
Balance, end of period		173,822	163,109
Accumulated other comprehensive loss			
Balance, beginning of period		(78,434)	(88,265)
Unrealized gain on available-for-sale investment		-	19
Foreign currency translation adjustment		7,122	21,428
Balance, end of period		(71,312)	(66,818)
Deficit			
Balance, beginning of period		(290,188)	(293,897)
Charge related to equity portion of 2024 Debentures, net of tax effect of \$2,716	6e	(7,532)	-
Net income		34,341	18,963
Balance, end of period		(263,379)	(274,934)
Total equity		\$ 229,320	\$ 209,562

See accompanying notes to the interim condensed consolidated financial statements.

Gran Colombia Gold Corp.
Consolidated Statements of Cash Flows
(Unaudited; expressed in thousands of U.S. dollars)

	Notes	Nine months ended September 30,	
		2017	2016
Operating Activities			
Net income		\$ 34,341	\$ 18,963
Adjusted for the following items:			
Depreciation, depletion and amortization	4	11,629	8,625
Share-based compensation expense	9d	582	548
Reversal of impairment	4a	(52,926)	-
Finance income		(233)	(249)
Finance costs	12	23,938	25,229
Foreign exchange gains		21	(235)
Loss (gain) on financial instruments	13	54	(19,161)
Provision for environmental discharges	8b	787	236
Environmental discharges fees paid		(1,032)	(1,192)
Payments of health obligations	8c	(621)	(620)
Wealth tax expense	7	918	2,231
Income tax expense		10,379	14,770
Deferred income taxes		19,703	(1,452)
Changes in non-cash working capital items	14	787	(14,113)
Operating cash flows before interest and taxes		48,327	33,580
Equity tax paid		-	(1,911)
Wealth tax paid	7	(936)	(2,896)
Income tax refund received		-	1,626
Income taxes paid		(14,836)	(5,791)
Net cash provided by operating activities		32,555	24,608
Investing Activities			
Additions to mining interests	4	(17,923)	(11,177)
Proceeds from sale of CIIGSA		372	125
Net cash used in investing activities		(17,551)	(11,052)
Financing Activities			
Repayment of long-term debt	6a	(1,168)	(1,111)
Increase (decrease) in cash in trust for debt service	6a	218	(130)
Increase in cash in trust for health plan guarantee	8c	-	(374)
Change in cash in trust for Senior Debentures	6c,6d	(2,699)	(2,411)
Repurchases of 2020 Debentures for cancellation	6d	(2,082)	-
Partial redemption of 2020 Debentures	6d	(3,000)	-
Net interest paid		(5,762)	(7,908)
Debt restructuring costs paid	12	-	(1,714)
Net cash used in financing activities		(14,493)	(13,648)
Impact of foreign exchange rate changes on cash and cash equivalents		41	194
Increase in cash and cash equivalents		552	102
Cash and cash equivalents, beginning of period		2,783	3,004
Cash and cash equivalents, end of period		\$ 3,335	\$ 3,106

See accompanying notes to the interim condensed consolidated financial statements.

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Note to Reader – Share consolidation:

As explained in Note 9, in April 2017, the Company completed a 1 for 15 common share consolidation which also resulted in amendments to conversion prices for outstanding debentures, exercise prices and numbers of stock options and warrants. All references in these interim financial statements to common shares, earnings per share, numbers and pricing of options, warrants and other securities, as applicable, including those that pre-date the common share consolidation are retrospectively restated on a post-consolidation basis.

1. NATURE OF OPERATIONS

Gran Colombia Gold Corp. and its subsidiaries (collectively the “Company”) are engaged in the acquisition, exploration, development and operation of gold properties in Colombia. The Company is incorporated under the laws of the Province of British Columbia. The head office of the Company is located at 401 Bay Street, Suite 2400, Toronto, Ontario, M5H 2Y4 and its registered office is located at 1188 West Georgia Street, Suite 650, Vancouver, British Columbia, V6E 4A2. The Company also has an office in Medellin, Colombia.

2. BASIS OF PRESENTATION

These interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting*, under International Financial Reporting Standards (“IFRS”).

The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the fiscal year ended December 31, 2016, except as discussed below. The interim financial statements do not include all the disclosures included in the annual audited consolidated financial statements and accordingly should be read in conjunction with the annual audited consolidated financial statements and the notes thereto included in the Company’s annual report for the year ended December 31, 2016. These interim condensed consolidated financial statements were approved by the Audit Committee of the Company for issue on November 13, 2017.

The interim financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, and are presented in U.S. dollars, rounded to the nearest thousand except when otherwise indicated. They have been prepared on a going concern basis assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due for the foreseeable future.

Accounting Standards Adopted

On January 19, 2016, the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The implementation of this amendment did not have a material impact on the Company’s consolidated financial statements.

In January 2016, the IASB issued amendments to IAS 7 *Statement of Cash Flows*. The amendments apply prospectively for annual periods beginning on or after January 1, 2017. These amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The implementation of this amendment did not have a material impact on the Company’s financial statements.

Future Accounting Standards Not Yet Adopted

The following new standards, and amendments to standards and interpretations, are not effective for the year ending December 31, 2017, and have not been applied in preparing these interim financial statements.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”). The standard replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRS Interpretations Committee (“IFRIC”) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer*

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of *Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Company has completed a preliminary analysis of the new standard and has concluded that implementation of the new standard will not have a material impact on the measurement of the Company's revenue.

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* ("IFRS 9") which will replace IAS 39, *Financial Instruments* ("IAS 39"). This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition and measurement of financial instruments with two classification categories: amortized cost and fair value. As well, under the new standard a single impairment method is required, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes a substantially reformed approach to hedge accounting that aligns accounting more closely with risk management. The Company will complete the process of determining the impact of IFRS 9 on its consolidated financial statements by the end of 2017.

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided that IFRS 15 is also adopted. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and liability calculated using a prescribed methodology. The Company is in the process of identifying and evaluating all leasing contracts that may be impacted by IFRS 16. The Company plans to complete the analysis on the impact of adopting IFRS 16 in its consolidated financial statements by the end of 2018.

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payments* which include guidance on how to measure the fair value of the liability incurred in a cash-settled share-based payments and clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments (i.e. the modified grant date method). The amendments also clarify the conditions under which a share-based payment transaction with employees settled net of tax withholding is accounted for as equity-settled. Additional amendments clarify the accounting for modifications to plans that result in plans changing from equity to cash settled. Companies are required to apply the amendments for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company believes that implementation of the new standard will not have a material impact in its consolidated financial statements in future periods.

In December 2016, the IASB issued IFRIC 22, *Foreign Currency Transactions and Advance Consideration* ("IFRIC 22"), which clarifies the date that should be used for translation when a foreign currency transaction involves an advance payment or receipt. IFRIC 22 is applicable for annual periods beginning on or after January 1, 2018. The Company does not expect the implementation of IFRIC 22 will have a material impact on its consolidated financial statements in future periods.

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23"). The interpretation seeks to provide guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted. The Company intends to adopt IFRIC 23 in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company does not expect that IFRIC 23 will have a material impact on its consolidated financial statements.

3. INVENTORIES

	September 30, 2017	December 31, 2016
Mineral inventories	\$ 6,500	\$ 2,381
Materials and supplies	9,312	8,447
	<u>\$ 15,812</u>	<u>\$ 10,828</u>

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4. MINING INTERESTS

	Mineral properties	Plant and equipment	Construction in progress	Exploration and evaluation	Total
<i>Nine months ended September 30, 2017</i>					
Opening net book value	\$ 65,322	\$ 34,245	\$ 17,155	\$ 232,276	\$ 348,998
Additions	7,200	3,946	6,735	479	18,360
Transfers	-	476	(476)	-	-
Reversal of impairment (a)	42,340	10,586	-	-	52,926
Decrease in decommissioning liability (Note 8)	(536)	-	-	-	(536)
Depreciation	(8,398)	(3,918)	-	-	(12,316)
Exchange difference	2,363	985	279	5,065	8,692
Closing net book value	\$ 108,291	\$ 46,320	\$ 23,693	\$ 237,820	\$ 416,124
<i>As at September 30, 2017</i>					
Cost	\$ 195,806	\$ 63,440	\$ 56,000	\$ 242,649	\$ 557,895
Accumulated depreciation, amortization and impairment losses	87,515	17,120	32,307	4,829	141,771
Net book value	\$ 108,291	\$ 46,320	\$ 23,693	\$ 237,820	\$ 416,124

A summary of mining interests by property is as follows:

	Mineral properties	Plant and equipment	Construction in progress	Exploration and evaluation	September 30, 2017	December 31, 2016
Segovia Operations	\$ 108,291	\$ 37,081	\$ 23,693	\$ -	\$ 169,065	\$ 107,725
Marmato	-	9,239	-	237,820	247,059	241,273
Total	\$ 108,291	\$ 46,320	\$ 23,693	\$ 237,820	\$ 416,124	\$ 348,998

A summary of the depreciation recorded is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Cost of sales expense	\$ 3,987	\$ 3,218	\$ 11,582	\$ 8,613
General and administrative expenses	4	2	47	12
Total charged to operations	3,991	3,220	11,629	8,625
Increase (decrease) in inventories	130	30	179	(7)
Capitalized depreciation	165	24	508	74
	\$ 4,286	\$ 3,274	\$ 12,316	\$ 8,692

a) *Segovia Operations – reversal of impairment*

In the second quarter of 2017, in light of the increased mineral resource estimate for the Segovia Operations reported by the Company in April 2017 and the ensuing update of the life-of-mine (LOM) plan, the Company completed an assessment of the recoverable amount of the Segovia Operations cash generating unit ("CGU"). In this assessment, the fair value (less estimated cost of disposal) of the Segovia Operations CGU was evaluated based on the updated mine plan using Level 3 valuation techniques, including future LOM after-tax cash flows and estimates of future metals prices, operating costs, capital expenditures, inflation and foreign exchange rates. The recoverable amount of the asset was then determined by discounting the LOM after-tax cash flow projections with assumptions that would be expected to be applied by market participants including a discount rate of 7.75%, a gold price of \$1,250 per ounce in 2017 and long-term gold prices beyond 2017 of \$1,250. Based on this review, the estimated recoverable amount of the Segovia Operations CGU exceeded

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the carrying value, and as such, a \$52.9 million pre-tax reversal of impairment (\$35.5 million after-tax) was recognized and allocated to the mineral properties and plant and equipment for the Segovia Operations.

b) *Segovia Operations social contributions*

In connection with the acquisition of the Segovia Operations, the Company must make contributions to a trust account to fund local social programs in each quarter in which it produces a minimum of 15,000 ounces of gold. The contribution rate is \$4 per ounce of gold production at the minimum gold price of \$700 per ounce and increases by \$2 per ounce for each \$50 increment in the price of gold. Based on the Company's gold production during the nine months ended September 30, 2017, the Company incurred a total obligation for social contributions of \$2.8 million (2016 – \$2.3 million). As at September 30, 2017, \$2.4 million was included in accounts payable and accrued liabilities related to this obligation (December 31, 2016 – \$0.8 million).

c) *Marmato Project commitments*

(i) *Mining title contracts – title transfers approved*: The Company has entered into agreements to purchase additional mining titles related to the Marmato property. The transfer of title is conditional on approval by government authorities. As at September 30, 2017, COP 1.0 billion (\$0.3 million) is included in amounts payable for acquisition of mining interests related to title acquisitions for which approval for the transfer has been obtained (December 31, 2016 – COP 2.6 billion; \$0.9 million).

(ii) *Mining title contracts – title transfers pending approval*: The Company has mining title contracts for which the approval for the transfer of title has not yet been obtained from the government authorities. If government approval is not obtained, the Company will forfeit any amounts previously paid and will no longer be required to make further payments. As of September 30, 2017, the Company has commitments under these contracts to spend an additional COP 12.2 billion (\$4.1 million) which has not been included in amounts payable for acquisition of mining interests.

(iii) *Compensation agreements*: In 2011 and 2012, the Company entered into agreements to compensate artisanal miners who would be required to cease mining activities at the Company's Marmato property upon commencement of open pit development activities. As at September 30, 2017, a total of COP 31.6 billion (\$10.8 million), including interest, is included in amounts payable for acquisition of mining interests related to these agreements. Payments related to these agreements have been suspended since 2013 and the Company is currently evaluating its options with respect to these obligations in light of its expected future underground development activities at Marmato (December 31, 2016 – COP 30.3 billion; \$10.1 million).

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2017	December 31, 2016
Trade payables related to operating, general and administrative expenses	\$ 15,373	\$ 11,683
Trade payables related to capital expenditures	1,625	1,251
Withholding taxes payable	1,184	1,271
Other provisions and accrued liabilities	2,769	2,422
Total accounts payable and accrued liabilities	\$ 20,951	\$ 16,627

6. LONG-TERM DEBT

	Maturity	Currency	Interest Rate	September 30, 2017	December 31, 2016
Term loan (a)	2017	COP	Variable	\$ -	\$ 937
Finance leases (b)	2017 to 2019	COP	Variable	519	715
2018 Debentures (c)	2018	USD	1%	30,674	23,375
2020 Debentures (d)	2020	USD	6%	33,396	61,227
2024 Debentures (e)	2024	USD	8%	29,407	-
Total long-term debt				93,996	86,254
Less: current portion				30,966	1,232
Long-term portion				\$ 63,030	\$ 85,022

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a) *Term loan*

On maturity in August 2017, the Company completed its repayment of amounts owing pursuant to a term loan with a Colombian bank (December 31, 2016 – COP 2.8 billion or \$0.9 million). The term loan was repaid on a quarterly basis and bore interest at the Colombian market weekly average of fixed-term deposits (“DTF”) rate (September 30, 2017 – 5.52%) plus 4.0%. The term loan was secured by a portion of the operating cash flows from the Segovia Operations which were accumulated through a monthly deposit of COP 450 million (approximately \$0.15 million) into a restricted cash account to meet the debt service obligations. At maturity, all funds had been released from the restricted cash account (December 31, 2016 - \$0.2 million).

b) *Obligations under finance leases*

At September 30, 2017, the Company had a total of three finance leases related to mining and other equipment used in the Company’s Segovia Operations. The leases are paid in monthly instalments over five-year terms and, at the end of the leases, the Company has the option to purchase the equipment for a total of COP 0.4 billion, equivalent to 10% of the original value or approximately \$0.1 million. The leases have an average effective interest rate of 9.41%. The present value of the net minimum lease payments under these arrangements is as follows:

	September 30, 2017	December 31, 2016
Within 1 year	\$ 326	\$ 329
2-5 years, including purchase option	234	468
Total minimum lease payments	560	797
Amount representing interest	(41)	(82)
Present value of net minimum lease payments	\$ 519	\$ 715

c) *2018 Debentures*

	Number of 2018 Debentures	Amount
As at December 31, 2016	49,743,946	\$ 23,375
Converted to common shares (Note 9b)	(3,773,730)	(1,867)
Accretion of discount (Note 12)	-	9,166
As at September 30, 2017	45,970,216	\$ 30,674
Total principal amount issued and outstanding	45,970,216	45,970
Balance of discount to be accreted	-	(15,296)
	45,970,216	\$ 30,674

The 2018 Debentures mature on August 11, 2018 and, as such, are classified in current liabilities at September 30, 2017. On maturity, provided that no event of default shall have occurred and be continuing, the Company may, at its option, elect to satisfy its obligation to repay principal plus accrued and unpaid interest amounts (the “Outstanding Balance”) of the 2018 Debentures by issuing and delivering that number of common shares obtained by dividing the Outstanding Balance by \$1.95. However, should the volume-weighted average trading price of the Company’s common shares traded during the 20 consecutive trading days ending five trading days prior to August 11, 2018 be below \$1.95 per common share, 19% of the Outstanding Balance must be settled in cash and 81% of the Outstanding Balance may be settled, at the Company’s option, in cash or by issuing and delivering that number of common shares at \$1.95 per common share.

The 2018 Debentures consist of two separate financial instruments, the 1% coupon secured debenture, issued in denominations of \$1.00, and the conversion option. On issuance, the Company valued the principal amount of the debenture first and allocated the residual amount to the conversion option, which is recorded in contributed surplus. The 2018 Debentures are convertible into common shares at any time prior to maturity at the election of the holder based on a conversion price of \$1.95 per common share (this represents a conversion rate of approximately 513 common shares per \$1,000 principal amount of 2018 Debentures). The principal amount of the 2018 Debentures is a financial liability and has been designated at amortized cost. As

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such, the 2018 Debentures were recorded at fair value at January 20, 2016 (the "Exchange Date") and are subsequently measured at amortized cost using the effective interest method. The initial fair value ascribed to the debentures is being accreted up to the principal amount over the term of the debentures using the effective interest method, resulting in an effective interest rate of 47.9%, including the 1% coupon. The 2018 Debentures are classified as Level 2 in the fair value hierarchy outlined in IFRS 13 as the fair value has been determined based on inputs, including gold prices, time value, volatility factors, risk-free rate, stock price, and credit spread, which can be substantially observed or corroborated in the marketplace.

During the nine months ended September 30, 2017, debenture holders elected to convert a total of \$3.8 million aggregate principal amount of 2018 Debentures into 1,935,246 common shares. Subsequent to September 30, 2017, debenture holders have elected to convert an additional \$0.8 million aggregate principal amount of 2018 Debentures into 415,384 common shares.

Under the terms of the 2018 Debentures, the Company must deposit 25% of its Excess Cash Flow, as defined below, into a sinking fund, which will be applied towards repayment, repurchase (in the market, by tender, or by private contract, at any price, which, for greater certainty, may be below par) or other redemption, as the Company elects, of the 2018 Debentures. "Excess Cash Flow" means with respect to any fiscal quarter of the Company, consolidated EBITDA for such fiscal quarter less capital, development and exploration expenditures, cash payments of principal and interest on debt, changes in non-cash working capital items and payment of taxes and certain other existing financial obligations of the Company. During the nine months ended September 30, 2017, the Company generated a total of \$7.8 million of Excess Cash Flow, of which \$2.0 million has been deposited into the 2018 Debentures' sinking fund (September 30, 2016 - \$0.6 million).

On July 21, 2016, the Company commenced a Normal Course Issuer Bid for its 2018 Debentures ("2018 NCIB") which remained open until July 20, 2017. Under the terms of the 2018 NCIB, the Company had the right to purchase for cancellation up to a maximum of \$6.6 million aggregate principal amount of 2018 Debentures through the facilities of the TSX or alternative Canadian trading systems. In the nine months ended September 30, 2016, the Company used \$0.6 million of the cash in the 2018 Debentures' sinking fund to repurchase and cancel a total of \$0.8 million aggregate principal amount of 2018 Debentures under the 2018 NCIB. The Company made no repurchases under the 2018 NCIB in 2017.

As at September 30, 2017, after funding repurchases under the 2018 NCIB, there was a balance of \$2.1 million in the 2018 Debentures' sinking fund included in non-current cash in trust (December 31, 2016 - \$0.1 million).

d) 2020 Debentures

	Number of 2020 Debentures	Amount
As at December 31, 2016	101,160,085	\$ 61,227
Accretion of discount (Note 12)	-	6,248
Purchased and cancelled	(2,508,136)	(1,625)
Partial redemption	(3,000,000)	(2,001)
2020 Debentures exchanged for 2024 Debentures	(46,955,468)	(30,453)
As at September 30, 2017	48,696,481	\$ 33,396
Total principal amount issued and outstanding	48,696,481	48,696
Balance of discount to be accreted	-	(15,300)
	48,696,481	\$ 33,396

The 2020 Debentures consist of two separate financial instruments, the 6% coupon secured debenture, issued in denominations of \$1.00, and the conversion option. As such, on issuance, the Company valued the principal amount of the debenture first and allocated the residual amount to the conversion option, which is recorded in contributed surplus. The 2020 Debentures are convertible into common shares at any time prior to maturity at the election of the holder based on a conversion price of \$1.95 per common share (this represents a conversion rate of approximately 513 common shares per \$1,000 principal amount of 2020 Debentures). The principal amount of the 2020 Debentures is a financial liability and has been designated at amortized cost. As such, the 2020 Debentures were recorded at fair value on issuance at the Exchange Date and are

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subsequently measured at amortized cost using the effective interest method. The initial fair value ascribed to the debentures is being accreted up to the principal amount over the term of the debentures using the effective interest method, resulting in an effective interest rate of 22.7%, including the 6% coupon. The 2020 Debentures are classified as Level 2 in the fair value hierarchy outlined in IFRS 13, *Financial Instruments: Disclosures* ("IFRS 13") as the fair value has been determined based on inputs, including gold prices, time value, volatility factors, risk-free rate, stock price, and credit spread, which can be substantially observed or corroborated in the marketplace.

Under the terms of the 2020 Debentures, the Company must deposit 75% of its Excess Cash Flow, as defined in Note 6c, into a sinking fund, which will be applied towards repayment, repurchase (in the market, by tender, or by private contract, at any price, which, for greater certainty, may be below par) or other redemption, as the Company elects, of the 2020 Debentures. During the nine months ended September 30, 2017, the Company generated a total of \$7.8 million of Excess Cash Flow, of which \$5.8 million has been deposited into the 2020 Debentures' sinking fund (September 30, 2016 - \$1.8 million).

On July 21, 2016, the Company commenced a Normal Course Issuer Bid for its 2020 Debentures ("2020 NCIB") which remained open until July 20, 2017. Under the terms of the 2020 NCIB, the Company had the right to purchase for cancellation up to a maximum of \$9.9 million aggregate principal amount of 2020 Debentures through the facilities of the TSX or alternative Canadian trading systems. On July 21, 2017, the Company commenced a second 12-month term for its 2020 NCIB that will remain open until the earlier of July 20, 2018 or the date on which the Company has purchased the new maximum amount permitted under the 2020 NCIB of \$5.2 million aggregate principal amount of 2020 Debentures.

In the nine months ended September 30, 2016, the Company used \$0.7 million of the cash in the 2020 Debentures' sinking fund to repurchase and cancel a total of \$0.8 million aggregate principal amount of 2020 Debentures under the initial 12-month term of the 2020 NCIB. In the first nine months of 2017, the Company used \$2.1 million of the cash in the 2020 Debentures' sinking fund to repurchase and cancel \$2.5 million aggregate principal amount of 2020 Debentures under the initial and second 12-month terms of the 2020 NCIB. As the carrying amount of these 2020 Debentures was \$1.6 million, the Company recognized a loss on repurchase of the 2020 Debentures during the nine months ended September 30, 2017 of \$0.5 million, including broker commissions (2016 - \$0.3 million).

On July 31, 2017, the Company used cash available in the 2020 Debentures' sinking fund to complete a partial redemption at par of \$3.0 million aggregate principal amount of its 2020 Debentures. As the carrying value of these 2020 Debentures was \$2.0 million, the Company recognized a loss on redemption of the 2020 Debentures during the nine months ended September 30, 2017 of \$1.0 million.

As at September 30, 2017, after funding repurchases under the 2020 NCIB and partial redemption, there was a balance of \$1.1 million in the 2020 Debentures' sinking fund included in non-current cash in trust (December 31, 2016 - \$0.4 million).

e) 2024 Debentures

	Number of 2024 Debentures	Amount
Principal amount issued to extinguish 2020 Debentures	46,955,468	\$ 46,955
Initial discount	-	(8,025)
Value allocated to conversion option	-	(10,248)
Value allocated to debt on the Conversion Date	46,955,468	28,682
Accretion of discount (Note 12)	-	725
As at September 30, 2017	46,955,468	\$ 29,407
Total principal amount issued and outstanding	46,955,468	46,955
Balance of discount to be accreted	-	(17,548)
	46,955,468	\$ 29,407

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On May 12, 2017, the Company received the required consent from holders of the 2020 Debentures to amend the Amended and Restated Indenture dated as of January 20, 2016, as amended January 1, 2017, (the "Indenture") through a consent solicitation process (the "Consent Solicitation") to provide an option for holders to extend the maturity date of the 2020 Debentures to January 2, 2024 ("2024 Debentures"). The 2024 Debentures carry largely the same terms and conditions as the 2020 Debentures except that the maturity date has been extended and interest will be paid monthly over the remaining term of the 2024 Debentures at a coupon of 8% commencing with the first monthly interest payment on June 30, 2017. Pursuant to the Consent Solicitation, holders representing \$47.0 million aggregate principal amount of 2020 Debentures elected to exchange their holdings into 2024 Debentures. On May 31, 2017 (the "Extension Date"), the Company issued \$47.0 million of 2024 Debentures to extinguish the same principal amount of 2020 Debentures.

The 2024 Debentures consist of two separate components, a debt component (the 8% coupon secured debenture, issued in denominations of \$1.00) and an equity component (the conversion option). As such, on the Extension Date, the Company determined the fair value of the 2024 Debentures using an industry standard methodology which was implemented utilizing a set of coupled differential equations solved numerically using finite-difference methods. This resulted in a fair value of \$38.9 million for the 2024 Debentures, of which \$28.7 million was allocated to the debt component and \$10.2 million was allocated to the equity component, which was recorded in contributed surplus. The 2024 Debentures are convertible into common shares at any time prior to maturity at the election of the holder based on a conversion price of \$1.95 per common share (this represents a conversion rate of approximately 513 common shares per \$1,000 principal amount of 2024 Debentures). The principal amount of the 2024 Debentures is a financial liability and has been designated at amortized cost. As such, the 2024 Debentures were recorded at fair value on the Extension Date and are subsequently measured at amortized cost using the effective interest method. The initial fair value ascribed to the debentures is being accreted up to the principal amount over the term of the debentures using the effective interest method, resulting in an effective interest rate of 15.48%, including the 8% coupon. The 2024 Debentures are classified as Level 2 in the fair value hierarchy outlined in IFRS 13, *Financial Instruments: Disclosures* ("IFRS 13") as the fair value has been determined based on inputs, including gold prices, time value, volatility factors, risk-free rate, stock price, and credit spread, which can be substantially observed or corroborated in the marketplace.

On the Extension Date, the Company recognized a gain on financial instruments in the amount of \$1.5 million (net of \$0.2 million of fees and expenses) associated with the extinguishment of the 2020 Debentures. In addition, the fair value of the conversion option of the 2024 Debentures issued on the Extension Date of \$10.2 million was recorded as a direct charge against retained earnings, net of \$2.7 million of tax.

The 2024 Debentures are governed by the same indenture as the 2020 Debentures. Under the terms of the indenture, the Excess Cash Flow deposited into the 2020 Debentures' sinking fund also serves as security for the 2024 Debentures. However, so long as there are 2020 Debentures issued and outstanding, the 2020 Debentures' sinking fund balance can only be used to repurchase, redeem or otherwise repay the 2020 Debentures. Once the 2020 Debentures have been fully settled, then the 2020 Debentures' sinking fund balance may be used to repurchase, redeem or otherwise repay the 2024 Debentures.

f) *Scheduled debt repayments*

	2017	2018	2019	2020	Thereafter	Total
Finance leases ⁽¹⁾	\$ 82	\$ 420	\$ 58	\$ -	\$ -	\$ 560
2018 Debentures ⁽²⁾	-	45,970	-	-	-	45,970
2020 Debentures ⁽²⁾	-	-	-	48,696	-	48,696
2024 Debentures ⁽²⁾	-	-	-	-	46,955	46,955
	\$ 82	\$ 46,390	\$ 58	\$ 48,696	\$ 46,955	\$ 142,181

(1) Includes interest and purchase option.

(2) Represents the principal amount of the Debentures at maturity assuming no prior conversions, redemptions or repurchases, as permitted, prior to maturity (Notes 6c, 6d and 6e).

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7. WEALTH TAX

In December 2014, a tax reform bill amending the Colombian tax statute introduced a new wealth tax applicable for 2015 through 2017, inclusive. The taxable basis accrues annually on January 1st of each year and is payable in two instalments in each of May and September. For 2017, the wealth tax expense of \$0.9 million (2016 - \$2.3 million) was based on rates of up to 0.40% (2016 – 1.00%) of gross equity in Colombia (minus allowable debts) held through branches or permanent establishments located in Colombia.

8. PROVISIONS

A summary of changes to provisions is as follows:

	Decommissioning and rehabilitation	Environmental discharges	Frontino health obligations	Total
As at December 31, 2016	\$ 6,520	\$ 9,129	\$ 12,980	\$ 28,629
Recognized in period	-	787	-	787
Effect of changes in estimates	(536)	-	-	(536)
Payments in the period	-	(1,156)	(621)	(1,777)
Accretion of discount	377	209	1,009	1,595
Exchange difference	106	196	283	585
As at September 30, 2017	\$ 6,467	\$ 9,165	\$ 13,651	\$ 29,283
Current	\$ -	\$ 4,027	\$ 819	\$ 4,846
Non-current	6,467	5,138	12,832	24,437
	\$ 6,467	\$ 9,165	\$ 13,651	\$ 29,283

a) Decommissioning and rehabilitation provision

In 2012, the Company filed a five-year environmental management plan for the Segovia Operations with the local environmental authority. Although the Company is not currently required to prepare a comprehensive closure plan for the Segovia Operations, it estimated the undiscounted costs to be incurred with respect to the ultimate mine closure and reclamation activities to be approximately COP 26.9 billion, equivalent to approximately \$9.2 million at the September 30, 2017 exchange rate. As such, the Company recorded the present value of the estimated obligation as a decommissioning liability in 2012. The provision recorded represents management's best estimate of the future reclamation and remediation obligation; however, the estimated amount is inherently uncertain and will be revised as further information becomes available. Actual future expenditures may therefore differ materially from the amounts currently provided.

	Expected date of expenditures	Inflation rate	Pre-tax risk free rate	Undiscounted cash flow
Marmato Mine	2019	4.6%	6.65%	\$ 798
Segovia Operations	2020-2026	4.6%	6.65%	9,153

b) Provision for Segovia Operation environmental discharges

The Company's mining and exploration activities are subject to Colombian laws and regulations governing the protection of the environment. Colombian regulations provide for fees applicable to entities discharging effluents to river basins. The gold processing plant acquired in the August 2010 acquisition of the Frontino assets has been producing discharges to the environment for many years. Since the Frontino acquisition, the Company has been taking steps to minimize and eventually eliminate these discharges through its capital investments in its gold processing plant and the expansion of its tailings storage facilities.

In July 2013, Corantioquia, the local environmental authority, issued a resolution confirming an assessment of fees totalling COP 29.5 billion (equivalent to approximately \$10.0 million at the September 30, 2017 exchange rate) for environmental discharges in 2010 and 2011 at tariff rates that significantly exceed the applicable rates that the Company believes were in effect for those particular periods. In November 2013, after

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further appeal to Corantioquia to appropriately amend the assessments, the Company initiated proceedings in the Colombian judicial system to seek a reduction in the assessed discharge fees. The matter is currently still in process in the judicial system. At September 30, 2017, the Company has a provision in the amount of COP 10.6 billion (approximately \$3.6 million) related to these fees (December 31, 2016 – COP 10.0 billion or approximately \$3.3 million).

In February 2015, the Company signed a four-year payment plan agreement for settlement of COP 14.9 billion (equivalent to approximately \$5.0 million at the September 30, 2017 exchange rate) related to discharge fees for 2012 and 2013, including accrued interest up to the date of commencement of the payment plan. The payment plan agreement bears interest at 19.21% per annum and will be paid in 48 escalating monthly payments which commenced in February 2015 and runs through January 2019. At September 30, 2017, the provision includes COP 9.3 billion (approximately \$3.2 million) related to this payment plan obligation (December 31, 2016 – COP 12.2 billion or approximately \$4.1 million).

In June 2016, the Company signed a four-year payment plan agreement for settlement of COP 3.8 billion (approximately \$1.3 million at the September 30, 2017 exchange rate) related to discharge fees for 2014 and 2015. The payment plan agreement bears interest at 10.83% per annum and will be paid in 48 equal monthly payments which commenced in August 2016 and will run through July 2020. At September 30, 2017, the provision includes COP 2.9 billion (approximately \$1.0 million) related to this payment plan obligation (December 31, 2016 – COP 3.5 billion or approximately \$1.2 million).

The Company recorded a provision for the discharge fee for the year ended December 31, 2016 in the amount of COP 1.7 billion (approximately \$0.6 million) representing its best estimate of the potential liability for environmental discharge fees incurred during the year. In April 2017, Corantioquia issued an invoice in the amount of COP 2.1 billion (approximately \$0.7 million) related to the 2016 fees, at which time the Company recorded an additional COP 0.4 billion (approximately \$0.1 million) related to these fees. This obligation is included in the current portion of provisions as the Company expects to pay the final assessment for the 2016 discharge fees within the next 12 months.

The Company has also recorded a provision (included in operating costs) for the estimated discharge fee incurred during the nine months ended September 30, 2017, which will not be assessed or invoiced by Corantioquia until 2018, in the amount of COP 2.0 billion (approximately \$0.7 million) (2016 - \$0.4 million). This obligation is included in the current portion of provisions as the Company expects to pay the final assessment for the 2017 discharge fees within the next 12 months.

c) Provision for Frontino health obligations

In connection with the 2010 Frontino assets acquisition, the Company agreed to fund the obligatory ongoing health plan contributions of the participants in Frontino's pension plan. The fair value of this obligation based on an actuarial report prepared as at December 31, 2016, with an inflation rate of 4.93% and a discount rate of 9.96%, was COP 38.9 billion (approximately \$13.0 million). The Company is currently paying approximately COP 0.2 billion (approximately \$0.1 million) monthly to fund the obligatory health plan contributions. At September 30, 2017, non-current cash in trust includes \$0.7 million deposited in a restricted fund account as security against this obligation (December 31, 2016 - \$0.7 million).

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9. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares with no par value.

(b) Issued and fully paid and share consolidation

Following approval by the Company's shareholders at a Special Meeting of Shareholders held on April 24, 2017, the Company's issued and outstanding common shares were consolidated on a one post-consolidation share for every fifteen pre-consolidation shares (1:15) basis. The common shares commenced trading on a post-consolidated basis on the TSX at market open on April 27, 2017. The Company's name and trading symbols remained unchanged. All references in these interim financial statements to earnings per share, weighted average number of common shares outstanding, common shares issued and outstanding and authorized common shares have been adjusted to reflect the share consolidation. As a result of the consolidation, at September 30, 2017 and December 31, 2016, after rounding of fractional shares, there were 20,450,365 and 18,515,119 common shares, respectively, issued and outstanding on a post-consolidation basis.

During the nine months ended September 30, 2017, the Company issued 1,935,246 common shares, on a post-consolidation basis, to holders of the 2018 Debentures who elected to exchange their debt for shares under the conversion option (Note 6c). Subsequent to September 30, 2017, as disclosed in Note 6c, the Company issued an additional 415,384 common shares to debenture holders who elected to convert their 2018 Debentures into common shares.

As disclosed in more detail in the Company's annual financial statements for the year ended December 31, 2016, on January 20, 2016, (the "Exchange Date"), the Company issued 80,113 and 5,910,888 common shares respectively, on a post-consolidation basis, to certain holders of Gold and Silver Notes, under a comprehensive debt restructuring that was implemented pursuant to a Plan of Arrangement under the *Business Corporations Act* (British Columbia).

Between the Exchange Date and September 30, 2016, the Company issued 358,178 and 10,585,756 common shares, on a post-consolidation basis, in exchange for \$0.7 and \$20.6 million principal amount of 2020 Debentures and 2018 Debentures, respectively, to Debenture holders who elected under the conversion option of the Debentures.

(c) Share purchase warrants

Warrants (GCM.WT.A)

In connection with the March 2014 equity offering, the Company issued listed share purchase warrants expiring on March 18, 2019. After the effect of the share consolidation, warrant holders are entitled to purchase one of the Company's common shares at CA\$48.75 per share in exchange for 15 warrants. As at September 30, 2017, a total of 4,211,918 warrants, representing 280,795 common shares upon issuance, were outstanding and exercisable.

Unlisted Share Purchase Warrants

As at September 30, 2017, a total of 1,000,000 unlisted share purchase warrants, representing 66,667 common shares upon issuance, were outstanding and exercisable at a price of CA\$281.25 per share in exchange for 15 warrants. These warrants expired unexercised on October 30, 2017.

(d) Stock option plan

The Company has a "rolling" Stock Option Plan (the "Plan") in compliance with the TSX's policy for granting stock options. Under the Plan, the maximum number of common shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares and, to any one optionee, may not exceed 5% of the issued common shares on a yearly basis. The exercise price of each stock option will not be less than the market price of the Company's stock at the date of grant. Each stock option vesting period and expiry

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is determined on a grant-by-grant basis. To-date, almost all stock options granted vested immediately and have a five-year life from the date of grant.

Per the Plan, all outstanding options were adjusted to reflect the 1:15 share consolidation (Note 9b).

On March 30, 2017, a total of 1,141,327 stock options were approved to be granted effective April 3, 2017 to directors, management and employees of the Company. These stock options, exercisable at CA\$2.55 per share, vested on the grant date, and have a five-year term to expiry. (March 30, 2016 – 789,998 granted, exercisable at CA\$2.55 per share).

A summary of the share-based compensation expense recorded by the Company and the inputs used in the determination of the fair values of the stock options using the Black-Scholes option pricing model is as follows:

	Nine months ended September 30,	
	2017	2016
Stock compensation expense	\$ 582	\$ 548
Per option	CA\$0.68	CA\$0.91
Black-Scholes option pricing model inputs		
Market price of the shares on the approval date	CA\$1.43	CA\$1.50
Exercise price	CA\$2.55	CA\$2.55
Dividends expected	Nil	Nil
Expected volatility	105%	128%
Risk-free interest rate	0.75%	0.75%
Expected life of options	2.5 years	2.5 years

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

	Outstanding	Weighted average exercise price per common share (CA\$)
Balance, December 31, 2016	836,998	\$ 3.90
Granted	1,141,327	2.55
Cancelled	(86,666)	2.55
Balance, September 30, 2017	1,891,659	\$ 3.15

The table below summarizes information about the stock options outstanding and the common shares issuable as at September 30, 2017:

Expiry date	Outstanding and exercisable options	Common shares issuable	Remaining contractual life in years	Exercise price (CA\$/share)
April 3, 2022	1,087,994	1,087,994	4.5	\$ 2.55
April 1, 2021	756,665	756,665	3.5	2.55
July 21, 2019	47,000	47,000	1.8	27.60
	1,891,659	1,891,659	4.0	\$ 3.15

10. FINANCIAL RISK MANAGEMENT

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

Credit risk

The exposure to credit risk arises through the failure of a third party to meet its contractual obligations to the Company. The Company's exposure to credit risk arises primarily from the Company's cash balances, which are held with highly-rated Canadian and Colombian financial institutions, and accounts receivable. Although the Company is now obligated through its long-term supply agreement to sell its production to a single customer, the Company's credit risk is minimal as it receives 80% of the sales proceeds upon delivery of its

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production to the refinery and the balance within a short settlement period thereafter. In the event that the refinery is unable to perform under the supply agreement, the Company does have other avenues through which it can sell its production. The Company is exposed to credit risk in respect of the accounts receivable for the future instalments to be received for the proceeds on sale of its interest in the CIIGSA refinery in 2015; however, based on performance to date, the Company believes the counterparty to the sale transaction will be able to meet its financial obligations as they come due in accordance with the sale transaction.

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

	September 30, 2017	December 31, 2016
Trade	\$ 1,892	\$ 1,761
Recoverable VAT	5,817	8,166
Receivable from sale of CIIGSA refinery interest	750	1,095
Other	1,112	1,031
Total accounts receivable	\$ 9,571	\$ 12,053
Current	\$ 9,571	\$ 11,352
Non-current	-	701
Total accounts receivable	\$ 9,571	\$ 12,053

At September 30, 2017 and December 31, 2016, the Company's total accounts receivable balance was not past due.

Foreign currency risk

The Company is exposed to foreign currency fluctuations in Colombian pesos ("COP") and Canadian dollars ("CA"). Such exposure arises primarily from expenditures that are denominated in currencies other than the functional currency. The Company monitors its exposure to foreign currency risks. To reduce its foreign currency exposure associated with operating expenses incurred in COP, the Company may enter into foreign currency derivatives to manage such risks. For the nine months ended September 30, 2017, the Company has not utilized derivative financial instruments to manage this risk.

The following table summarizes, in USD equivalents, the Company's major foreign currency exposures as of September 30, 2017:

	CA	COP
Cash	\$ 23	\$ 2,366
Cash in trust	-	785
Accounts receivable	34	8,787
Accounts payable and accrued liabilities ⁽¹⁾	(166)	(31,489)
Long-term debt, including current portion	-	(519)
Net financial liabilities	\$ (109)	\$ (20,070)

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

Based on the net exposure at September 30, 2017, a 10% depreciation or appreciation of the CA against the USD would result in less than \$0.1 million increase or decrease in the Company's after-tax net income and a 10% depreciation or appreciation of the COP against the USD would result in approximately a \$2.0 million increase or decrease in the Company's other comprehensive income.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent that the Company does not believe it will have sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions and, if required, renegotiate the terms of the obligations.

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Company manages its liquidity risk by continuously monitoring forecast cash flow requirements.

The Company's financial obligations currently consist of the following:

- *Accounts payable and accrued liabilities*: These arise during the normal course of business and are paid from operating cash flow, and except under certain exceptions, are usually due within no later than one month. The Company from time to time also enters into payment plans to pay these amounts over extended periods, typically less than 12 months.
- *Amounts payable for acquisitions of mining interests*: Principally represents compensation agreements with artisanal miners at the Company's Marmato Project. Payments related to these compensation agreements have been suspended by the Company since 2013 and the Company is currently evaluating its options with respect to these obligations in light of its future underground development activities.
- *Long-term debt (excluding the convertible debentures)*: These obligations represent borrowings under long-term facilities with financial institutions (see Note 6).
- *Convertible debentures*: As described in Notes 6c, 6d and 6e, these obligations are carried at amortized cost. Based on the quoted TSX closing market price on September 30, 2017, the estimated fair values of the 2018 Debentures, 2020 Debentures and 2024 Debentures would be approximately \$38.5 million, \$45.0 million and \$47.0 million, respectively.

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

11. COST OF SALES

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Production costs	\$ 23,939	\$ 26,137	\$ 80,154	\$ 70,597
Production taxes	1,886	2,184	6,235	5,731
Workforce reduction costs	-	728	-	728
Provision for environmental discharges (Note 8b)	301	116	787	236
Depreciation, depletion and amortization (Note 4)	3,987	3,218	11,582	8,613
	\$ 30,113	\$ 32,383	\$ 98,758	\$ 85,905

12. FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Interest expense	\$ 2,182	\$ 2,434	\$ 6,204	\$ 7,701
Accretion of 2018 Debentures (Note 6c)	3,419	2,590	9,166	7,439
Accretion of 2020 Debentures (Note 6d)	1,411	2,461	6,248	6,579
Accretion of 2024 Debentures (Note 6e)	549	-	725	-
Accretion of provisions (Note 8)	512	435	1,595	1,293
Debt restructuring costs	-	-	-	2,217
	\$ 8,073	\$ 7,920	\$ 23,938	\$ 25,229

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13. GAIN (LOSS) ON FINANCIAL INSTRUMENTS

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Gain on extinguishment of 2020 Debentures (Note 6e)	\$ -	\$ -	\$ 1,469	\$ -
Loss on repurchases of 2018 Debentures (Note 6c)	-	(272)	-	(272)
Loss on repurchases and partial redemption of 2020 Debentures (Note 6d)	(1,196)	(256)	(1,523)	(256)
Gain on mark-to-market adjustment of Gold Notes	-	-	-	7,140
Gain on mark-to-market adjustment of Silver Notes	-	-	-	9,884
Gain on settlement of Gold Notes arrears interest	-	-	-	1,003
Gain on settlement of Silver Notes arrears interest	-	-	-	1,662
	\$ (1,196)	\$ (528)	\$ (54)	\$ 19,161

14. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Nine months ended September 30,	
	2017	2016
Accounts receivable	\$ 2,390	\$ (6,238)
Inventories	(4,538)	(3,786)
Prepaid expenses and deposits	(295)	355
Accounts payable and accrued liabilities	3,230	(4,444)
	\$ 787	\$ (14,113)