

**Gran Colombia Gold Corp.**

Interim Condensed Consolidated Financial Statements  
(Unaudited)

For the three and nine months ended September 30, 2018

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

	Notes	As at September 30, 2018	As at December 31, 2017
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 29,540	\$ 3,272
Cash in trust		-	4,271
Gold Trust Account	7b	3,087	-
Accounts receivable	10a	15,596	14,409
Risk management asset	10d	222	-
Inventories	3	18,135	12,930
Prepaid expenses and deposits		2,440	2,006
		69,020	36,888
Non-current			
Cash in trust	7d, 8c	794	8,408
Mining interests	4	408,676	404,576
Investments	5	3,132	118
<b>Total assets</b>		<b>\$ 481,622</b>	<b>\$ 449,990</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 22,063	\$ 18,756
Income tax payable		13,114	8,370
Current portion of long-term debt	7	17,208	34,271
Current portion of provisions	8	2,567	4,001
Amounts payable related to acquisitions of mining interests	4	7,801	11,045
		62,753	76,443
Non-current			
Long-term debt	7	64,150	64,881
Provisions	8	27,243	24,802
2024 Warrant liability	9c	10,983	-
Deferred income taxes		56,633	59,504
<b>Total liabilities</b>		<b>221,762</b>	<b>225,630</b>
<b>Equity</b>			
Share capital	9b	434,771	384,440
Share purchase warrants	9c	6,317	6,317
Contributed surplus		170,508	171,133
Accumulated other comprehensive loss		(77,871)	(76,658)
Deficit		(273,865)	(260,872)
<b>Total equity</b>		<b>259,860</b>	<b>224,360</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 481,622</b>	<b>\$ 449,990</b>
<b>Contingency</b>	<b>(Note 8b)</b>		
<b>Subsequent events</b>	<b>(Notes 5, 7, 10d)</b>		

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,	
		2018	2017	2018	2017
<b>Revenue</b>	11	\$ 66,605	\$ 42,737	\$ 200,318	\$ 144,427
<b>Costs and expenses</b>					
Cost of sales	12	46,379	30,113	131,315	98,758
General and administrative		2,394	1,992	7,391	5,775
Reversal of impairment		-	-	-	(45,307)
Share-based compensation	9d	-	-	903	582
Social contributions	4	1,109	779	3,605	2,825
<b>Income from operations</b>		16,723	9,853	57,104	81,794
<b>Other income (expense)</b>					
Finance income		153	53	354	233
Finance costs	13	(3,921)	(8,073)	(28,726)	(23,938)
Foreign exchange loss		87	(107)	(23)	(313)
Wealth tax		-	-	-	(918)
Gain (loss) on financial instruments	14	4,163	(1,196)	(22,217)	(54)
		482	(9,323)	(50,612)	(24,990)
<b>Income before income tax</b>		17,205	530	6,492	56,804
Income tax (expense) recovery					
Current		(4,851)	(2,483)	(22,493)	(10,379)
Deferred		43	906	3,008	(14,473)
		(4,808)	(1,577)	(19,485)	(24,852)
<b>Net income (loss)</b>		\$ 12,397	\$ (1,047)	\$ (12,993)	\$ 31,952
<b>Per share</b>					
Basic		\$ 0.31	\$ (0.05)	\$ (0.43)	\$ 1.58
Diluted	16	0.19	(0.05)	(0.53)	0.50
Basic weighted average number of common shares outstanding		40,320,829	20,450,358	30,132,496	20,166,100

See accompanying notes to the interim condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<b>Net income (loss)</b>	<b>\$ 12,397</b>	<b>\$ (1,047)</b>	<b>\$ (12,993)</b>	<b>\$ 31,952</b>
<b>Other comprehensive income (loss):</b>				
<b>Items that will not be reclassified to profit in subsequent periods:</b>				
Unrealized loss on investment, net of tax	-	-	(77)	-
Unrealized loss on Gold Notes due to change in credit risk (Note 6b), net of tax	(3,089)	-	(1,748)	-
<b>Items that may be reclassified to profit in subsequent periods:</b>				
Foreign currency translation adjustment (nil tax effect)	(4,644)	10,343	612	7,122
<b>Comprehensive income (loss)</b>	<b>\$ 4,664</b>	<b>\$ 9,296</b>	<b>\$ (14,206)</b>	<b>\$ 39,074</b>

See accompanying notes to the interim condensed consolidated financial statements.

Gran Colombia Gold Corp.  
Interim Condensed Consolidated Statements of Equity  
(Expressed in thousands of U.S. dollars)

	Notes	Nine months ended September 30,	
		2018	2017
<b>Common shares</b>			
Balance, beginning of period	9	\$ 384,440	\$ 381,888
Exercise of options	9	59	-
Issuance of common shares on conversion of:			
2018 Debentures	7c	43,845	1,984
2020 Debentures	7d	1,509	-
2024 Debentures	7e	4,918	-
Balance, end of period		434,771	383,872
<b>Share purchase warrants</b>			
Balance, beginning and end of period	9c	6,317	6,317
<b>Contributed surplus</b>			
Balance, beginning of period		171,133	163,109
Exercise of options		(14)	-
2018 Debentures converted to common shares	7c	(1,361)	(117)
2020 Debentures converted to common shares	7d	(32)	-
2024 Debentures converted to common shares	7e	(121)	-
Fair value of conversion option on issuance of 2024 Debentures, net of tax effect of \$2,716		-	7,532
Share-based compensation		903	582
Balance, end of period		170,508	171,106
<b>Accumulated other comprehensive loss</b>			
Balance, beginning of period		(76,658)	(78,434)
Unrealized loss on investment at fair value		(77)	-
Unrealized loss on Gold Notes at fair value due to changes in credit risk, net of tax	7b	(1,748)	-
Foreign currency translation adjustment		612	7,122
Balance, end of period		(77,871)	(71,312)
<b>Deficit</b>			
Balance, beginning of period		(260,872)	(290,188)
Charge related to equity portion of 2024 Debentures, net of tax effect of \$2,716		-	(7,532)
Net (loss) income		(12,993)	31,952
Balance, end of period		(273,865)	(265,768)
<b>Total equity</b>		<b>\$ 259,860</b>	<b>\$ 224,215</b>

See accompanying notes to the interim condensed consolidated financial statements.

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

	Notes	Nine months ended September 30,	
		2018	2017
<b>Operating Activities</b>			
Net (loss) income		\$ (12,993)	\$ 31,952
Adjusted for the following items:			
Depreciation, depletion and amortization	4	20,643	11,629
Share-based compensation	9d	903	582
Reversal of impairment		-	(45,307)
Finance income		(354)	(233)
Finance costs	13	28,726	23,938
Foreign exchange		124	21
Loss on financial instruments	14	22,217	54
Provision for environmental discharges	8	2,073	787
Environmental discharge fees paid	8	(3,335)	(1,032)
Payments of health obligations	8	(671)	(621)
Wealth tax expense		-	918
Current income tax expense		22,493	10,379
Deferred income tax (recovery) expense		(3,008)	14,473
Changes in non-cash working capital items	15	(3,187)	787
Operating cash flows before taxes		73,631	48,327
Income taxes paid		(17,451)	(14,836)
Wealth tax paid		-	(936)
<b>Net cash provided by operating activities</b>		<b>56,180</b>	<b>32,555</b>
<b>Investing Activities</b>			
Additions to mining interests	4	(26,584)	(17,923)
Investment in Sandspring	5	(3,094)	-
Proceeds received from sale of refinery interest	10a	804	372
<b>Net cash used in investing activities</b>		<b>(28,874)</b>	<b>(17,551)</b>
<b>Financing Activities</b>			
Net proceeds from issuance of Gold Notes	7b	67,563	-
Repayment of 2020 and 2024 Debentures	7b	(63,471)	-
Decrease (increase) in cash in trust for Senior Debentures	7c, 7d	11,916	(2,699)
Repurchases and partial redemption of 2020 Debentures		-	(5,082)
Early settlement of 2018 Debentures	7c	(1,379)	-
Repayment of Gold Notes	7b	(4,867)	-
Increase in Gold Trust Account	7b	(3,211)	-
Premiums paid for commodity hedging contracts related to repayment of the Gold Notes	10d	(83)	-
Net interest paid		(6,982)	(5,762)
Repayment of other long-term debt		(231)	(1,168)
Increase in cash in trust for health plan guarantee		(24)	-
Decrease in cash in trust for debt service		-	218
Exercises of stock options	9d	45	-
<b>Net cash used in financing activities</b>		<b>(724)</b>	<b>(14,493)</b>
Impact of foreign exchange rate changes on cash and cash equivalents		(314)	41
<b>Increase in cash and cash equivalents</b>		<b>26,268</b>	<b>552</b>
Cash and cash equivalents, beginning of period		3,272	2,783
<b>Cash and cash equivalents, end of period</b>		<b>\$ 29,540</b>	<b>\$ 3,335</b>

See accompanying notes to the interim condensed consolidated financial statements.

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Notes to the Interim Condensed Consolidated Financial Statements  
September 30, 2018

(Unaudited; tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

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**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, primarily 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, PO Box 15, 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, 2017, 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 for the year ended December 31, 2017. These interim condensed consolidated financial statements were approved by the Audit Committee of the Company for issue on November 13, 2018.

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.

**Investment in Associate**

An associate is an investee over which the Company has significant influence. Significant influence is the ability to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies. In general, significant influence is presumed to exist when the Company has between 20% and 50% of voting power. Significant influence may also be evidenced by factors such as the Company's representation on the board of directors, participation in policy-making of the investee, material transactions with the investee, interchange of managerial personnel or the provision of essential technical information. Associates are equity accounted for from the date of commencement of significant influence to the date that the Company ceases to have significant influence.

Results of associates are equity accounted for using the results of their most recent annual or interim financial statements, as applicable. Losses from associates are recognized in the consolidated financial statements until the investment in the associate is written down to nil. Thereafter, losses are recognized only to the extent that the Company is committed to providing financial support to such associates.

The carrying value of the investment in associate represents the cost of the investment, a share of the post-acquisition retained earnings or losses, accumulated other comprehensive income and any impairment losses. At the end of each reporting period, the Company assesses whether there is any objective evidence that its investments in associates are impaired.

**Accounting Standards Adopted in the Current Period**

*IFRS 15 Revenue from Contracts with Customers ("IFRS 15")*

In May 2014, the IASB issued IFRS 15 which 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 of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018. Under IFRS 15, revenue is recognized when control of a good or service transfers to a customer and is measured based on the

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consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Under IAS 18, revenue was recognized when the significant risks and rewards of ownership had been transferred to the customer and was measured at the fair value of the consideration received or receivable.

The Company is under a long-term supply agreement to sell all of its production to a single customer. The Company has analyzed the supply agreement and determined that the implementation of IFRS 15 did not have any impact on the timing of recognition and measurement of the Company's revenue. Under IFRS 15, revenue from the sale of gold and silver is recognized when control has been transferred to the customer, which is considered to occur when products have been delivered to the location specified by the customer and the risks of loss have been passed to the customer. Revenue is measured based on the spot price agreed to between the Company and the customer prior to each delivery, in accordance with the supply agreement, which does not include any provisional pricing arrangements.

*IFRS 9, Financial Instruments ("IFRS 9")*

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39, *Financial Instruments* ("IAS 39"). This standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 provides a revised model for recognition and measurement of financial instruments with the following classification categories: amortized cost, fair value through profit or loss ("FVTPL"), and fair value through other comprehensive income ("FVTOCI"). 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 classification and measurement of financial assets under IFRS 9 is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The implementation of the new standard did not have an impact on the Company's financial statements except for certain equity securities that were previously classified as available-for-sale ("AFS") investments. These are now classified as financial assets at FVTOCI, where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be transferred into earnings (loss) upon disposition. The measurement of the investments at FVTOCI is based on level 1 inputs in accordance with the fair value input hierarchy in IFRS 13, *Fair Value Measurement*.

The Company has assessed the classification and measurement of its financial assets and financial liabilities and have summarized below the original classification under IAS 39 and the new classification under IFRS 9:

	Classification category	
	Original (IAS 39)	New (IFRS 9)
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivables	Loans and receivables	Amortized cost
Investment in Tolima Gold Inc.	AFS financial assets	FVTOCI
Bank indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Term loans	Other financial liabilities	Amortized cost
Finance leases	Other financial liabilities	Amortized cost
Senior Debentures	Other financial liabilities	Amortized cost
Gold Notes	Other financial liabilities	FVTPL
2024 Warrant liability	Other financial liabilities	FVTPL

The Gold Notes and 2024 Warrants are both classified as Level 2 in the fair value hierarchy outlined in IFRS 13, *Fair Value Measurement* as the fair values have been determined based on inputs, including gold prices, time value, volatility factors, risk-free rate, stock price and credit spread, which can be substantially observed or corroborated in the marketplace.

The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, did not have any impact on the transition date given the Company's financial assets are comprised primarily of amounts receivable from one customer for which there is no history of default.

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*IFRIC 22, Foreign Currency Transactions and Advance Consideration ("IFRIC 22")*

In December 2016, the IASB issued IFRIC 22 which clarifies that when a foreign currency transaction involves an advance payment or receipt, the exchange rate should be the rate used to initially measure the non-monetary asset (prepaid asset) or liability (deferred credit) when the advance was made. If there were multiple advances, each receipt or payment would be measured at the date the non-monetary asset or liability is recognized. IFRIC 22 is applicable for annual periods beginning on or after January 1, 2018, and is consistent with the Company's existing policies, and therefore did not have any effect on the Company's financial statements.

**Future Accounting Standards Not Yet Adopted**

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2018, and have not been applied in preparing these financial statements.

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.

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 financial statements for the annual period beginning on January 1, 2019. The Company is in the process of determining the impact of IFRIC 23 on its financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the Company.

**3. INVENTORIES**

	September 30, 2018	December 31, 2017
Mineral inventories	\$ 6,773	\$ 2,517
Materials and supplies	11,362	10,413
	<b>\$ 18,135</b>	<b>\$ 12,930</b>

**4. MINING INTERESTS**

	Mineral properties	Plant and equipment	Construction in progress	E&E assets	Total
<b>Nine months ended September 30, 2018</b>					
Opening net book value	\$ 104,147	\$ 40,610	\$ 25,505	\$ 234,314	\$ 404,576
Additions	12,107	8,527	4,892	1,535	27,061
Reversal of amounts payable for acquisition of mining interests	-	-	-	(2,952)	(2,952)
Transfers	3,193	744	(3,937)	-	-
Increase in decommissioning liability	266	268	-	-	534
Depreciation and amortization	(16,542)	(5,442)	-	-	(21,984)
Exchange difference	521	46	(48)	922	1,441
Closing net book value	<b>\$ 103,692</b>	<b>\$ 44,753</b>	<b>\$ 26,412</b>	<b>\$ 233,819</b>	<b>\$ 408,676</b>
<b>As at September 30, 2018</b>					
Cost	\$ 213,122	\$ 74,846	\$ 58,454	\$ 238,651	\$ 585,073
Accumulated depreciation, amortization and impairment charges	109,430	30,093	32,042	4,832	176,397
Net book value	<b>\$ 103,692</b>	<b>\$ 44,753</b>	<b>\$ 26,412</b>	<b>\$ 233,819</b>	<b>\$ 408,676</b>

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A summary of mining interests by property is as follows:

	Mineral properties	Plant and equipment	Construction in progress	E&E assets	September 30, 2018	December 31, 2017
Segovia Operations	\$ 103,692	\$ 34,882	\$ 26,412	\$ -	\$ 164,986	\$ 161,049
Marmato Project	-	9,871	-	233,819	243,690	243,527
<b>Total</b>	<b>\$ 103,692</b>	<b>\$ 44,753</b>	<b>\$ 26,412</b>	<b>\$ 233,819</b>	<b>\$ 408,676</b>	<b>\$ 404,576</b>

A summary of the depreciation recorded during the periods is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cost of sales expense	\$ 7,974	\$ 3,987	\$ 20,627	\$ 11,582
General and administrative expenses	4	4	16	47
Total charged to operations	7,978	3,991	20,643	11,629
(Decrease) increase in inventories	103	130	443	179
Capitalized depreciation	317	165	898	508
	<b>\$ 8,398</b>	<b>\$ 4,286</b>	<b>\$ 21,984</b>	<b>\$ 12,316</b>

*Segovia Operations social contributions*

In connection with the acquisition of the Segovia Operations, the Company agreed to 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, 2018, the Company incurred a total obligation for social contributions of \$3.6 million (2017 – \$2.8 million). As at September 30, 2018, \$2.2 million was included in accounts payable and accrued liabilities related to this obligation (December 31, 2017 – \$1.5 million).

*Marmato Project commitments*

(i) *Mining title contracts – title transfers approved*: As at September 30, 2018, the Company has a total of COP 0.8 billion, equivalent to \$0.3 million (December 31, 2017 – COP 1.1 billion; \$0.4 million), remaining to be paid under agreements to purchase additional mining titles related to the Marmato property which is included in amounts payable for acquisition of mining interests in current liabilities.

(ii) *Mining title contracts – title transfers pending approval*: The Company has three 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 no longer be required to make further payments. As of September 30, 2018, the Company has commitments under these contracts to spend an additional COP 14.9 billion (\$5.0 million) (December 31, 2017 – COP 12.2 billion or \$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 the previously anticipated open pit development activities. Payments related to these agreements have been suspended since 2013 and the Company has been evaluating its options with respect to these obligations in light of the shift in its expected future development activities at Marmato toward an expansion of its underground mining operations. In September 2018, the Company took steps to terminate several of these agreements, reducing its future financial obligations by COP 10.9 billion (\$3.7 million), including \$0.7 million of interest (Note 13). As at September 30, 2018, a total of COP 22.3 billion (\$7.5 million) including interest, is included in amounts payable for acquisition of mining interests related to the remaining agreements (December 31, 2017 – COP 31.9 billion; \$10.7 million) for which the Company is continuing to seek a resolution to the outstanding obligations.

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**5. INVESTMENTS**

	September 30, 2018	December 31, 2017
Sandspring Resources Ltd. ("Sandspring")	\$ 3,094	\$ -
Tolima Gold Inc. <sup>(1)</sup>	38	118
	<b>\$ 3,132</b>	<b>\$ 118</b>

(1) Available-for-sale financial asset measured at fair value through other comprehensive income.

*Sandspring Transaction*

In July 2018, the Company completed the acquisition of a 14.78% equity interest (20.83% on a diluted basis if only the Company exercised its warrants as described below) in Sandspring (the "Sandspring Transaction"). Sandspring is a Canadian, TSXV-listed, junior mining company currently moving toward a feasibility study for its Toroparu Project in the western Guyana gold district.

Through the Sandspring Transaction, the Company acquired a total of 31,000,000 common shares and 16,000,000 share purchase warrants of Sandspring, the right to nominate one director to Sandspring's board, and certain anti-dilution rights associated with any future financings of Sandspring. Each warrant entitles the holder to purchase one additional common share of Sandspring at CA\$0.40 for a period of 60 months. As consideration for the acquired common shares and warrants, the Company transferred its 30% carried participating interest in the Chicharron Project, carried at a nominal value, to Sandspring and paid CA\$4.0 million (equivalent to approximately \$3.1 million) in cash as part of a CA\$10.3 million private placement of units completed concurrently by Sandspring. The Chicharron Project encompasses the exploration, development and mining rights to a 386 hectare area located within the Company's Segovia mining title but outside the areas associated with the Company's mining operations and exploration activities. In a separate transaction, Sandspring also acquired the other 70% participating interest in the Chicharron Project which the Company had previously granted to an unrelated Colombian entity.

The Company has determined that it holds significant influence over Sandspring by virtue of its equity ownership interest, the share purchase warrants, its board participation and its technical advisory role to Sandspring's management in connection with both the Toroparu and Chicharron Projects. As a result, the Company will account for the investment in Sandspring using the equity method. Under the equity method, the investment has initially been recorded at cost and the carrying value will be adjusted subsequently to include the Company's proportionate share of Sandspring's earnings. As Sandspring is listed on the Toronto Stock Venture Exchange ("TSXV"), pursuant to which financial reporting typically occurs later than it does for the Company, which is listed on the Toronto Stock Exchange ("TSX"), the Company will apply a three-month lag in determining its profit or loss from Sandspring commencing in the fourth quarter of 2018. The amount of the adjustment each period will be included in the Company's statement of operations.

On October 2, 2018, the Company acquired an additional 4,000,000 common shares of Sandspring in a private transaction with an unrelated party for cash consideration of CA\$1.0 million (equivalent to approximately \$0.8 million), increasing its equity interest to approximately 16.69% on an undiluted basis (22.60% on a diluted basis if only the Company exercised its warrants as described above). In connection with this transaction, the Company also received the right to nominate a second director to Sandspring's board.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	September 30, 2018	December 31, 2017
Trade payables related to operating, general and administrative expenses	\$ 16,047	\$ 12,285
Trade payables related to capital expenditures	2,484	2,768
Withholding taxes payable	1,181	1,547
Other provisions and accrued liabilities	2,351	2,156
Total accounts payable and accrued liabilities	<b>\$ 22,063</b>	<b>\$ 18,756</b>

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**7. LONG-TERM DEBT**

	Maturity	Currency	Interest Rate	September 30, 2018	December 31, 2017
Finance leases (a)	2018 to 2019	COP	Variable	\$ 218	\$ 439
Gold Notes (b)	2024	USD	8.25%	81,140	-
2018 Debentures (c)	2018	USD	5%	-	33,913
2020 Debentures (d)	2020	USD	6%	-	34,833
2024 Debentures (e)	2024	USD	8%	-	29,967
Total long-term debt				81,358	99,152
Less: current portion				17,208	34,271
Non-current portion				\$ 64,150	\$ 64,881

a) *Obligations under finance leases*

At September 30, 2018, the Company had 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, 2018	December 31, 2017
Within 1 year	\$ 223	\$ 384
2-5 years, including purchase option	-	84
Total minimum lease payments	223	468
Amount representing interest	(5)	(29)
Present value of net minimum lease payments	218	439
Less: current portion	218	82
Non-current portion	\$ -	\$ 357

b) *8.25% Senior Secured Gold-Linked Notes due 2024 ("Gold Notes")*

On April 30, 2018 (the "Closing Date"), the Company completed a private placement of 97,992 units (the "Units") for aggregate proceeds of \$97,992,000 (the "Offering") to retire its 2020 Debentures and 2024 Debentures ahead of maturity. Each Unit consisted of \$1,000 principal amount of Gold Notes and 124 common share purchase warrants (the "2024 Warrants") of the Company (12,151,008 Warrants in aggregate). Each 2024 Warrant has an exercise price of CA\$2.21 and entitles the holder to purchase one common share of the Company at any time prior to the maturity of the Gold Notes on April 30, 2024.

Total proceeds from the Offering comprised approximately \$75.1 million received in cash and approximately \$22.9 million aggregate principal amount of 2020 and 2024 Debentures rolled over by holders at par into the Offering in exchange for their 2020 and 2024 Debentures. After paying approximately \$7.5 million for fees and expenses related to the Offering, net cash proceeds amounted to approximately \$67.6 million.

The key terms of the Gold Notes include:

- The Gold Notes have a six-year term ending on April 30, 2024.
- The Gold Notes bear cash interest at a rate of 8.25% per annum payable monthly in arrears on the last day of each month, commencing on May 31, 2018.
- The principal amount of the Gold Notes will be repaid on a quarterly basis (the "Amortizing Payment") on January 31, April 30, July 31 and October 31 of each year. The first Amortizing Payment took place on July 31, 2018.
- An amount of physical gold will be set aside monthly by the Company in a trust account (the "Gold Trust Account"). Over the term of the Gold Notes, the Company must deposit a total of approximately 78,394

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ounces of gold into the Gold Trust Account with approximately 15,594 ounces in year one, 15,600 ounces in year two, 13,200 ounces in year three, 12,000 ounces in each of years four and five and 10,000 ounces in year six. The Amortizing Payments will be determined such that each principal repayment represents one-quarter of the applicable annual number of physical gold ounces required to be accumulated in the Gold Trust Account for that year multiplied by \$1,250 per ounce of gold.

- Within five business days after the 15th day of each of January, April, July, and October (the "Measurement Dates"), the gold accumulated in the Gold Trust Account will be sold such that:
  - If the afternoon per ounce London Bullion Market Association Gold Price (the "London PM Fix") on the Measurement Dates is above \$1,250 per ounce, the Company will make a cash payment to the holders of the Gold Notes equal to that number of gold ounces sold multiplied by the London PM Fix, representing the sum of the Amortizing Payment for the applicable quarter and a Gold Premium. The Gold Premium is the portion of the gold sales proceeds attributed to the excess of the London PM Fix over \$1,250 per ounce and will not reduce the principal amount of the Gold Notes outstanding.
  - If the London PM Fix is below \$1,250 per ounce of gold, the Company will make a cash payment to the holders of the Gold Notes equal to the applicable Amortizing Payment. Any shortfall in the proceeds from the sale of the gold ounces below \$1,250 per ounce will be paid by the Company. The Company is required to use commercially reasonable efforts to put in place commodity hedging contracts to eliminate or substantially reduce its exposure to gold price fluctuations below \$1,250 per ounce on a rolling four quarters basis.
- The Gold Notes are non-callable for the first three years and the Company may redeem part or all of the outstanding Gold Notes subject to certain restrictions and at pre-determined premiums to the face amount.
- The Gold Notes are secured by the Company's property and interests in the Segovia/Carla project and the Marmato project, including a general pledge of the assets of Gran Colombia Gold, S.A., Gran Colombia Gold Segovia, S.A. (formerly Zandor Capital, S.A.) and its branch, Gran Colombia Gold Marmato S.A.S. (formerly Mineros Nacionales, S.A.S.), Minerales Andinos de Occidente, S.A.S., and Minera Croesus, S.A.S., direct security on material mining titles to Segovia/Carla and Marmato, and certain other securities.
- The Gold Notes were approved for trading on the TSX on October 10, 2018 under the symbol "GCM.NT.U".

The Gold Notes are a financial liability and have been designated at fair value through profit and loss. The Gold Notes were recorded at fair value at inception and are subsequently remeasured with the change in fair value being recognized in the statement of operations, except the portion of the change in fair value due to changes in the Company's credit risk, which is recognized in the statement of other comprehensive income. Fair value has been determined based on Monte-Carlo simulations that capture all the features of the Gold Notes, including the holders' right to receive the Gold Premium and the Company's options to early redeem the outstanding Gold Notes prior to maturity.

The table below summarizes the fair value for the Gold Notes at the Closing Date and the subsequent changes in fair value during the period ended September 30, 2018:

	Number of Gold Notes	Amount
Principal amount issued on the Closing Date	97,992	\$ 97,992
Fair value ascribed to the 2024 Warrants (Note 9c)	-	(14,292)
Fair value allocated to debt on the Closing Date	97,992	83,700
Mark-to-market loss (Note 14)	-	559
Change in fair value due to changes in credit risk	-	1,748
Principal repayment	(4,867)	(4,867)
As at September 30, 2018	93,125	81,140
Less: current portion	19,500	16,990
Non-current portion	73,625	\$ 64,150

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*Gold Trust Account*

From May 1, 2018 through July 15, 2018, the Company deposited a total of 3,894 ounces of gold into the Gold Trust Account. On July 16, 2018, with the London PM Fix below \$1,250 per ounce, the Company delivered these gold ounces against a put option contract at \$1,250 per ounce to meet its financial obligation for the Amortizing Payment due on July 31, 2018, of which the full amount paid of \$4.9 million was applied to reduce the principal amount of the Gold Notes and there was no Gold Premium applicable.

As at September 30, 2018, the balance of gold accumulated in the Gold Trust Account amounted to 2,600 ounces with a carrying value of approximately \$3.1 million, being the lower of cost and net realizable value. For the nine months ended September 30, 2018, the Company has recorded a loss of approximately \$0.1 million (Note 14) representing the difference between the cost and net realizable value.

In the first half of October 2018, the Company deposited the remaining 1,300 ounces of gold required to meet the quarterly Amortizing Payment due on October 31, 2018. As the London PM Fix on October 15, 2018 was below \$1,250 per ounce, the Company delivered the 3,900 ounces accumulated in the Gold Trust Account against a put option contract at \$1,250 per ounce to meet its financial obligation for the Amortizing Payment due on October 31, 2018, of which the full amount paid of \$4.9 million was applied to reduce the principal amount of the Gold Notes and there was no Gold Premium applicable. Refer to Note 10d with regard to put option contracts entered into by the Company in respect of the sale of gold from the Gold Trust Account to meet the quarterly Amortizing Payments due on January 31, 2019 and April 30, 2019.

*c) 2018 Debentures*

	Number of 2018 Debentures	Amount
As at December 31, 2017	45,160	\$ 33,913
Accretion of discount (Note 13)	-	9,730
Special redemption	(7,260)	(6,361)
Converted to common shares	(5,806)	(5,188)
Redemption at maturity date	(32,094)	(32,094)
<b>As at September 30, 2018</b>	<b>-</b>	<b>-</b>

Concurrently with the closing of the Offering on April 30, 2018, the Company completed the early redemption of approximately \$7.3 aggregate principal amount of 2018 Debentures from holders who accepted the Company's special offer to settle their 2018 Debentures prior to maturity for 19% of the principal amount in cash and the remaining 81% of the principal amount in common shares based on the conversion price of \$1.95 per common share. Holders who accepted the special offer received a total of approximately \$1.4 million in cash, funded by cash held in the sinking fund for the 2018 Debentures, and a total of 3,015,966 newly issued common shares. As a result of the early redemption, the Company recorded a loss on financial instruments of \$0.2 million (Note 14). Also in accordance with the successful consent solicitation process of the 2018 Debenture holders which facilitated completion of the Offering, the Company increased the annual interest rate payable on the 2018 Debentures from 1% to 5% effective May 1, 2018 and through to maturity on August 11, 2018.

In addition to the common shares issued as part of the special redemption on April 30, 2018, during the period January 1, 2018 to August 10, 2018, debenture holders elected to convert a total of \$5.8 million aggregate principal amount of 2018 Debentures into 2,977,193 common shares (nine months ended September 30, 2017 - \$3.8 million aggregate principal converted into 1,935,246 common shares).

The 2018 Debentures matured on August 11, 2018. The volume weighted average trading price of the Company's common shares on the TSX for the 20 consecutive trading days ending five trading days before the Maturity Date exceeded US\$1.95 per share. As such, pursuant to the provisions of the indenture, the Company gave notice on August 3, 2018 to the trustee for the 2018 Debentures that it had elected to satisfy its obligation to repay 100% of the outstanding principal amount of its 2018 Debentures, and all accrued and unpaid interest thereon (collectively, the "Outstanding Balance"), by issuing and delivering common shares. On August 13, 2018, the Company issued a total of 16,483,269 common shares to repay the Outstanding Balance of \$32.1 million and the trustee returned the remaining cash held in the sinking fund for the 2018 Debentures in the amount of \$3.5 million to the Company.

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d) 2020 Debentures

	Number of 2020 Debentures	Amount
As at December 31, 2017	48,696	\$ 34,833
Accretion of discount (Note 13)	-	2,187
Converted to common shares	(1,962)	(1,477)
Early redemption of balance outstanding	(46,734)	(35,543)
As at September 30, 2018	-	\$ -

During the period from January 1, 2018 to May 11, 2018, a total of \$2.0 million aggregate principal amount of 2020 Debentures were converted by holders into 1,006,519 common shares (nine months ended September 30, 2017 – Nil).

On May 14, 2018 (the "Redemption Date"), funded by the proceeds of the Offering as described in Note 7b, the Company redeemed all of the issued and outstanding 2020 Debentures at par, totaling approximately \$46.7 million aggregate principal amount. This included approximately \$7.6 million aggregate principal amount of 2020 Debentures for which holders elected to roll their 2020 Debentures into the Offering in exchange for an equal amount of Units as consideration for the redemption in lieu of cash. On the Redemption Date, the Company recognized a loss on financial instruments in the amount of \$11.2 million associated with the extinguishment of the 2020 Debentures, representing the difference between the principal amount of the debentures redeemed and their carrying amount.

Cash held in the sinking fund for the 2020 and 2024 Debentures of \$9.6 million was returned by the trustee to the Company prior to the Redemption Date.

e) 2024 Debentures

	Number of 2024 Debentures	Amount
As at December 31, 2017	46,955	\$ 29,967
Accretion of discount (Note 13)	-	798
Converted to common shares	(7,367)	(4,797)
Early redemption of balance outstanding	(39,588)	(25,968)
As at September 30, 2018	-	\$ -

During the period from January 1, 2018 to May 11, 2018, a total of \$7.4 million aggregate principal amount of 2024 Debentures were converted into 3,778,276 common shares (nine months ended September 30, 2017 – Nil).

On the Redemption Date, funded by the proceeds of the Offering as described in Note 7b, the Company redeemed all of the issued and outstanding 2024 Debentures at par, totaling approximately \$39.6 million aggregate principal amount. This included approximately \$15.3 million aggregate principal amount of 2024 Debentures for which holders elected to roll their 2024 Debentures into the Offering in exchange for an equal amount of Units as consideration for the redemption in lieu of cash. On the Redemption Date, the Company recognized a loss on financial instruments in the amount of \$13.6 million associated with the extinguishment of the 2024 Debentures, representing the difference between the principal amount of the debentures redeemed and their carrying amount.

f) Scheduled debt repayments

	2018	2019	2020	2021	Thereafter	Total
Finance leases <sup>(1)</sup>	\$ 164	\$ 54	\$ -	\$ -	\$ -	\$ 218
Gold Notes <sup>(2)</sup>	4,875	19,500	18,000	15,750	35,000	93,125
	\$ 5,039	\$ 19,554	\$ 18,000	\$ 15,750	\$ 35,000	\$ 93,343

(1) Includes interest and purchase option.

(2) Represents the scheduled quarterly Amortizing Payments of the Gold Notes (Note 7b) outstanding as of September 30, 2018 at \$1,250 per ounce.

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**8. PROVISIONS**

A summary of changes to provisions during the nine months ended September 30, 2018 is as follows:

	Decommissioning and rehabilitation	Environmental fees	Health plan obligations	Total
As at December 31, 2017	\$ 7,113	\$ 7,612	\$ 14,078	\$ 28,803
Recognized in period	268	2,073	-	2,341
Interest recognized in the period	-	255	-	255
Payments in the period	-	(3,335)	(671)	(4,006)
Accretion of discount (Note 13)	302	560	1,148	2,010
Effect of change in estimates	266	-	-	266
Exchange difference	17	81	43	141
As at September 30, 2018	7,966	7,246	14,598	29,810
Less: current portion	268	1,572	727	2,567
Non-current portion	\$ 7,698	\$ 5,674	\$ 13,871	\$ 27,243

*a) Decommissioning and rehabilitation provision*

Environmental obligations for the Company's Segovia Operations are governed by an environmental management plan which has been filed with the local environmental authority and is updated periodically. Although the Company is not currently required under its environmental management plan to prepare a comprehensive closure plan for the Segovia Operations, in 2012, 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 \$9.0 million at the September 30, 2018 exchange rate. As such, in 2012, the Company initially recorded the present value of this estimated future obligation as a decommissioning liability. 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	2021	4.60%	5.09%	\$ 789
Segovia Operations	2020-2026	4.60%	4.42%	9,044

In 2018, the Company has recorded an additional provision of \$0.3 million associated with its estimated costs to be incurred over the balance of 2018 and in 2019 to close and rehabilitate a tailings storage facility in its Segovia Operations.

*b) Provision for Segovia Operation environmental fees*

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. At the Company's Segovia Operations, the gold processing plant had been producing discharges to the environment for many years prior to its acquisition in 2010 for which the Company has no financial obligations. Since then, the Company has taken steps to minimize and 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 assessing fees totalling COP 29.5 billion (equivalent to approximately \$9.9 million at the September 30, 2018 exchange rate) for environmental discharges in 2010 and 2011 at tariff rates that significantly exceeded the applicable rates that the Company believes were in effect for those particular periods. In November 2013, after further appeal to Corantioquia to appropriately amend the assessments, the Company initiated proceedings in the Colombian judicial system to seek a reduction in the assessed fees. The matter is currently still in process in the judicial system. At September 30, 2018, the Company has a provision in the amount of COP 12.4 billion

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(approximately \$4.2 million) related to the present value of its best estimate of the potential liability for these fees (December 31, 2017 – COP 10.8 billion or approximately \$3.6 million).

In February 2015, the Company signed a four-year payment plan agreement for settlement of COP 14.9 billion 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 will run through January 2019. At September 30, 2018, the Company has a provision in the amount of COP 2.4 billion (approximately \$0.8 million) related to the remaining balance outstanding pursuant to this payment plan obligation (December 31, 2017 – COP 7.2 billion or approximately \$2.4 million).

In June 2016, the Company signed a four-year payment plan agreement for settlement of COP 3.8 billion 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, 2018, the Company has a provision in the amount of COP 1.9 billion (approximately \$0.7 million) related to the remaining balance outstanding pursuant to this payment plan obligation (December 31, 2017 – COP 2.7 billion or approximately \$0.9 million).

In July 2018, Corantioquia issued a resolution assessing a fine in the amount of COP 3.7 billion (equivalent to approximately \$1.2 million at the September 30, 2018 exchange rate) associated with the Company's construction of a tailings storage facility, known as "Pomarossa", on its property which operated between 2014 and 2017. Although the facility was not fully permitted at the time, it was constructed and operated in accordance with environmental norms and standards with minimal environmental impact and has since been fully rehabilitated. In August 2018, the Company filed an appeal of the assessment. In the third quarter of 2018, the Company has recorded a provision in the amount of \$1.2 million in connection with this assessment.

The Company's operations are monitored by Corantioquia in accordance with its environmental management plan and there can be no such assurance that ongoing or future investigations of its performance under the plan will not result in the assessment of fees and/or fines. In such cases, the Company will review the basis of the assessments and file appeals, if deemed appropriate for the circumstances, to reduce or cancel the amounts assessed.

*c) Provision for health plan obligations*

The Company has an obligation related to its acquisition of the Segovia Operations to fund the health plan contributions of certain participants in a Colombian pension plan. The health plan obligation of COP 42.0 billion (approximately \$14.1 million) is based on an actuarial report prepared as at December 31, 2017, with an inflation rate of 5.74% and a discount rate of 10.82%. 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, 2018, non-current cash in trust includes \$0.8 million deposited in a restricted fund account as security against this obligation (December 31, 2017 - \$0.8 million).

**9. SHARE CAPITAL**

*a) Authorized*

Unlimited number of common shares with no par value.

*b) Issued and fully paid*

As at September 30, 2018 the Company had 48,150,305 common shares issued and outstanding (December 31, 2017 - 20,865,749 common shares).

During the nine months ended September 30, 2018, the Company issued a total of 7,761,988 common shares to holders of the 2018, 2020, and 2024 Debentures (collectively, the "Senior Debentures") (Notes 7c, 7d, 7e) who elected to convert their debentures into common shares. On April 30, 2018, the Company issued 3,015,966 common shares to holders who elected to settle their 2018 Debentures prior to maturity through a special redemption (Note 7c). On August 13, 2018, the Company issued a total of 16,483,269 common shares to repay the Outstanding Balance (Note 7c) of the 2018 Debentures at maturity.

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**c) Share purchase warrants**

The Company has the following share purchase warrants outstanding as at September 30, 2018:

Expiry date	Outstanding and Exercisable warrants	Common shares issuable	Remaining contractual life in years	Exercise price per share
March 18, 2019	4,211,918	280,795	0.7	CA\$48.75
April 30, 2024 (Note 7b)	12,151,008	12,151,008	5.8	CA\$2.21

**2024 Warrant liability**

The 2024 Warrants issued as part of the Offering began trading on the TSX under the symbol GCM.WT.B on September 6, 2018. The 2024 Warrants have an exercise price of CA\$2.21 and entitle holders to purchase one common share of the Company for each 2024 Warrant at any time prior to their expiry on April 30, 2024. The 2024 Warrants represent a financial liability as the exercise price is denominated in Canadian dollars, different from the Company's US dollar functional currency. As such, they were recognized at fair value at inception and subsequently remeasured with the change in fair value being recognized in the statement of operations.

Fair value for the 2024 Warrants on the Closing Date and as at September 30, 2018 have been determined using the binomial options pricing model.

	Number of Warrants	Amount
Fair value allocated to the 2024 Warrants on the Closing Date	12,151,008	\$ 14,292
Mark-to-market gain (Note 14)	-	(3,309)
As at September 30, 2018	12,151,008	\$ 10,983

**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 option holder, may not exceed 5% of the issued common shares on a yearly basis. The exercise price of each stock option will not be less than the market price of the Company's stock at the date of grant. Each stock option vesting period and expiry is determined on a grant-by-grant basis. To-date, almost all stock options granted have vested immediately and have a five-year life from the date of grant.

A summary of the stock options granted and the share-based compensation expense recorded by the Company for the nine-month periods ended September 30, 2018 and 2017, including 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 2018	September 30, 2017
Number of stock options granted	1,200,000	1,141,327
Term	5 years	5 years
Vesting	Immediately	Immediately
Stock compensation expense	\$ 903	\$ 582
Per option	CA\$0.98	CA\$0.68
Weighted average Black-Scholes option pricing model inputs		
Market price of the shares on the approval date	CA\$3.16	CA\$1.43
Exercise price	CA\$3.16	CA\$2.55
Dividends expected	Nil	Nil
Expected volatility	48%	105%
Risk-free interest rate	1.9%	0.75%
Expected life of options	2.5 years	2.5 years

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A summary of the change in the stock options outstanding during the nine months ended September 30, 2018 is as follows:

	Outstanding	Weighted average exercise price per common share (CA\$)
Balance, December 31, 2017	1,886,659	\$ 3.06
Granted during the period	1,200,000	3.16
Exercised during the period	(23,333)	2.55
Cancelled during the period	(41,666)	2.55
<b>Balance, September 30, 2018</b>	<b>3,021,660</b>	<b>\$ 3.18</b>

The table below summarizes information about the stock options outstanding and the common shares issuable as at September 30, 2018:

Expiry date	Outstanding and exercisable options	Common shares issuable	Remaining contractual life in years	Exercise price (CA\$/share)
July 21, 2019	47,000	47,000	1.0	\$ 27.60
April 1, 2021	699,999	699,999	2.8	2.55
April 3, 2022	992,995	992,995	3.8	2.55
December 12, 2022	81,666	81,666	4.5	2.55
June 14, 2023	1,200,000	1,200,000	5.0	3.16
	<b>3,021,660</b>	<b>3,021,660</b>	<b>3.4</b>	<b>\$ 3.18</b>

## 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.

### a) Credit risk

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

	September 30, 2018	December 31, 2017
Trade	\$ 3,436	\$ 1,708
VAT recoverable	10,085	10,625
Receivable from sale of refinery interest	-	741
Other	2,075	1,335
<b>Total accounts receivable</b>	<b>\$ 15,596</b>	<b>\$ 14,409</b>

At September 30, 2018, \$1.7 million of trade receivables are past due, for which the Company is charging interest to the counterparty, and \$0.3 million of other receivables are past due. At December 31, 2017, all of the Company's accounts receivables were current.

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 production to the refinery and the balance within a short settlement period thereafter. In the event that the customer is unable to perform under the supply agreement, the Company does have other avenues through which it can sell its production.

### b) 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

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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, 2018, the Company did not utilize derivative financial instruments to manage this risk.

The following table summarizes, in USD equivalents, the Company's major currency exposures as of September 30, 2018:

	CA	COP
Cash	28	8,996
Cash in trust	-	794
Accounts receivable	39	15,557
Accounts payable and accrued liabilities <sup>(1)</sup>	(145)	(37,786)
Long-term debt, including current portion	-	(218)
<b>Net financial liabilities</b>	<b>(78)</b>	<b>(12,657)</b>

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

Based on the net exposure at September 30, 2018, a 10% depreciation or appreciation of the CA against the USD would have minimal impact on the Company's after-tax net income and a 10% depreciation or appreciation of the COP against the USD would result in approximately a \$1.3 million increase or decrease in the Company's other comprehensive income.

c) *Liquidity risk*

The 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 (Note 4). 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.
- *Finance lease:* These obligations represent lease payments related to mining and other equipment used at the Segovia Operations (Note 7a).
- *Gold Notes:* As described in Note 7b, this obligation is being carried at fair value and is being settled by deposits of physical gold, representing less than 10% of the Company's projected gold production over the term of the Gold Notes, to a Gold Trust Account.

The carrying value of accounts payable and accrued liabilities and amounts payable for property acquisitions approximates their respective fair values as they are short-term in nature.

d) *Price risk*

Price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. Gold and silver prices can be subject to volatile price movements, which can be material and can occur over short periods of time and are affected by numerous factors, all of which are beyond the Company's control.

The Company may enter into commodity hedging contracts from time to time to reduce its exposure to fluctuations in spot commodity prices. During the nine months ended September 30, 2018, the Company entered into certain commodity hedging contracts (put options) to establish a minimum selling price at \$1,250 per ounce for the physical gold from the Gold Trust Account (Note 7b) to be sold to meet the Company's financial obligations for the quarterly Amortizing Payments on the Gold Notes at the end of July and October 2018. The commodity hedging contracts are carried at their fair value at the end of each reporting period with the change in fair value during the period recorded in gain or loss on financial instruments. During the nine

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months ended September 30, 2018, the Company recorded an unrealized gain of less than \$0.1 million in the statement of operations (Note 14) representing the change in fair value on its commodity hedging contracts.

At September 30, 2018, the Company had one commodity hedging contract outstanding, as summarized below, that was subsequently exercised on its maturity to meet the quarterly Amortizing Payment completed on October 31, 2018 (Note 7b):

Type of instrument	Maturity	Benchmark	Volume (gold ozs)	Strike price (per oz)	Fair value
Put option	October 15, 2018	London Fix PM	3,900	\$ 1,250	\$ 222

Subsequently, in October 2018, the Company entered into two additional commodity hedging contracts, as summarized below, in connection with the first two quarterly Amortizing Payments in 2019:

Type of instrument	Maturity	Benchmark	Volume (gold ozs)	Strike price (per oz)
Put option	January 15, 2019	London Fix PM	3,900	\$ 1,250
Put option	April 15, 2019	London Fix PM	3,900	\$ 1,250

## 11. REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Gold	\$ 65,959	\$ 42,287	\$ 198,378	\$ 142,719
Silver	646	450	1,940	1,708
	\$ 66,605	\$ 42,737	\$ 200,318	\$ 144,427

## 12. COST OF SALES

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Production costs	\$ 34,454	\$ 23,939	\$ 100,316	\$ 80,154
Production taxes	2,705	1,886	8,299	6,235
Provision for environmental fees (Note 8b)	1,246	301	2,073	787
Depreciation, depletion and amortization (Note 4)	7,974	3,987	20,627	11,582
	\$ 46,379	\$ 30,113	\$ 131,315	\$ 98,758

## 13. FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Interest expense	\$ 2,337	\$ 2,182	\$ 7,157	\$ 6,204
Reversal of interest accrued on Marmato compensation agreements (note 4)	(734)	-	(734)	-
Accretion of 2018 Debentures (Note 7c)	1,754	3,419	9,730	9,166
Accretion of 2020 Debentures (Note 7d)	-	1,411	2,187	6,248
Accretion of 2024 Debentures (Note 7e)	-	549	798	725
Accretion of provisions (Note 8)	564	512	2,010	1,595
Debt financing costs (Note 7b)	-	-	7,578	-
	\$ 3,921	\$ 8,073	\$ 28,726	\$ 23,938

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**14. GAIN (LOSS) ON FINANCIAL INSTRUMENTS**

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Mark-to-market loss on Gold Notes (Note 7b)	\$ (393)	\$ -	\$ (559)	\$ -
Mark-to-market loss on gold in Gold Trust Account (Note 7b)	(18)	-	(124)	-
Mark-to-market gain on commodity hedging contracts (Note 10d)	111	-	139	-
Mark-to-market gain on 2024 Warrant liability (Note 7b)	4,463	-	3,309	-
Loss on early redemption of 2018 Debentures (Note 7c)	-	-	(171)	-
(Loss) gain on extinguishment of 2020 Debentures (Note 7d)	-	-	(11,191)	1,469
Loss on repurchases of 2020 Debentures	-	(1,196)	-	(1,523)
Loss on extinguishment of 2024 Debentures (Note 7e)	-	-	(13,620)	-
	\$ 4,163	\$ (1,196)	\$ (22,217)	\$ (54)

**15. CHANGES IN NON-CASH WORKING CAPITAL ITEMS**

	Nine months ended September 30,	
	2018	2017
Accounts receivable	\$ (2,442)	\$ 2,390
Inventories	(4,819)	(4,538)
Prepaid expenses and deposits	(459)	(295)
Accounts payable and accrued liabilities	4,179	3,230
	\$ (3,187)	\$ 787

**16. DILUTED EARNINGS (LOSS) PER SHARE**

The basic weighted earnings per share amounts are calculated by dividing the net income for the period by the weighted average number of shares outstanding during the period.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ 12,397	\$ (1,047)	\$ (12,993)	\$ 31,952
Basic weighted average number of shares	40,320,829	20,450,358	30,132,496	20,166,100
Basic earnings (loss) per common share	\$ 0.31	\$ (0.05)	\$ (0.43)	\$ 1.58

Diluted earnings per share amounts are calculated by adjusting the basic earnings per share to take into account the after-tax effect of interest and other finance costs associated with dilutive convertible debentures as if they were converted at the beginning of the period, and the effects of potentially dilutive stock options and share purchase warrants calculated using the treasury stock method. When the impact of potentially dilutive securities increases the earnings per share or decreases the loss per share, they are excluded for purposes of the calculation of diluted earnings per share.

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The following table sets forth the computation of diluted earnings (loss) per share:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ 12,397	\$ (1,047)	\$ (12,993)	\$ 31,952
Add back:				
Accretion of debt discount and interest expense, net of tax	-	-	-	15,627
Gain on financial instruments, net of tax	(4,463)	-	(3,309)	(839)
	\$ 7,934	\$ (1,047)	\$ (16,302)	\$ 46,740
Basic weighted average number of shares	40,320,829	20,450,358	30,132,496	20,166,100
Effective of dilutive securities:				
Assumed conversion of debentures	-	-	-	73,607,438
Share purchase warrants	1,012,417	-	538,344	-
Diluted weighted average number of shares	41,333,246	20,450,358	30,670,840	93,773,538
Diluted earnings (loss) per common share	\$ 0.19	\$ (0.05)	\$ (0.53)	\$ 0.50