

Gran Colombia Gold Corp.

Interim Condensed Consolidated Financial Statements
(Unaudited)

For the three and six months ended June 30, 2018

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

	Notes	As at June 30, 2018	As at December 31, 2017
ASSETS			
Current			
Cash and cash equivalents		\$ 24,915	\$ 3,272
Cash in trust	6c	3,530	4,271
Gold Trust Account	6b	3,806	-
Accounts receivable	9a	10,962	14,409
Risk management asset	9d	111	-
Inventories	3	15,257	12,930
Prepaid expenses and deposits		2,674	2,006
		61,255	36,888
Non-current			
Cash in trust	6d, 7c	798	8,408
Mining interests	4	415,722	404,576
Investment at fair value through other comprehensive income		38	118
Total assets		\$ 477,813	\$ 449,990
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 17,992	\$ 18,756
Income tax payable		10,443	8,370
Current portion of long-term debt	6	48,488	34,271
Current portion of provisions	7	2,813	4,001
Amounts payable related to acquisitions of mining interests	4	11,562	11,045
		91,298	76,443
Non-current			
Long-term debt	6	81,169	64,881
Provisions	7	25,905	24,802
Deferred income taxes		57,918	59,504
Total liabilities		256,290	225,630
Equity			
Share capital	8b	400,052	384,440
Share purchase warrants	8c	6,317	6,317
Contributed surplus		171,554	171,133
Accumulated other comprehensive loss		(70,138)	(76,658)
Deficit		(286,262)	(260,872)
Total equity		221,523	224,360
Total liabilities and shareholders' equity		\$ 477,813	\$ 449,990
Contingency	(Note 7b)		
Subsequent events	(Notes 6b, 6c, 8b, 16)		

See accompanying notes to the interim condensed consolidated financial statements.

Gran Colombia Gold Corp.
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	Notes	Three months ended June 30,		Six months ended June 30,	
		2018	2017	2018	2017
Revenue	10	\$ 68,927	\$ 55,973	\$ 133,713	\$ 101,690
Costs and expenses					
Cost of sales	11	44,999	35,634	84,936	68,645
General and administrative		2,738	1,956	4,997	3,783
Reversal of impairment		-	(45,307)	-	(45,307)
Share-based compensation	8d	903	-	903	582
Social contributions	4	1,267	1,200	2,496	2,046
Income from operations		19,020	62,490	40,381	71,941
Other income (expense)					
Finance income		141	66	201	180
Finance costs	12	(15,655)	(7,977)	(24,805)	(15,865)
Foreign exchange loss		(92)	(271)	(110)	(206)
Wealth tax		-	16	-	(918)
(Loss) gain on financial instruments	13	(26,380)	1,142	(26,380)	1,142
		(41,986)	(7,024)	(51,094)	(15,667)
(Loss) income before income tax		(22,966)	55,466	(10,713)	56,274
Income taxes					
Current		(8,782)	(5,397)	(17,642)	(7,896)
Deferred		1,006	(16,286)	2,965	(15,379)
		(7,776)	(21,683)	(14,677)	(23,275)
Net (loss) income		\$ (30,742)	\$ 33,783	\$ (25,390)	\$ 32,999
Per share					
Basic		\$ (1.09)	\$ 1.65	\$ (1.02)	\$ 1.64
Diluted	14	(1.09)	0.39	(1.02)	0.44
Basic weighted average number of common shares outstanding		28,302,393	20,450,358	24,953,899	20,021,614

See accompanying notes to the interim condensed consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net (loss) income	\$ (30,742)	\$ 33,783	\$ (25,390)	\$ 32,999
Other comprehensive income:				
Items that will not be reclassified to profit in subsequent periods:				
Unrealized loss on investment, net of tax	-	-	(77)	-
Unrealized gain on Gold Notes due to change in credit risk (Note 6b), net of tax	1,341	-	1,341	-
Items that may be reclassified to (loss) profit in subsequent periods:				
Foreign currency translation adjustment (nil tax effect)	(17,717)	(13,224)	5,256	(3,221)
Comprehensive income	\$ (47,118)	\$ 20,559	\$ (18,870)	\$ 29,778

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	Six months ended June 30,	
		2018	2017
Common shares			
Balance, beginning of period	8	\$ 384,440	\$ 381,888
Exercise of options	8	59	-
Issuance of common shares on conversion of:			
2018 Debentures	6c	9,126	1,984
2020 Debentures	6d	1,509	-
2024 Debentures	6e	4,918	-
Balance, end of period		400,052	383,872
Share purchase warrants			
Balance, beginning and end of period	8c	6,317	6,317
Contributed surplus			
Balance, beginning of period		171,133	163,109
Exercise of options		(14)	-
2018 Debentures converted to common shares	6c	(315)	(117)
2020 Debentures converted to common shares	6d	(32)	-
2024 Debentures converted to common shares	6e	(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		171,554	171,106
Accumulated other comprehensive loss			
Balance, beginning of period		(76,658)	(78,434)
Unrealized loss on investment at fair value		(77)	-
Unrealized gain on Gold Notes at fair value due to changes in credit risk, net of tax	6b	1,341	-
Foreign currency translation adjustment		5,256	(3,221)
Balance, end of period		(70,138)	(81,655)
Deficit			
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		(25,390)	32,999
Balance, end of period		(286,262)	(264,721)
Total equity		\$ 221,523	\$ 214,919

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	Six months ended June 30, 2018	2017
Operating Activities			
Net (loss) income		\$ (25,390)	\$ 32,999
Adjusted for the following items:			
Depreciation, depletion and amortization	4	12,665	7,638
Share-based compensation	8d	903	582
Reversal of impairment		-	(45,307)
Finance income		(201)	(180)
Finance costs	12	24,805	15,865
Foreign exchange		180	(4)
Loss (gain) on financial instruments	13	26,380	(1,142)
Provision for environmental discharges	7	827	486
Environmental discharge fees paid	7	(2,635)	(705)
Payments of health obligations	7	(453)	(356)
Wealth tax expense		-	918
Current income tax expense		17,642	7,896
Deferred income taxes		(2,965)	15,379
Changes in non-cash working capital items	15	(665)	1,246
Operating cash flows before taxes		51,093	35,315
Income taxes paid		(15,444)	(13,686)
Wealth tax paid		-	(473)
Net cash provided by operating activities		35,649	21,156
Investing Activities			
Additions to mining interests	4	(17,253)	(11,279)
Proceeds received from sale of refinery interest	9a	804	372
Net cash used in investing activities		(16,449)	(10,907)
Financing Activities			
Net proceeds from issuance of Gold Notes	6b	67,563	-
Repayment of 2020 and 2024 Debentures	6b	(63,471)	-
Decrease (increase) in cash in trust for 2020 and 2024 Debentures	6d	7,640	(2,714)
Repurchase of 2020 Debentures for cancellation		-	(1,414)
Gold deposited to Gold Trust Account	6b	(3,912)	-
Decrease (increase) in cash in trust for 2018 Debentures	6c	741	(1,376)
Early settlement of 2018 Debentures	6c	(1,379)	-
Premiums paid for commodity hedging contracts related to repayment of the Gold Notes	9d	(83)	-
Net interest paid		(4,352)	(3,738)
Repayment of finance leases		(154)	(783)
Decrease in cash in trust for health plan guarantee		(17)	-
Increase in cash in trust for debt service		-	52
Exercise of stock options	8d	45	-
Net cash provided (used) in financing activities		2,621	(9,973)
Impact of foreign exchange rate changes on cash and cash equivalents		(178)	(51)
Increase in cash and cash equivalents		21,643	225
Cash and cash equivalents, beginning of period		3,272	2,783
Cash and cash equivalents, end of period		\$ 24,915	\$ 3,008

See accompanying notes to the interim condensed consolidated financial statements.

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June 30, 2018

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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 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 included in the Company’s annual report 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 August 14, 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.

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 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,

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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
Investments	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
Debentures	Other financial liabilities	Amortized cost
Gold Notes	Other financial liabilities	FVTPL

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 VAT recoverable and amounts receivable from one customer for which there is no history of default.

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

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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

	June 30, 2018	December 31, 2017
Mineral inventories	\$ 4,434	\$ 2,517
Materials and supplies	10,823	10,413
	\$ 15,257	\$ 12,930

4. MINING INTERESTS

	Mineral properties	Plant and equipment	Construction in progress	E&E assets	Total
Six months ended June 30, 2018					
Opening net book value	\$ 104,147	\$ 40,610	\$ 25,505	\$ 234,314	\$ 404,576
Additions	8,095	5,715	3,537	149	17,496
Depreciation and amortization	(10,270)	(3,316)	-	-	(13,586)
Exchange difference	1,953	665	372	4,246	7,236
Closing net book value	\$ 103,925	\$ 43,674	\$ 29,414	\$ 238,709	\$ 415,722
As at June 30, 2018					
Cost	\$ 208,443	\$ 72,014	\$ 61,766	\$ 243,541	\$ 585,764
Accumulated depreciation, amortization and impairment charges	104,518	28,370	35,352	4,832	170,042
Net book value	\$ 103,925	\$ 43,674	\$ 29,414	\$ 238,709	\$ 415,722

A summary of mining interests by property is as follows:

	Mineral properties	Plant and equipment	Construction in progress	E&E assets	June 30, 2018	December 31, 2017
Segovia Operations	\$ 103,925	\$ 33,816	\$ 29,414	-	\$ 167,155	\$ 161,049
Marmato Project	-	9,858	-	\$ 238,709	\$ 248,567	243,527
Total	\$ 103,925	\$ 43,674	\$ 29,414	\$ 238,709	\$ 415,722	\$ 404,576

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

	Three months ended 2018	June 30, 2017	Six months ended 2018	June 30, 2017
Cost of sales expense	\$ 6,574	\$ 4,095	\$ 12,653	\$ 7,595
General and administrative expenses	9	(15)	12	43
Total charged to operations	6,583	4,080	12,665	7,638
Increase in inventories	78	47	340	49
Capitalized depreciation	310	241	581	343
	\$ 6,971	\$ 4,368	\$ 13,586	\$ 8,030

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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 six months ended June 30, 2018, the Company incurred a total obligation for social contributions of \$2.5 million (2017 – \$1.9 million). As at June 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*: 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 June 30, 2018, COP 0.9 billion (\$0.3million) 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, 2017 – COP 1.1 billion; \$0.4 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 June 30, 2018, 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 June 30, 2018, a total of COP 32.9 billion (\$11.2 million) including interest, is included in amounts payable for acquisition of mining interests related to these agreements (December 31, 2017 – COP 31.9 billion; \$10.7 million). Payments related to these agreements have been suspended since 2013 and the Company is continuing to evaluate its options with respect to these obligations in light of its expected future underground development activities at Marmato.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2018	December 31, 2017
Trade payables related to operating, general and administrative expenses	\$ 12,860	\$ 12,285
Trade payables related to capital expenditures	2,425	2,768
Withholding taxes payable	1,099	1,547
Other provisions and accrued liabilities	1,608	2,156
Total accounts payable and accrued liabilities	\$ 17,992	\$ 18,756

6. LONG-TERM DEBT

	Maturity	Currency	Interest Rate	June 30, 2018	December 31, 2017
Finance leases (a)	2018 to 2019	COP	Variable	\$ 299	\$ 439
Gold Notes (b)	2024	USD	8.25%	82,041	-
2024 Warrant liability (b)	2024	CAD	-	15,447	-
2018 Debentures (c)	2018	USD	5%	31,870	33,913
2020 Debentures (d)	2020	USD	6%	-	34,833
2024 Debentures (e)	2024	USD	8%	-	29,967
Total long-term debt				\$ 129,657	\$ 99,152
Less: current portion				48,488	34,271
Non-current portion				\$ 81,169	\$ 64,881

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a) *Obligations under finance leases*

At June 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:

	June 30, 2018	December 31, 2017
Within 1 year	\$ 299	\$ 384
2-5 years, including purchase option		84
Total minimum lease payments	311	468
Amount representing interest	(12)	(29)
Present value of net minimum lease payments	\$ 299	\$ 439
Less: current portion	299	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. The Gold Notes and Gold Warrants are subject to a hold period equal to four months and a day following the Closing Date.

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 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 trustee 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

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- o excess of the London PM Fix over \$1,250 per ounce and will not reduce the principal amount of the Gold Notes outstanding.
- o If the London PM Fix is below \$1,250 per ounce of gold, the Company will make a cash payment to the trustee 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, 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 are currently unlisted. The Company will be making application to the Toronto Stock Exchange ("TSX") to list the Gold Notes for trading on the TSX following expiry of the hold period, although there is no certainty at this time that the Company's application will be successful.

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 June 30, 2018:

	Number of Gold Notes	Amount
Principal amount issued on the Closing Date	97,992	\$ 97,992
Initial discount	-	(14,292)
Value allocated to debt on the Closing Date	97,992	83,700
Mark-to-market loss (Note 13)	-	165
Change in fair value due to changes in credit risk	-	(1,824)
As at June 30, 2018	97,992	82,041
Less: current portion	(19,492)	(16,319)
Non-current portion	78,500	65,722

Gold Trust Account

As at June 30, 2018 the Company had deposited a total 3,044 ounces of gold to the Gold Trust Account. Gold held in the Gold Trust Account is accounted for at the lower of cost and net realizable value. The net realizable value as at June 30, 2018 was \$3.9 million based on the London PM Fix spot price of \$1,250.45 per ounce. For the three and six months ended June 30, 2018, the Company recorded an unrealized loss on financial instruments of \$0.1 million (Note 13) representing the difference between the cost attributed to the gold deposited in the Gold Trust Account and the net realizable value as at June 30, 2018.

In July 2018, the Company deposited the remaining 850 ounces of gold required to meet the quarterly Amortizing Payment due on July 31, 2018 totaling \$4.9 million. The London PM Fix on July 16, 2018 was \$1,241.10 per ounce, and as such, no Gold Premium was applicable. The Company sold the gold ounces in the Gold Trust Account against a put option contract at \$1,250 per ounce to meet its obligation for the Amortizing Payment.

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2024 Warrant liability

The 2024 Warrants issued as part of the Offering are currently unlisted and have been approved for listing on the TSX to commence trading under the symbol GCM.WT.B on or about September 4, 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 are 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 June 30, 2018 have been determined using the binomial options pricing model.

	Number of Warrants	Amount
Value allocated to the 2024 Warrants on the Closing Date	12,151,008	\$ 14,292
Mark-to-market loss (Note 13)	-	1,155
As at June 30, 2018	12,151,008	\$ 15,447

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.

c) 2018 Debentures

	Number of 2018 Debentures	Amount
As at December 31, 2017	45,160	\$ 33,913
Accretion of discount (Note 12)	-	7,976
Converted to common shares	(4,263)	(3,658)
Special redemption	(7,260)	(6,361)
As at June 30, 2018	33,637	\$ 31,870
Total principal amount issued and outstanding	33,637	\$ 33,637
Balance of discount to be accreted	-	(1,767)
	33,637	\$ 31,870

During the six months ended June 30, 2018, debenture holders elected to convert a total of \$4.3 million aggregate principal amount of 2018 Debentures into 2,186,112 common shares (six months ended June 30, 2017 - \$3.8 million aggregate principal converted into 1,935,246 common shares). Subsequent to June 30, 2018 and through to August 10, 2018, debenture holders elected to convert an additional \$1.5 million aggregate principal amount of 2018 Debentures into 791,081 common shares.

On the Closing Date of the Offering, the Company also completed the early redemption of approximately \$7.3 million 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 for the three and six months ended June 30, 2018.

Furthermore, 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.

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

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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 cash held in the sinking fund for the 2018 Debentures (included in cash in trust in current assets at June 30, 2018) in the amount of \$3.5 million to the Company.

d) 2020 Debentures

	Number of 2020 Debentures	Amount
As at December 31, 2017	48,696	\$ 34,833
Accretion of discount (Note 12)	-	2,187
Converted to common shares	(1,962)	(1,477)
Early redemption of balance outstanding	(46,734)	(35,543)
As at June 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 (six months ended June 30, 2017 – Nil).

On May 14, 2018 (the "Redemption Date"), funded by the proceeds of the Offering as described in Note 6b, 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 (included in cash in trust in non-current assets at March 31, 2018) 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 12)	-	798
Converted to common shares	(7,367)	(4,797)
Early redemption of balance outstanding	(39,588)	(25,968)
As at June 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 (six months ended June 30, 2017 – Nil).

On the Redemption Date, funded by the proceeds of the Offering as described in Note 6b, 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.

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f) *Scheduled debt repayments*

	2018	2019	2020	2021	Thereafter	Total
Finance leases ⁽¹⁾	\$ 245	\$ 54	\$ -	\$ -	\$ -	\$ 299
2018 Debentures ⁽²⁾	33,637	-	-	-	-	33,637
Gold Notes ⁽³⁾	9,742	19,500	18,000	15,750	35,000	97,992
	\$ 43,624	\$ 19,554	\$ 18,000	\$ 15,750	\$ 35,000	\$ 131,928

(1) Includes interest and purchase option.

(2) Represents the principal amount of the 2018 Debentures outstanding as of June 30, 2018. Subsequent to June 30, 2018, \$0.6 million was converted into common shares by holders and the balance was repaid at maturity on August 11, 2018 with common shares.

(3) Represents the scheduled Amortizing Payments of the Gold Notes (Note 6b) outstanding as of June 30, 2018 at \$1,250 per ounce.

7. PROVISIONS

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

	Decommissioning and rehabilitation	Environmental discharges	Health plan obligations	Total
As at December 31, 2017	\$ 7,113	\$ 7,612	\$ 14,078	\$ 28,803
Recognized in period		827	-	827
Interest recognized in the period	-	192	-	192
Payments in the period	-	(2,635)	(453)	(3,088)
Accretion of discount (Note 12)	208	466	771	1,445
Exchange difference	122	170	247	539
As at June 30, 2018	7,443	6,632	14,643	28,718
Less: current portion	-	2,076	737	2,813
Non-current portion	\$ 7,443	\$ 4,556	\$ 13,906	\$ 25,905

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, it has 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 June 30, 2018 exchange rate. As such, the Company initially 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	2021	4.60%	5.09%	\$ 800
Segovia Operations	2020-2026	4.60%	5.09%	9,172

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. 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

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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 confirming an assessment of fees totalling COP 29.5 billion (equivalent to approximately \$10.6 million at the June 30, 2018 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 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 June 30, 2018, the Company has a provision in the amount of COP 12.1 billion (approximately \$4.1 million) related to 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 June 30, 2018, the Company has a provision in the amount of COP 4.1 billion (approximately \$1.4 million) related 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 June 30, 2018, the Company has a provision in the amount of COP 2.2 billion (approximately \$0.8 million) related to this payment plan obligation (December 31, 2017 – COP 2.7 billion or approximately \$0.9 million).

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 June 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).

8. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

b) Issued and fully paid

As at June 30, 2018 the Company had 30,875,955 common shares issued and outstanding (December 31, 2017 - 20,865,749 common shares).

During the six months ended June 30, 2018, the Company issued a total of 6,970,907 common shares to holders of the 2018, 2020, and 2024 Debentures (Notes 6c, 6d, 6e) who elected to convert their debentures into common shares. In addition, the Company issued 3,015,966 common shares on April 30, 2018 to holders who elected to settle their 2018 Debentures prior to maturity through a special redemption (Note 6c).

Subsequent to June 30, 2018, the Company issued 791,081 common shares to holders of the 2018 Debentures (Note 6c) who elected to convert their debentures into common shares.

On August 13, 2018, the Company issued a total of 16,483,269 common shares to repay the Outstanding Balance (Note 6c) 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 June 30, 2018:

Expiry date	Outstanding and Exercisable warrants	Common shares issuable	Remaining contractual life in years	Exercise price (CA\$/share)
March 18, 2019	4,211,918	280,795	0.7	\$ 48.75
April 30, 2024 (Note 6b)	12,151,008	12,151,008	5.8	2.21

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.

During the six months ended June 30, 2018 the Company granted 1,200,000 options exercisable at CA\$3.16 per share (2017 - 1,141,327 granted, exercisable at CA\$2.55 per share). These options vested immediately and have a term of five years. In addition, holders exercised a total of 23,333 options during the six months ended June 30, 2018 at an exercise price of 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:

	Six months ended June 30,	
	2018	2017
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

The table below summarizes information about the stock options outstanding and the common shares issuable as at June 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
	3,021,660	3,021,660	3.4	\$ 3.18

9. 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.

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a) *Credit risk*

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

	June 30, 2018	December 31, 2017
Trade	\$ 3,381	\$ 1,708
VAT recoverable	5,901	10,625
Receivable from sale of refinery interest	-	741
Other	1,680	1,335
Total accounts receivable	\$ 10,962	\$ 14,409

At June 30, 2018 and December 31, 2017, none of the Company's accounts receivables were past due.

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 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 six months ended June 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 June 30, 2018:

	CA	COP
Cash	8	10,113
Cash in trust	-	798
Accounts receivable	89	10,873
Accounts payable and accrued liabilities ⁽¹⁾	(169)	(29,231)
Long-term debt, including current portion	-	(299)
Net financial liabilities	(72)	(7,746)

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

Based on the net exposure at June 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 \$0.8 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.

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- *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.
- *Finance lease:* These obligations represent lease payments related to mining and other equipment used at the Segovia Operation (Note 6a).
- *Gold Notes:* As described in Note 6b, 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 six months ended June 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 6b) to be sold to meet the Company's obligations for 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 (June 30, 2018 - \$0.1 million) with the change in fair value during the period recorded in gain or loss on financial instruments.

The commodity hedging contracts outstanding as at June 30, 2018 and their terms are summarized below:

Type of instrument	Maturity	Benchmark	Volume (gold oz)	Strike price (per oz)	Fair value
Put option	July 16, 2018	London Fix PM	3,894	\$1,250	\$ 28
Put option	Oct 15, 2018	London Fix PM	3,900	1,250	83
Total			7,794		\$ 111

During the six months ended June 30, 2018, the Company recorded an unrealized gain of less than \$0.1 million (Note 13) representing the change in fair value on the commodity hedging contracts.

10. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Gold	\$ 68,249	\$ 55,326	\$ 132,419	\$ 100,432
Silver	678	647	1,294	1,258
	\$ 68,927	\$ 55,973	\$ 133,713	\$ 101,690

11. COST OF SALES

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Production costs	\$ 34,696	\$ 28,851	\$ 65,862	\$ 56,215
Production taxes	2,902	2,356	5,594	4,349
Provision for environmental discharges (Note 7b)	827	332	827	486
Depreciation, depletion and amortization (Note 4)	6,574	4,095	12,653	7,595
	\$ 44,999	\$ 35,634	\$ 84,936	\$ 68,645

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12. FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Interest expense	\$ 2,672	\$ 2,056	\$ 4,821	\$ 4,022
Accretion of 2018 Debentures (Note 6c)	3,865	3,006	7,976	5,747
Accretion of 2020 Debentures (Note 6d)	726	2,263	2,187	4,837
Accretion of 2024 Debentures (Note 6e)	250	176	798	176
Accretion of provisions (Note 7)	564	545	1,445	1,083
Debt financing costs (Note 6b)	7,578	(69)	7,578	-
	\$ 15,655	\$ 7,977	\$ 24,805	\$ 15,865

13. (LOSS) GAIN ON FINANCIAL INSTRUMENTS

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Mark-to-market loss on Gold Notes (Note 6b)	\$ (165)	\$ -	\$ (165)	\$ -
Mark-to-market loss on gold in Gold Trust Account (Note 6b)	(106)	-	(106)	-
Mark-to-market gain on commodity hedging contracts (Note 9d)	28	-	28	-
Mark-to-market loss on 2024 Warrant liability (Note 6b)	(1,155)	-	(1,155)	-
Loss on early redemption of 2018 Debentures (Note 6c)	(171)	-	(171)	-
(Loss) gain on extinguishment of 2020 Debentures (Note 6d)	(11,191)	1,469	(11,191)	1,469
Loss on repurchases of 2020 Debentures	-	(327)	-	(327)
Loss on extinguishment of 2024 Debentures (Note 6e)	(13,620)	-	(13,620)	-
	\$ (26,380)	\$ 1,142	\$ (26,380)	\$ 1,142

14. DILUTED (LOSS) EARNINGS PER SHARE

For the three and six months ended June 30, 2018, the impact of the common shares potentially issuable from convertible debentures, stock options, and warrants on the Company's net loss was anti-dilutive, therefore the basic weighted average number of shares equaled the diluted weighted average number of shares for those periods.

For the three and six months ended June 30, 2017, the impact of the stock options and warrants on the Company's earnings per share was anti-dilutive. The dilutive effect of the convertible debentures, including those repurchased, redeemed and converted into common shares during those periods, as if they were converted into common shares at the beginning of the respective periods, is set out as follows:

	Three months ended June 30, 2017	Six months ended June 30, 2017
Net income	\$ 33,783	32,999
Add (deduct):		
Accretion of debt discount and interest expense, net of tax	5,244	10,336
Gain on financial instruments, net of tax	(839)	(839)
	\$ 38,188	\$ 42,496
Weighted average number of shares		
Basic	20,450,358	20,021,614
Increase for assumed conversion of debentures	76,810,054	75,589,026
Diluted weighted average number of shares	97,260,412	95,610,640
Diluted earnings per common share	\$ 0.39	\$ 0.44

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15. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Six months ended June 30,	
	2018	2017
Accounts receivable	\$ 2,338	\$ 1,291
Inventories	(1,809)	(1,558)
Prepaid expenses and deposits	(662)	(113)
Accounts payable and accrued liabilities	(532)	1,626
	\$ (665)	\$ 1,246

16. SUBSEQUENT EVENT

Acquisition of interest in Sandspring Resources Ltd. ("Sandspring")

On July 26, 2018, the Company acquired an investment in Sandspring, a publicly-listed Canadian junior mining company engaged in exploration in western Guyana. The Company received 15,000,000 common shares of Sandspring in consideration for its 30% carried participating interest in the Chicharron Project located within its Segovia mining title. The Company acquired a further 16,000,000 Units of Sandspring at CA\$0.25 per Unit in connection with Sandspring's CA\$10.25 million private placement of 41,000,000 Units. Each Unit included one common share and one common share purchase warrant entitling the holder to purchase one additional common share of Sandspring at CA\$0.40 for a period of sixty (60) months. The securities acquired in connection with Sandspring's private placement are subject to a four-month-and-one-day hold period. The common shares acquired by the Company represent approximately 14.8% of the outstanding common shares of Sandspring. Assuming exercise of the warrants acquired by the Company, when combined with the common shares, the Company would have control and direction over 47,000,000 common shares representing approximately 20.8% of the outstanding common shares of Sandspring on July 26, 2018.