

GRAN COLOMBIA GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED SEPTEMBER 30, 2019 NOVEMBER 14, 2019

The following discussion and analysis of the results of operations and financial condition ("MD&A") for Gran Colombia Gold Corp. (the "Company" or "Gran Colombia") should be read in conjunction with the unaudited condensed consolidated financial statements and related notes thereto for the three and nine months ended September 30, 2019 (the "Interim Financial Statements") and the annual audited financial statements and annual MD&A for the year ended December 31, 2018, which are available on the Company's web site at www.grancolombiagold.com and on www.sedar.com. Readers are encouraged to read the Cautionary Note Regarding Forward Looking Information included on page 32 of this MD&A and the Company's Annual Information Form dated as of March 27, 2019, also available on the Company's website and SEDAR. The financial information in this MD&A is derived from the Interim Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial statements in International Accounting Standard – Interim Financial Reporting ("IAS34"). Reference should also be made to pages 26-30 for information about non-IFRS measures referred to in this MD&A. **All figures contained herein are expressed in United States dollars ("USD"), except for production, share data or as otherwise stated.**

Third Quarter and Nine Months 2019 Highlights

- The Company remains on track to meet its **gold production** guidance for 2019. With 56,271 ounces produced in the third quarter of 2019, compared with 57,163 ounces in the third quarter of 2018, total production for the first nine months of 2019 was 174,754 ounces, up 7% over the first nine months last year. With another 21,011 ounces produced in October, the Company's trailing 12-months' gold production at the end of October now stands at 232,960 ounces, up 7% over 2018's annual production.
- **Revenue** amounted to \$83.0 million in the third quarter of 2019, up 25% over the third quarter last year, getting a boost from the 21% increase in spot gold prices which, along with savings in refining charges under the new refining contract entered into earlier this year, increased the Company's realized gold price to an average of \$1,458 per ounce sold compared with \$1,186 per ounce sold in the third quarter last year. For the first nine months of 2019, production growth, the higher spot gold and silver prices and the reduction in refining charges all combined to increase revenue to \$238.0 million, up 19% over the first nine months last year.
- **Total cash costs** ⁽¹⁾ per ounce averaged \$684 per ounce in the third quarter of 2019 compared with \$657 per ounce in the third quarter last year, reflecting the adverse impact on Marmato's production costs per ounce of the lower head grades mined in the third quarter this year coupled with an increase in production taxes at both Segovia and Marmato due to the higher spot gold prices in the third quarter this year. With the Company's total cash costs averaging \$653 per ounce for the first nine months of 2019, down from an average of \$674 per ounce in the first nine months last year, the Company continues to expect that 2019's average total cash costs per ounce sold for the full year will remain below 2018's average of \$680 per ounce sold.
- **All-in sustaining costs ("AISC")** ⁽¹⁾ and **All-in costs** ⁽¹⁾ of \$951 per ounce and \$991 per ounce, respectively, in the third quarter of 2019 reflected the increase in total cash costs plus increased levels of capital and exploration spending and arbitration-related costs in G&A, compared with \$892 per ounce and \$908 per ounce, respectively, in the third quarter last year. For the first nine months of 2019, AISC and All-in costs per ounce were \$886 and \$911 per ounce, respectively, down from \$913 and \$922,

(1) Refer to "Non-IFRS" Measures on pages 26-30.

respectively, in the first nine months last year. For 2019, the Company continues to expect that its AISC and All-in costs for the full year will remain below \$925 per ounce and \$950 per ounce, respectively.

- The Company reported **adjusted EBITDA** ⁽¹⁾ of \$37.6 million for the third quarter of 2019, up 52% over the third quarter last year, bringing the total for the first nine months of 2019 to \$106.1 million, up 35% over the first nine months last year. The trailing 12-months' adjusted EBITDA at the end of September 2019 now stands at \$129.8 million, up 27% over 2018, driven by production growth, improved realized gold prices and the reduction in total cash costs per ounce sold.
- **Net cash provided by operating activities** in the third quarter of 2019 of \$30.6 million brought the total for the first nine months of 2019 to \$68.7 million, up 22% over the first nine months last year. The Company's **Free Cash Flow** ⁽¹⁾ in the third quarter of 2019 of \$19.6 million brought the total for the first nine months of 2019 to \$38.7 million, up 31% over the first nine months last year.
- The Company's **balance sheet** continued to benefit from 2019's operating and financial performance and the private placement of Convertible Debentures completed in April, increasing its cash and cash equivalents to \$63.3 million at September 30, 2019 from \$35.6 million at the end of 2018. As of November 14, 2019, the aggregate principal amount of Gold Notes issued and outstanding has been reduced through four quarterly repayments in 2019 to \$68.8 million, down from \$88.3 million at the end of 2018, and the Convertible Debentures stood at CA\$20 million. In its recent annual review, Fitch Ratings affirmed its rating of 'B' with a Stable Outlook.
- On November 5, 2019, the Company closed a CA\$15 million non-brokered private placement with Eric Sprott resulting in the issuance of approximately 3.3 million common shares and 3.3 million common share purchase warrants exercisable at CA\$5.40 per share expiring November 5, 2023.
- As of November 14, 2019, the total **issued and outstanding common shares** of the Company is 53.3 million and after inclusion of stock options, warrants and the Convertible Debentures, the Company's fully diluted common shares would total approximately 74.4 million.
- **Net income** for the third quarter of 2019 was \$9.0 million (\$0.18 per share), down from \$14.0 million (\$0.35 per share) in the third quarter last year primarily as a result of a non-operating loss on financial instruments in the third quarter this year. For the first nine months of 2019, net income amounted to \$17.7 million (\$0.36 per share) compared with a net loss of \$11.4 million (\$0.38 per share) in the first nine months last year. **Adjusted net income** ⁽¹⁾ for the third quarter of 2019 was \$16.0 million (\$0.33 per share), up from \$9.9 million (\$0.25 per share) in the third quarter last year. For the first nine months of 2019, adjusted net income amounted to \$43.0 million (\$0.88 per share) compared with \$28.0 million (\$0.93 per share) in the first nine months last year. Improved adjusted earnings in the third quarter and first nine months of 2019 compared with the corresponding periods last year continued to reflect the significant contribution of Segovia's operating performance in 2019 on revenues, total cash costs per ounce, adjusted EBITDA and income from operations and the additional revenue from the increased spot gold prices in the third quarter this year.
- The Company's **drilling program in Segovia** is continuing to provide encouraging results, including the first holes drilled in its regional exploration program in the Chumeca vein which identified a main vein and extended it 600 meters down-dip from the deepest level of the historical mine. Grades and widths in recent drilling results at Sandra K may lead to resource growth coupled with a greater flexibility for mining. At Providencia, drilling intercepted mineralization in the faulted block which suggests close proximity to the faulted orebody currently in production. The deep drilling at El Silencio proved the down-plunge extension of the north ore-shoot by approximately 150 meters and testing of the central and south ore-shoots should be completed by the end of the year. The Company is preparing to carry out about 70,000 meters of additional drilling at Segovia over the next approximately 18 months.
- In early October 2019, the Company entered into a letter of intent (the "LOI") with Bluenose Gold Corp. (TSX-V: BN.H) ("Bluenose") in respect of a spin out to Bluenose of the Zona Baja mining assets (the "Mining Assets") at the Company's **Marmato Project** in a reverse takeover transaction (the "RTO")

(1) Refer to "Non-IFRS" Measures on pages 26-30.

Transaction”). In connection with the RTO Transaction, the Company is undertaking a brokered private placement to raise between CA\$10 million and CA\$15 million of equity for the new listed public company to be renamed Caldas Gold Corporation (“Caldas”) and will invest CA\$5 million of its own cash in a non-brokered private placement, maintaining a control position in Caldas once the RTO Transaction is fully completed. In mid-October 2019, the Company announced an updated Mineral Resource estimate for the Marmato Project effective as of July 31, 2019 together with the results of a preliminary economic assessment (“PEA”) for the Mining Assets at Marmato. Refer to pages 6 through 9 for additional details.

- In October 2019, the Company completed the acquisition of a 19.89% equity investment in Western Atlas Resources Inc. (“Western Atlas”) at a cost of CA\$1.35 million and signed an agreement with Western Atlas that established a potential opportunity to add to the Company’s pipeline of Latin America-based projects which could fuel the Company’s mid- to long-term growth objectives should the parties recover and develop the Company’s gold exploration assets in Venezuela that were nationalized in 2011.
- In early November 2019, Sandspring’s shareholders approved the Company becoming a “control person”, facilitating the conversion of the Company’s 5,200,000 subscription receipts into additional common shares and share purchase warrants. The common shares controlled by the Company now represent approximately 20.8% of the outstanding common shares of Sandspring.

Selected Financial Information

	Third Quarter		Nine Months	
	2019	2018	2019	2018
Operating data				
Gold produced (ounces)	56,271	57,163	174,754	162,741
Gold sold (ounces)	56,284	55,601	174,697	158,262
Average realized gold price (\$/oz sold)	\$ 1,458	\$ 1,186	\$ 1,348	\$ 1,253
Total cash costs (\$/oz sold) ⁽¹⁾	684	657	653	674
AISC (\$/oz sold) ⁽¹⁾	951	892	886	913
All-in costs (\$/oz sold) ⁽¹⁾	991	908	911	922
Financial data (\$000's, except per share amounts)				
Revenue	\$ 82,952	\$ 66,605	\$ 238,017	\$ 200,318
Adjusted EBITDA ⁽¹⁾	37,595	24,701	106,068	78,650
Net income (loss)	9,014	13,973	17,685	(11,417)
Per share - basic	0.18	0.35	0.36	(0.38)
Per share - diluted	0.18	0.23	0.36	(0.48)
Adjusted net income ⁽¹⁾	16,034	9,930	43,003	27,981
Per share - basic	0.33	0.25	0.88	0.93
Per share - diluted	0.27	0.21	0.76	0.43
Net cash provided by operating activities	30,606	20,531	68,655	56,180
Free cash flow ⁽¹⁾	19,630	11,200	38,658	29,596
			September 30, 2019	December 31, 2018
Balance sheet (\$000's):				
Cash and cash equivalents			\$ 63,254	\$ 35,645
Gold Trust Account ⁽²⁾			5,802	3,210
Gold Notes, including current portion – principal amount outstanding ⁽³⁾			73,625	88,250
Convertible Debentures – principal amount outstanding ⁽⁴⁾			CA20,000	-

(1) Refer to “Non-IFRS Measures” on pages 26-30.

(2) Represents physical gold deposited by the Company into a trust account to be used to fund the next quarterly amortizing payment of the Gold Notes. At September 30, 2019, there were 3,900 ounces accumulated in the Gold Trust Account (December 31, 2018 – 2,600 ounces).

(3) The Gold Notes are recorded in the Financial Statements at fair value. At September 30, 2019 and December 31, 2018, the carrying amount of the Gold Notes outstanding was \$72.1 million and \$74.1 million, respectively.

(4) The Convertible Debentures are recorded in the Financial Statements at fair value. At September 30, 2019 and December 31, 2018, the carrying amount of the Convertible Debentures outstanding was \$18.6 million and \$Nil million, respectively.

Outlook

Through the first ten months of 2019, the Company has produced a total of 195,722 ounces of gold and its trailing 12-months' total gold production at the end of October 2019 stands at 232,960 ounces. In light of its production results to date and its expectation for the next two months, the Company believes it is on track to meet its gold production guidance for 2019 of between 225,000 and 240,000 ounces.

With the higher spot gold price environment thus far in the second half of 2019, the Company expects that its ongoing operating cash flow and its cash position, which stood at \$63.3 million at September 30, 2019, will be more than sufficient to fund its ongoing exploration and capital investment programs in the coming year and to meet its debt service obligations as they come due. The Company's cash position was bolstered in early November 2019 through the completion of a CA\$15 million strategic investment by Eric Sprott as described on page 6.

Capital investment at the Segovia Operations, expected to total up to approximately \$30 million (excluding exploration) in 2019, is continuing to focus on ongoing mine development at the Providencia, El Silencio and Sandra K mines, along with ongoing investments in mine infrastructure upgrades, ventilation, health, safety and environmental initiatives, mine equipment and further expansion of the El Chocho tailings storage facility, including commissioning of a filter press. Sustaining capital expenditures at the Marmato mine and processing plant in 2019 are expected to be about \$1.5 million.

The Company's exploration program at its Segovia Operations in 2019 is continuing to provide encouraging results as detailed in the Company's press releases on August 13, 2019 and October 21, 2019. The Company has successfully completed the first holes in its regional exploration program, identifying a main structure in the Chumeca vein and extending it 600 meters down-dip from the deepest level of the historical mine. Over the last several months, the Company's exploration team has been working closely with the team from GoldSpot Discoveries as they leverage machine learning capabilities in a data processing and prospectivity analysis to aid in establishing future drilling targets at Segovia, both near the existing mine areas as well as regional exploration away from the main mines. The Company successfully tested some of its recent drill results against the preliminary findings in GoldSpot's analysis. The favorable overlap of the Company's actual drill results with the preliminary machine learning models bodes well as the Company prepares to carry out about 70,000 meters of drilling at Segovia over the next approximately 18 months.

The Company's total cash costs in the first nine months of 2019 was \$653 per ounce sold, benefitting primarily from increased gold production at the Segovia Operations. The Company continues to expect that total cash costs for the full year will average less than 2018's total cash costs of \$680 per ounce sold. The Company also expects that with its planned capital investment program in 2019, including the ongoing exploration activities at Segovia and Marmato, its AISC for the full year will remain below \$925 per ounce and its All-in costs will remain below \$950 per ounce.

With the signing of the LOI with Bluenose in October 2019, the Company is focusing its efforts on completing the RTO Transaction and the brokered and non-brokered private placements in order to complete the spin out of the Marmato Mining Assets before the end of the year. Following on the announcement of the updated Mineral Resource estimate and the PEA results on October 15, 2019, the Company expects to file the 43-101 technical report on SEDAR and its website by the end of November 2019. Work on the prefeasibility study for the Marmato Mining Assets has already commenced and is expected to be completed by mid-2020.

Description of Business

The Company is incorporated under the laws of the Province of British Columbia and is engaged in the acquisition, exploration, development and operation of gold properties in Colombia. The head office of the Company is located at 401 Bay Street, Suite 2400, PO Box 15, Toronto, Ontario, M5H 2Y4 and its registered office is located at 1166 Alberni Street, Suite 1604, Vancouver, British Columbia, V6E 3Z3. The Company also has an office in Medellin, Colombia. The Company is currently the largest underground gold and silver producer in Colombia with several underground mines and two processing plants in operation. The Company is continuing its exploration, expansion and modernization activities at its high-grade Segovia Operations.

Issued and Outstanding Securities

At November 14, 2019, the Company had the following securities issued and outstanding:

Securities	TSX Symbol	Number	Shares Issuable	Exercise price per share	Expiry or maturity date
<i>Common shares</i>	GCM	53,257,106			
<i>Stock options</i>		101,333	101,333	CA\$2.55	April 2021
		284,999	284,999	CA\$2.55	April 2022
		53,333	53,333	CA\$2.55	December 2022
		580,000	580,000	CA\$3.16	June 2023
		662,500	662,500	CA\$3.67	April 2024
		1,682,165	1,682,165		
<i>Gold Notes</i>	GCM.NT.U	\$68,750,000	N/A	N/A	April 30, 2024
<i>Convertible Debentures</i>	Unlisted	CA\$20,000,000	4,210,526	CA\$4.75	April 5, 2024
<i>Warrants</i>	GCM.WT.B	12,013,808	12,013,808	CA\$2.21	April 30, 2024
	Unlisted	3,260,870	3,260,870	CA\$5.40	November 5, 2023

Bought Deal Private Placement of CA\$20 Million of Convertible Debentures

On April 4, 2019, the Company closed a private placement offering on a bought deal basis (the "Private Placement") of CA\$20.0 million aggregate principal amount (equivalent to approximately \$14.9 million) of convertible unsecured subordinated debentures at a price of CA\$1,000 per CA\$1,000 principal amount of debentures (the "Convertible Debentures"). After financing costs, net proceeds of the Private Placement amounted to approximately \$13.7 million. The Convertible Debentures mature on April 5, 2024 (the "Maturity Date" and bear interest at a rate of 8.00% per annum, payable monthly in cash. At the holders' option, the Convertible Debentures may be converted into common shares of the Company at any time and from time to time, up to the Maturity Date, at a conversion rate of approximately 210.53 shares per CA\$1,000 principal amount, subject to adjustment in certain circumstances, which equates to an initial conversion price of CA\$4.75 per share. The Convertible Debentures will not be listed and represent convertible unsecured obligations of the Company, subordinated to senior indebtedness of the Company and ranking equally with all present and future unsecured subordinated indebtedness of the Company. On and after the first anniversary of the issuance date, the Company may, at its option, on not more than one occasion during each twelve-month period beginning on each yearly anniversary of the issuance date, redeem up to 10% of the aggregate principal amount of the Convertible Debentures then outstanding, at par plus accrued and

unpaid interest, in cash on not less than 30 and not more than 60 days' prior written notice (during which period the holders of the Convertible Debentures may, for the avoidance of doubt, convert their Convertible Debentures into Common Shares). The Convertible Debentures are repayable in cash at maturity.

NCIBs for the Company's Common Shares and Warrants

On June 12, 2019, the Company commenced NCIBs for its common shares ("Common Share NCIB") and its 2024 Warrants ("2024 Warrant NCIB"). The NCIBs will remain open until the earlier of June 11, 2020 or the date on which the Company has purchased the maximum number of common shares and 2024 Warrants permitted under the bids of 4,589,129 common shares and 1,109,628 warrants, respectively, each representing 10% of the issued and outstanding common shares and 2024 Warrants in the public float as of June 4, 2019.

Management of the Company will determine the actual number of common shares and 2024 Warrants that may be purchased and the timing of any such purchases, subject to compliance with applicable TSX rules. Daily purchases are limited to 33,055 common shares and 6,328 warrants, other than block purchase exceptions. Purchases made pursuant to the NCIBs will be made on the open market through the facilities of the TSX and/or alternative Canadian trading systems, and the price that the Company will pay for any such common shares and 2024 Warrants will be the market price at the time of the acquisition.

To date, the Company has not made any purchases under the Common Share NCIB. From June 12, 2019 through September 30, 2019, the Company purchased a total of 137,100 warrants for cancellation under the 2024 Warrant NCIB at an average price of CA\$2.41 per 2024 Warrant.

Subsequent Event - Sprott Private Placement

On November 5, 2019, the Company closed a non-brokered private placement (the "Private Placement") with 2176423 Ontario Ltd., a corporation that is beneficially owned by Eric Sprott. Through the Private Placement, Mr. Sprott acquired 3,260,870 units of the Company at a price of CA\$4.60 per unit for a total investment of CA\$15 million, the proceeds of which will be used for general working capital and corporate purposes. Each unit consists of one common share and one common share purchase warrant exercisable into a full common share at CA\$5.40 per share expiring November 5, 2023.

Subsequent Event - Bluenose Reverse Takeover Transaction

On October 4, 2019, the Company entered into a LOI with Bluenose in respect of the proposed acquisition by Bluenose of certain Mining Assets at the Company's Marmato Project located in the Department of Caldas, Colombia. The Mining Assets principally comprise the existing producing underground gold mine, including the right to mine in the lower portion of the Echandia license area, the existing 1,200 tonnes per day processing plant and the area encompassing the Deeps mineralization, all located within the mining license area referred to as Zona Baja.

Bluenose will acquire the Mining Assets by way of a RTO Transaction. The Company will create a special purpose vehicle ("Marmato SPV") into which it will transfer all of the issued and outstanding shares of its wholly-owned subsidiary, Medoro Resources Colombia Inc. ("Marmato Panama"). Marmato Panama holds all of the issued and outstanding shares of Gran Colombia Gold Marmato S.A.S. ("Marmato Colombia"), which, in turn, holds all of the Mining Assets. Bluenose will acquire Marmato SPV from the Company for CA\$57.5 million which will be satisfied by the issuance by Bluenose to the Company of an aggregate of

28,750,000 Bluenose common shares (on a post-consolidation basis) having an ascribed price of CA\$2.00 per post consolidation Bluenose common share. The Company and Bluenose intend to negotiate and enter into a definitive agreement setting forth the detailed terms and conditions of the RTO Transaction, which is anticipated to be completed prior to the closing of the Offering.

In connection with the RTO Transaction, the Company has entered into an agreement pursuant to which a syndicate has agreed to act as agents in connection with a marketed private placement offering of subscription receipts of Marmato SPV (the "Subscription Receipts") at a price of CA\$2.00 per Subscription Receipt, for aggregate gross proceeds of between CA\$10 million and CA\$15 million (the "Offering"). Upon the satisfaction of certain release conditions (the "Release Conditions"), each Subscription Receipt shall entitle the holder to receive one Marmato SPV common share (an "SPV Share") and one SPV Share purchase warrant (an "SPV Warrant"). Each SPV Warrant shall entitle the holder thereof to acquire one SPV Share, subject to standard adjustment provisions, at a price of CA\$3.00 per SPV Share for a period of five years from the date of closing of the Offering. Upon closing of the RTO Transaction, all SPV Shares and SPV Warrants will automatically be exchanged for common shares and common share purchase warrants of the resulting issuer, expected to be renamed Caldas, formed by the merger of Bluenose and Marmato SPV.

On closing of the Offering, expected to occur on or before November 27, 2019, the gross proceeds from the Offering, less 50% of the agents' commission and all of the agents' expenses (the "Escrowed Proceeds"), will be held in escrow by an escrow agent pending satisfaction of the release conditions, which include the satisfaction of all conditions precedent to the completion of the RTO Transaction and the receipt of all required regulatory and third party approvals to the RTO Transaction. Provided the escrow release conditions have been satisfied on or prior to 5:00 p.m. (Toronto Time) on March 27, 2020, the Escrowed Proceeds (and accrued interest less an amount on account of the balance of the commissions and expenses payable to the agents) will be released to Caldas.

Pursuant to the LOI, the Company will also purchase 2,500,000 Subscription Receipts of Marmato SPV at a price of CA\$2.00 per unit for aggregate gross proceeds to Caldas of CA\$5 million in a non-brokered private placement expected to close concurrently with the Offering.

Subsequent Event - Investment in Western Atlas

On October 9, 2019, the Company completed the acquisition of 15,910,588 units of Western Atlas at a price of CA\$0.085 per unit for a total amount of CA\$1.35 million in cash. Each unit comprised one common share and one-half common share purchase warrant. Each full warrant is exercisable at CA\$0.20 for a period of two years. The common shares acquired by the Company represent approximately 19.89% of the outstanding common shares of Western Atlas.

Western Atlas is a Canadian junior mining company whose Meadowbank Project is located in Nunavut, Canada and consists of over 58,000 hectares (580 km²) of highly prospective and strategically located mineral claims. The Meadowbank Project is located immediately adjacent to Agnico Eagle's Meadowbank producing gold mine and its Amaruq gold deposit which is currently under development as a satellite mining operation to Meadowbank for startup in 2019. The Meadowbank Project is 100% owned by Western Atlas and is fully permitted for exploration, including drilling.

In addition, the Company signed a Share Purchase Agreement dated October 7, 2019 to sell all of the outstanding shares of Medoro Resources International Ltd. ("Medoro") to Western Atlas, subject to, among other things, the approval of the shareholders of Western Atlas and the TSXV. The sale price for the

acquisition of Medoro by Western Atlas will be \$20 million to be satisfied by the issuance to the Company of 59,115,555 common shares of Western Atlas, representing a deemed price of CA\$0.45 per Western Atlas share. Medoro is an indirect wholly-owned subsidiary of the Company which held mining rights to the Lo Increible 4A and Lo Increible 4B concessions near the town of El Callao, Bolivar State, Venezuela (the “Increible Project”) and is seeking their restitution by the current interim government of Venezuela. The closing of the Medoro sale transaction will also be subject to and take place upon the occurrence of (i) the current government of Venezuela being replaced by an internationally recognized and democratically elected government and (ii) completion of the lawful transfer and registration of transfer to Medoro (or to one or more of Medoro’s Venezuelan subsidiaries) of the Increible Project by Venezuelan authorities of competent jurisdiction. The closing of the Medoro sale transaction must occur no later than October 9, 2021 (the “Deadline”). Should the closing not occur by the Deadline, the Share Purchase Agreement may be terminated.

Reserves and Resources

Segovia Operations

Mineral Reserves for gold at the Segovia Operations effective of December 31, 2018 by area and category are as follows:

Area	Category	Tonnes (000s)	Grade (g/t)	Oz Au (000s)
Providencia	Proven	79	11.7	30
Providencia	Probable	319	18.5	190
Sandra K	Probable	171	9.8	54
El Silencio	Probable	1,268	9.3	381
Carla	Probable	104	10.1	33
Total (1)		1,941	11.0	688

The *Mineral Resource estimate* (“MRE”) for gold at the Segovia Operations effective as of December 31, 2018:

	Measured			Indicated			Measured & Indicated			Inferred		
	Tonnes (000s)	Grade (g/t)	Oz Au (000s)	Tonnes (000s)	Grade (g/t)	Oz Au (000s)	Tonnes (000s)	Grade (g/t)	Oz Au (000s)	Tonnes (000s)	Grade (g/t)	Oz Au (000s)
Segovia Operations (1)	218	20.0	140	3,289	11.2	1,187	3,507	11.8	1,327	3,562	10.1	1,157

(1) Sourced from the NI 43-101 Technical Report, Prefeasibility Study Update, Segovia Project, Colombia dated April 25, 2019 (amended July 8, 2019) and effective as of December 31, 2018, prepared by prepared by SRK Consulting (U.S.), Inc. (“SRK”). Reserves are included within the MRE. Some production at Segovia is sourced from mining areas that are not currently included in the Company’s MRE.

Marmato Project

On October 15, 2019, the Company announced that it had completed an updated Mineral Resource estimate for its Marmato Project prepared in accordance with the Canadian Institute of Mining Metallurgy and Petroleum (“CIM”) Definition Standards incorporated by reference in National Instrument 43-101 (“NI 43-101”) with an effective date of July 31, 2019.

The following table summarizes the updated MRE effective as of July 31, 2019 for each of Zona Alta and Zona Baja at Marmato:

	Gold			Silver	
	Tonnes (kt)	Grade (g/t)	Ounces (koz)	Grade (g/t)	Ounces (koz)
Zona Alta					
Measured	0.6	5.6	109	33.2	648
Indicated	5.7	4.1	752	30.3	5,588
Measured and Indicated	6.3	4.2	860	30.6	6,236
Inferred Mineral	7.9	4.2	1,074	32.6	8,326
Zona Baja					
Measured	2.1	4.9	325	23.2	1,543
Indicated	15.2	3.5	1,714	11.6	5,672
Measured and Indicated	17.3	3.7	2,039	13.0	7,214
Inferred Mineral	44.9	2.3	3,312	3.7	5,293

The Company also announced on October 15, 2019 that SRK had completed preliminary results of a PEA for the Marmato Project effective July 31, 2019, focused on the Mining Assets in Zona Baja, and is finalizing the technical report to be filed on SEDAR and the Company's website by the end of November 2019. The Zona Baja contract was awarded to the Company's wholly-owned subsidiary, Marmato Colombia, in October 1991 and is valid for 30 years until October 2021. In October 2017, the Company commenced the process to renew the contract for another 30-year term, which is progressing well and is expected to be completed in 2020.

A mining study and schedule was prepared by both SRK's and the Company's technical professionals to create a life-of-mine ("LoM") production schedule in the PEA for the Mining Assets at Marmato. The Marmato mine in Zona Baja will ultimately comprise two distinct operations, the existing Upper Zone operation and a new Deep Zone operation which sits directly below the Upper Zone vein system. The PEA charts a course whereby the immediate implementation of an optimized mine plan in the Upper Zone operation at Marmato, focused on reducing dilution and increasing head grades mined, will increase production and free cash flow starting in 2020. Concurrently, following completion of a prefeasibility study by mid-2020, the Company will commence the development and construction activities in the new Deep Zone operation, which should come on stream in 2023, further increasing total gold production which reaches more than 150,000 ounces annually from 2024 through 2027 and then averages more than 100,000 ounces annually over the next nine years of operation.

The PEA LoM production schedule foresees a total of 26.4 million tonnes of mineralized material being processed over a 19-year mine life resulting in a total of 2.2 million ounces of gold produced at an average LoM total cash cost of \$799 per ounce and an average LoM AISC of \$882 per ounce. The initial capital cost, to be incurred between 2020 and 2022, required for the Deep Zone mining operation is estimated to total \$269 million. At an expected long-term gold price of \$1,300 per ounce, total LoM undiscounted after-tax free cash flow from mining operations amounts to \$448 million. At a 5% discount rate, the net present value of the total LoM after-tax free cash flow amounts \$207 million. Before financing, the project has a 20% internal rate of return and payback by 2026.

Results of Operations and Overall Performance

Gold production

(Ounces)	Third Quarter		Nine Months	
	2019	2018	2019	2018
Segovia Operations				
Company mines ⁽¹⁾				
El Silencio	18,175	23,282	61,349	64,014
Providencia	24,032	22,070	74,319	65,354
Sandra K	3,729	2,080	8,542	7,003
Total Company mines	45,936	47,432	144,210	136,371
Other contract mines ⁽²⁾	4,114	3,266	11,851	7,870
Total Segovia Operations	50,050	50,698	156,061	144,241
Marmato Operations	6,221	6,465	18,693	18,500
Total	56,271	57,163	174,754	162,741

(1) Includes Company-operated and contractor-operated areas within the mines. Production from the mines is included in the Company's Mineral Reserve and Resource estimates.

(2) Comprises other small mining operations within the Company's mining title that are operated by miners under contract to deliver the ore mined to the Company's Maria Dama plant for processing. Production from these sources is not included in the Company's Mineral Reserve and Resource estimates.

The Segovia Operations produced 50,050 ounces of gold in the third quarter of 2019 compared with 50,698 ounces in the third quarter of 2018. The expansion of the mill capacity to 1,500 tpd was completed in July 2019 and the filter press is now operating at the El Chocho tailings storage facility. Utilizing its expanded mill capacity, the Company processed an average of 1,314 tonnes per day ("tpd") in the third quarter of 2019, up from an average of 1,038 tpd in the third quarter last year. The Company initially used lower grade stockpile material to feed the expanded plant while it prepared additional areas in its mines to feed the plant going forward. Segovia's head grades averaged 14.3 g/t in the third quarter of 2019 and the Company expects that with these new mining areas now in operation, Segovia's head grades will continue to average between 14 and 15 g/t over the balance of the year. For the first nine months of 2019, the Segovia Operations produced a total of 156,061 ounces of gold, up 8% over the first nine months last year. Overall, the Company processed an average of 1,200 tpd at Segovia at an average head grade of 16.5 g/t in the first nine months of 2019 compared with an average of 994 tpd at an average head grade of 17.1 g/t in the first nine months last year. In October 2019, the Segovia Operations processed an average of 1,322 tpd at an average head grade of 15.6 g/t resulting in a total of 18,600 ounces of gold production for the month. This brings Segovia's trailing 12-months' total gold production at the end of October 2019 to 207,447 ounces, up 7% over 2018's annual production. The Company continues to expect that Segovia will produce between 201,000 and 214,000 ounces of gold in 2019.

At the Marmato Operations, total production for the third quarter of 2019 amounted to 6,221 ounces compared with 6,465 ounces in the third quarter of 2018. For the first nine months of 2019, Marmato produced a total of 18,693 ounces of gold, up 1% over the first nine months last year. In October 2019, the Company commenced implementation of the optimized mine plan in the Upper Zone operation at Marmato, increasing the head grade for the month to 2.8 g/t from the average head grade for the first nine months of 2019 of 2.4 g/t. Gold production for October increased to 2,411 ounces, the best month so far in 2019, bringing Marmato's trailing 12-months' total gold production at the end of October to 25,513 ounces. The

Company is maintaining its 2019 annual production guidance for the Marmato operations of between 24,000 and 26,000 ounces of gold.

With a total of 21,011 ounces of gold produced in October 2019, the Company has produced a total of 195,722 ounces through the first 10 months of 2019, up 8% over the first 10 months of 2018. This brings the Company's trailing 12-months' total gold production at the end of October 2019 to 232,960 ounces, up 7% over 2018's annual production. The Company is maintaining its annual production guidance range for 2019 of between 225,000 and 240,000 ounces of gold.

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

	2019			2018			2017	
	3 rd Qtr	2 nd Qtr	1 st Qtr	4 th Qtr	3 rd Qtr	2 nd Qtr	1 st Qtr	4 th Qtr
Segovia Operations								
<i>Company mines</i> ⁽¹⁾								
Tonnes milled	98,892	85,444	82,985	81,617	78,703	76,493	65,696	59,567
Head grade (g/t)	16.07	19.19	21.28	19.30	20.10	19.69	19.47	21.43
Gold produced (ozs) ⁽²⁾	45,936	47,254	51,020	45,460	47,432	44,530	44,409	43,484
<i>Other contract mines</i> ⁽³⁾								
Tonnes milled	21,966	21,298	17,128	17,359	16,816	15,585	18,137	17,564
Head grade (g/t)	6.47	7.09	6.79	6.67	6.85	5.65	3.91	4.11
Gold produced (ozs)	4,114	4,371	3,366	3,349	3,266	2,541	2,063	2,104
Total Segovia Operations								
Tonnes milled	120,858	106,742	100,113	98,976	95,519	92,078	83,833	77,131
Tonnes per day (tpd)	1,314	1,173	1,112	1,076	1,038	1,012	931	838
Head grade (g/t)	14.32	16.78	18.80	17.09	17.77	17.31	16.10	17.48
Mill recovery	89.9%	89.7%	89.9%	89.8%	90.0%	89.8%	90.5%	90.6%
Gold produced (ozs) ⁽²⁾	50,050	51,625	54,386	48,809	50,698	47,071	46,472	45,588
Silver produced (ozs)	44,505	46,826	46,091	42,705	42,294	39,263	36,692	35,610
Marmato Operations								
Tonnes milled	95,862	90,411	91,389	85,157	83,077	83,672	88,146	90,752
Tonnes per day (tpd)	1,042	994	1,015	926	903	919	979	986
Head grade (g/t)	2.32	2.45	2.44	2.72	2.83	2.59	2.55	2.44
Mill recovery	86.9%	87.8%	86.6%	86.8%	85.4%	83.7%	85.7%	85.9%
Gold produced (ozs)	6,221	6,257	6,215	6,451	6,465	5,835	6,200	6,111
Silver produced (ozs)	9,219	10,078	9,839	9,726	10,073	8,667	9,114	9,881
Total Company								
Gold produced (ozs)	56,271	57,882	60,601	55,260	57,163	52,906	52,672	51,699
Silver produced (ozs)	53,724	56,904	55,930	52,431	52,367	47,930	45,806	45,491

(1) Comprises the El Silencio, Providencia and Sandra K mines. Includes Company-operated and contractor-operated areas within the mines. Production from these mines is included in the Company's Mineral Reserve and Mineral Resource estimate.

(2) Gold production may include additional ounces recovered from the mill circuit during the period. Tonnes milled, head grade and mill recovery statistics do not include any data related to these additional gold ounces produced.

(3) Comprises other small mining operations within the Company's mining title that are operated by miners under contract to deliver the ore mined to the Company's Maria Dama plant for processing. Production from these sources is not included in the Company's Mineral Reserve and Mineral Resource estimate.

Revenues

(\$000's except ounce and \$/oz data)	Third Quarter		Nine Months	
	2019	2018	2019	2018
Gold				
Ounces sold	56,284	55,601	174,697	158,262
Average realized price (\$/oz)	1,458	1,186	1,348	1,253
Silver				
Ounces sold	53,578	55,006	166,352	146,292
Average realized price (\$/oz)	16	12	15	13
Revenues				
Gold	\$ 82,073	\$ 65,959	\$ 235,512	\$ 198,378
Silver	879	646	2,505	1,940
	\$ 82,952	\$ 66,605	\$ 238,017	\$ 200,318

Revenue amounted to \$83.0 million in the third quarter of 2019, up 25% over the third quarter last year, getting a boost from the 21% increase in spot gold prices which, along with savings in refining charges under the new refining contract entered into earlier this year, increased the Company's realized gold price to an average of \$1,458 per ounce sold compared with \$1,186 per ounce sold in the third quarter last year.

For the first nine months of 2019, production growth, the higher spot gold and silver prices and the reduction in refining charges all combined to increase revenue to \$238.0 million, up 19% over the first nine months last year.

In January 2019, the Company terminated its long-term supply agreement, under which realized selling prices for gold reflected refining charges averaging 2% of spot gold prices, and commenced delivering all of its production under a new three-year refining agreement with an international refinery with refining charges averaging 0.5% of spot gold prices. As such, the Company has saved approximately \$20 per ounce in refining charges under the new agreement in the first nine months of 2019, benefitting its realized selling price for gold and improving its year-to-date 2019 revenues by approximately \$3.5 million compared with the previous refining arrangement. The Company is also being paid faster under the new refining contract, a benefit to operating cash flow and reducing its credit exposure on trade receivables. Although the Company believes as a result of breaches of performance on numerous occasions that it had a justifiable basis for terminating the former long-term supply agreement, in May 2019, the Company received notice of a request for arbitration to settle the dispute as further outlined in Note 11e to the Interim Financial Statements. The Company believes that it is more likely than not that it will not have any liability from this arbitration.

Cost of sales

	Third Quarter		Nine Months	
	2019	2018	2019	2018
Production costs	\$ 36,025	\$ 34,454	\$ 106,920	\$ 100,316
Production taxes	3,372	2,705	9,627	8,299
Provision for environmental fees	(658)	1,246	(736)	2,073
Depreciation, depletion and amortization ("DD&A")	7,481	7,974	24,262	20,627
Total cost of sales	\$ 46,220	\$ 46,379	\$ 140,073	\$ 131,315
Total cash costs per ounce ⁽¹⁾				
Production costs	\$ 640	\$ 620	\$ 612	\$ 634
Production taxes	60	49	55	52
By-product credits (silver)	(16)	(12)	(14)	(12)
	\$ 684	\$ 657	\$ 653	\$ 674

(1) See "Non-IFRS Measures" on pages 26-30.

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

	2019			2018			2017	
	3 rd Qtr	2 nd Qtr	1 st Qtr	4 th Qtr	3 rd Qtr	2 nd Qtr	1 st Qtr	4 th Qtr
Segovia Operations	\$ 621	\$ 600	\$ 570	\$ 635	\$ 616	\$ 624	\$ 616	\$ 662
Marmato Operations	1,156	1,090	1,128	1,120	1,052	1,204	1,141	1,109
Company average	\$ 684	\$ 655	\$ 621	\$ 698	\$ 657	\$ 696	\$ 670	\$ 719

The Company's total cash costs per ounce averaged \$684 in the third quarter of 2019 compared with \$657 in the third quarter last year. At the Segovia Operations, which account for almost 90% of total gold sales, an increase in production taxes due to the higher spot gold prices in the third quarter this year was the primary factor contributing to the increase in its total cash costs to \$621 per ounce in the third quarter of 2019 compared with \$616 per ounce in the third quarter last year. At the Company's Marmato mine, the impact on production costs per ounce of the lower head grades coupled with an increase in production taxes due to the higher spot gold prices increased its total cash costs per ounce to \$1,156 per ounce in the third quarter of 2019 compared with \$1,052 per ounce in the third quarter last year. For the first nine months of 2019, Segovia's and Marmato's total cash costs per ounce averaged \$596 and \$1,124, respectively, down from \$618 and \$1,138, respectively, in the first nine months last year.

With the Company's total cash costs averaging \$653 per ounce for the first nine months of 2019, down from an average of \$674 per ounce in the first nine months last year, the Company continues to expect that 2019's average total cash costs per ounce sold for the full year will remain below 2018's average of \$680 per ounce sold.

In the third quarter of 2018, the Company recorded a provision for environmental fees in the amount of \$1.2 million associated with a fine imposed by the local environmental authority related to the Company's construction of a tailings storage facility, known as "Pomarossa", on its Segovia 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 the third quarter of 2019, the Company recorded a \$0.7 million reversal of the provision for environmental fees triggered by a reduction in the amount of the fine imposed following a successful appeal by the Company. The balance of the fine was paid in October 2019.

DD&A in the third quarter of 2019 of \$7.5 million reflects a decrease in the DD&A rate to \$133 per ounce sold from \$143 per ounce sold in the third quarter last year reflecting the positive impact on its depletion base in 2019 at the Segovia Operations from the increase in the Company's estimated mineable mineral resources at Segovia based on the updated NI 43-101 Technical Report dated April 25, 2019.

Social contributions

(\$000's)	Third Quarter		Nine Months	
	2019	2018	2019	2018
Segovia social contributions	1,767	\$ 1,109	\$ 4,841	\$ 3,605

The Company makes contributions to a trust account to fund social programs in Segovia in each quarter in which the Segovia Operations produce a minimum of 15,000 ounces of gold. The amount of the contributions is determined by a formula based on gold production and tied to the spot price of gold. The approximately \$0.7 million increase in the total amount of the Segovia social contributions in the third quarter of 2019 over the third quarter last year is driven by a \$12 per ounce increase in the contribution rate for the third quarter of 2019 as a result of the almost \$300 per ounce increase in the spot gold price at the end of September 2019 compared with September 2018. For the first nine months of 2019, total social contributions have increased by 34% over the first nine months last year with 8% attributable to Segovia's production growth in 2019 and the balance due to the increase in 2019's contribution rates which raised the average for the first nine months of 2019 to \$31 per ounce compared with an average of \$25 per ounce in the first nine months last year.

Other items

(\$000's)	Third Quarter		Nine Months	
	2019	2018	2019	2018
G&A expenses	\$ 4,865	\$ 2,394	\$ 11,340	\$ 7,391
Gain on assignment of mining interest	-	2,376	-	2,376
Share-based compensation expense	342	-	1,795	903
Finance costs	3,306	3,921	9,856	28,726
(Loss) gain on financial instruments	(7,466)	4,163	(23,114)	(22,217)
Income tax expense	10,795	5,608	30,005	20,285

G&A expenses in the third quarter of 2019 amounted to \$4.9 million, bringing the total for the first nine months of 2019 to \$11.3 million, up from \$7.4 million in the first nine months last year. The increased level of G&A expenses in the third quarter and first nine months of 2019 reflects several factors including: (i) ongoing costs related to the Company's request for institution of arbitration proceedings with the International Centre for Settlement of Investment Disputes in respect of the Company's claim against the Republic of Colombia (the "FTA Claim") which amounted to \$1.8 million and \$3.0 million in the third quarter and first nine months of 2019, respectively, (ii) additional personnel-related costs including new hires during the past year, (iii) an increase in investor and public relations initiatives and marketing, (iv) business development costs and expenses, and (v) the director and executive compensation benchmarking study completed in early 2019.

In the third quarter of 2018, the Company recorded a **gain on assignment of mining interest** in the amount of \$2.4 million related to the assignment of its 30% carried participating interest in the Chicharron Project area located within the Company's Segovia mining title to Sandspring as part of its initial equity investment in Sandspring.

The Company recorded **share-based compensation expense** of \$0.3 million in the third quarter of 2019 reflects a change in the fair value of the Deferred Share Units ("DSUs") granted to non-executive directors and Performance Share Units ("PSUs") granted to executive officers and senior management of the Company earlier this year. As a result of the director and executive benchmarking study completed in early 2019, the Company has discontinued the practice of granting stock options to non-executive directors and in its place, the Company has adopted DSUs as the equity-based instrument for non-executive directors under its long-term incentive plan ("LTIP"). In addition, the Company refined the LTIP for its executive officers and senior management such that approximately 50% of the LTIP awards will now be in the form of PSUs and the balance will still be in the form of stock options. Share-based compensation expense of \$1.8 million recorded in the first nine months of 2019 includes \$1.0 million related to the DSU/PSU grants earlier this year and \$0.8 million related to the grant of approximately 0.9 million stock options at a price of CA\$3.67 per share to executive officers, senior management and employees of the Company and an investor relations advisory firm assisting the Company with its investor relations initiatives and marketing. The stock option grants in the first quarter of 2019 reflected the implementation of these changes in the 2019 LTIP awards to directors, executive officers and senior management. In the first nine months of 2018, shared-based compensation expense of \$0.9 million related to the grant and vesting of 1.2 million stock options at an exercise price of CA\$3.16 per share to directors, executive officers and senior management of the Company.

Finance costs amounted to \$3.3 million in the third quarter of 2019 bringing the total for the first nine months of 2019 to \$9.9 million, down from \$28.7 million in the first nine months last year. Finance costs in the current and prior years comprise six primary categories as follows:

- *Interest expense - \$2.2 million in the third quarter of 2019, down from \$2.3 million in the third quarter last year. This brings the total for the first nine months of 2019 to \$6.1 million, down from \$7.2 million in the first nine months last year. The year-over-year reductions in interest expense in the third quarter and first nine months largely stem from a decrease in long-term debt outstanding and actions taken in the second half of 2018 to reduce the Company's obligations under interest-bearing compensation agreements at Marmato. Interest expense in the first nine months of 2019 included approximately \$5.0 million for the Gold Notes, down from \$6.2 million of combined interest expense in the first nine months last year on the Gold Notes and the former Senior Debentures. Interest expense in the first nine months of 2019 also included \$0.6 million related to the new Convertible Debentures issued on April 4, 2019 bearing interest at a rate of 8% per annum.*
- *Reversal of interest accrued on Marmato compensation agreements - \$0.1 million recovery in the third quarter and first nine months of 2019 compared with a recovery of \$0.7 million in the third quarter and first nine months last year associated with actions taken by the Company to cancel its obligations under certain compensation agreements with artisanal miners in the Echandia area in Zona Alta of the Marmato Project for which payments have been suspended by the Company since 2013.*
- *Gold Premium - \$0.9 million in the first nine months of 2019, compared to \$Nil in the first nine months last year. Under the terms of the Gold Notes, quarterly amortizing payments on the Gold Notes are based on the London P.M. Fix on the 15th day of the month preceding the date of the quarterly amortizing payments, which occur on January 31st, April 30th, July 31st and October 31st. For the three quarterly amortizing payments completed in the first nine months of 2019 on January 31st, April 30th and July 31st, the London P.M. Fix per ounce was \$1,294.30, \$1,285.65 and \$1,406.20, respectively, of which*

\$1,250 per ounce was allocated to principal amortization. The balance, averaging \$81 per ounce so far this year, was allocated to Gold Premium and amounted to \$0.9 million in aggregate based on the total of 11,700 ounces of gold sold to meet the three amortizing payments. In the first nine months of 2018, for the first quarterly amortizing payment completed on July 31, 2018, no Gold Premium was applicable as the London P.M. Fix was below \$1,250 per ounce and the Company sold the 3,900 ounces against a put option contract at \$1,250 per ounce.

- *Non-cash accretion of lease and other financial obligations* - \$1.6 million in the first nine months of 2019 compared with \$2.0 million in the first nine months last year. As outlined on page 23, the Company adopted IFRS 16 on January 1, 2019 and has recorded \$0.2 million of accretion in the first nine months of 2019 related to its lease obligations. In addition, the Company has financial obligations associated with its funding of health plan contributions at Segovia, decommissioning liabilities at Segovia and Marmato Operations and environmental fees at Segovia, all of which will be paid over time and therefore are recorded at the present value of the future obligations. Non-cash finance costs are recognized as these liabilities are accreted with the passage of time. Accretion of these financial obligations decreased by approximately \$0.6 million in the first nine months of 2019 compared with the first nine months last year as certain of the payment plans associated with environmental fees at Segovia are nearing the end of their term.
- *Non-cash accretion of the debt discounts on the former Senior Debentures* - \$Nil in the first nine months of 2019 compared with \$12.7 million in the first nine months last year. Accretion of the debt discounts related to the former Senior Debentures ceased with their extinguishment in 2018.
- *Debt financing costs* - \$1.3 million in the first nine months of 2019 associated with the Private Placement of the Convertible Debentures compared with \$7.6 million in the first nine months last year associated with the issuance of the Gold Notes.

The Company recorded a **loss on financial instruments** in the third quarter of 2019 in the amount of \$7.5 million bringing the total for the first nine months of 2019 to \$23.1 million, compared with a loss on financial instruments in the first nine months of 2018 in the amount of \$22.2 million. The major components of the loss on financial instruments in the first nine months of 2019 and 2018 include:

- \$14.7 million fair value loss related to the 2024 Warrants in the first nine months of 2019 compared with a \$3.3 million fair value gain in the first nine months of 2018. The 2024 Warrants are accounted for as a derivative financial liability to the Company as their exercise price is in Canadian dollars, different than the Company's US dollar functional currency. Consequently changes in the fair value of the 2024 Warrants will be recognized through profit and loss on a quarterly basis.
- Similarly, the Company recognizes changes in the fair value of the Gold Notes through profit and loss on a quarterly basis, other than changes in the fair value of the Gold Notes attributable to changes in credit risk which are recognized through other comprehensive income. In the first nine months of 2019, the Company recorded a fair value loss of \$8.5 million through profit and loss related to an increase in the fair value of the Gold Notes and a fair value loss of \$4.1 million through other comprehensive income due to the change in credit risk which increased the fair value of the Gold Notes. In the first nine months of 2018, the fair value loss on the Gold Notes recognized through profit and loss was \$0.6 million.
- The Company also recognizes changes in the fair value of the Convertible Debentures issued at the beginning of April 2019. In the first nine months of 2019, the Company recorded a fair value loss of \$3.7 million through profit and loss related to an increase in the fair value of the Convertible Debentures and a fair value gain of \$0.2 million through other comprehensive income due to the change in credit risk which decreased the fair value of the Convertible Debentures.
- The Company recognized a fair value gain of \$3.7 million in the first nine months of 2019 related to the Sandspring Warrants (refer to pages 21-22 for details of the Sandspring Warrants owned by the Company) and subscription receipts.

- In the first nine months of 2018, the Company recorded a \$24.8 million fair value loss associated with the extinguishment of the 2020 and 2024 Debentures, essentially representing the unamortized debt discount remaining on the 2020 and 2024 Debentures outstanding at the time of their redemption since the debt was redeemed at par.

The Company recorded **income tax expense** in the third quarter and first nine months of 2019 of \$10.8 million and \$30.0 million, respectively, compared with \$5.6 million and \$20.3 million in the third quarter and first nine months, respectively, last year. The effective income tax rate on the Company's reported pre-tax income or loss will ordinarily vary from the expected income tax expense based on the 26.5% combined statutory tax rate in Canada as a result of differences in tax rates in Colombia (which decreased from 37% last year to 33% in 2019) and other foreign jurisdictions, non-deductible expenses (such as the loss on financial instruments), losses incurred in jurisdictions outside Colombia for which deferred tax assets are not recognized and other less individually significant items. The increased level of income from operations in 2019 as a result of Segovia's production growth, the increase in realized gold prices and the reduction in total cash costs per ounce sold was the primary driver behind the increase in income tax expense in the third quarter and first nine months of 2019 compared with the corresponding periods last year.

Net income and adjusted net income

The Company reported **net income** for the third quarter of 2019 of \$9.0 million (\$0.18 per share), down from \$14.0 million (\$0.35 per share) in the third quarter last year. Income from operations in the third quarter of 2019 improved to \$29.8 million compared with \$19.1 million in the third quarter last year driven by an increase in realized gold prices in the third quarter of 2019 which helped to improve revenue as outlined on page 12. Net income in the third quarter of 2019 was adversely impacted by the \$7.5 million loss on financial instruments compared with a \$4.2 million gain on financial instruments in the third quarter last year. After taking these factors into account, along with adjustments for the gain on assignment of mining interests, foreign exchange gains and losses and the income tax effect of the foregoing items, **adjusted net income** for the third quarter of 2019 was \$16.0 million (\$0.33 per share), up from \$9.9 million (\$0.25 per share) in the third quarter last year. See the reconciliation on page 30 for the computation of this non-IFRS measure. The year-over-year improvement in adjusted net income for the third quarter is primarily attributable to the improvement in income from operations, net of an associated increase in income tax expense.

The Company reported **net income** for the first nine months of 2019 of \$17.7 million (\$0.36 per share) compared with a net loss of \$11.4 million (\$0.38 per share) in the first nine months last year. Income from operations in the first nine months of 2019 improved to \$80.0 million compared with \$59.5 million in the first nine months last year. However, net income in the first nine months of 2019 was adversely impacted by the \$23.1 million loss on financial instruments and the \$1.3 million of debt financing costs associated with the issuance of the Convertible Debentures. The net loss in the first nine months of 2018 included \$22.2 million of loss on financial instruments, \$7.6 million of debt financing costs associated with the issuance of the Gold Notes and \$12.7 million of accretion of the debt discount on the Senior Debentures that were later extinguished in 2018. After taking these factors into account, along with adjustments for the gain on assignment of mining interests, foreign exchange gains and losses and the income tax effect of the foregoing items, **adjusted net income** for the first nine months of 2019 was \$43.0 million (\$0.88 per share) compared with \$28.0 million (\$0.93 per share) in the first nine months last year. The year-over-year increase in first nine months adjusted net income reflects the positive impact of Segovia's production growth, the increase in realized gold prices and the reduction in total cash costs per ounce sold on income from operations in 2019.

Summary of Quarterly Results

\$000's except ounce, per ounce and per share data	2019			2018				2017
	3 rd Qtr	2 nd Qtr	1 st Qtr	4 th Qtr	3 rd Qtr	2 nd Qtr	1 st Qtr	4 th Qtr
Operating data:								
Gold produced (ounces)	56,271	57,882	60,601	55,260	57,163	52,906	52,672	51,699
Gold sold (ounces)	56,284	59,368	59,045	56,360	55,601	53,051	49,610	56,100
Average realized gold price (1)	\$ 1,458	\$ 1,293	\$ 1,298	\$ 1,198	\$ 1,186	\$ 1,286	\$ 1,293	\$ 1,252
Silver sold (ounces)	53,578	58,062	54,712	48,536	55,006	48,129	43,157	49,145
Average realized silver price (1)	\$ 16	\$ 14	\$ 15	\$ 14	\$ 12	\$ 14	\$ 14	\$ 14
Total cash costs (1, 2)	684	655	621	698	657	696	670	719
All-in sustaining costs (1, 2)	951	878	832	934	892	930	920	922
All-in costs (1, 2)	991	903	843	951	908	937	920	922
Financial data:								
Revenue								
Gold	\$ 82,073	\$ 76,783	\$ 76,656	\$ 67,545	\$ 65,959	\$ 68,249	\$ 64,170	\$ 70,243
Silver	879	827	799	662	646	678	616	695
Total	82,952	77,610	77,455	68,207	66,605	68,927	64,786	70,938
Cost of sales	46,220	47,227	46,626	48,335	46,379	44,999	39,937	47,794
G&A	4,865	3,146	3,329	3,245	2,394	2,738	2,259	1,899
Gain on assignment of Mining interest	-	-	-	-	2,376	-	-	-
Share-based compensation	342	686	767	-	-	903	-	52
Social contributions	1,767	1,666	1,408	1,256	1,109	1,267	1,229	1,274
Income from operations	29,758	24,885	25,325	15,371	19,099	19,020	21,361	19,919
Finance costs, net of income (3)	(2,978)	(3,476)	(2,436)	(797)	(3,768)	(15,514)	(9,090)	(8,300)
(Loss) gain on financial instruments (3)	(7,466)	(11,057)	(4,591)	(6,195)	4,163	(26,380)	-	(1)
Foreign exchange	629	(427)	(132)	215	87	(92)	(18)	20
Equity-accounted loss	(134)	(128)	(82)	(171)	-	-	-	-
Income (loss) before taxes	19,809	9,797	18,084	8,423	19,581	(22,966)	12,253	11,638
Income tax provision	(10,795)	(9,029)	(10,181)	(385)	(5,608)	(7,776)	(6,901)	(6,742)
Net income (loss)	9,014	768	7,903	8,038	13,973	(30,742)	5,352	4,896
Per share								
Basic	0.18	0.02	0.16	0.17	0.35	(1.09)	0.25	0.23
Diluted	0.18	0.02	0.16	0.17	0.23	(1.09)	0.12	0.11
Adjusted EBITDA (2)	37,595	33,198	35,275	23,736	24,701	26,506	27,443	26,758
Adjusted net income (2)	16,034	14,036	12,933	14,346	9,930	8,205	9,846	9,137
Adjusted per share (2)								
Basic	0.33	0.29	0.27	0.30	0.25	0.29	0.46	0.44
Diluted	0.27	0.25	0.24	0.29	0.21	0.13	0.12	0.11
Net cash provided by operating activities	30,606	18,231	19,818	23,561	20,531	22,922	12,727	17,972
Free Cash Flow (2)	19,630	7,751	11,277	14,444	11,200	13,866	4,530	3,133

(1) Per ounce sold.

(2) Refer to "Non-IFRS Measures" on pages 26-30. Reported amounts for All-in sustaining costs and All-in costs have been revised in accordance with the updated World Gold Council guidance effective as of January 1, 2019 as outlined on page 27.

(3) Finance costs in the second quarter of 2018 include \$7.6 million of debt financing fees associated with the issuance of the Gold Notes. The loss on financial instruments in the second quarter of 2018 includes \$24.8 million associated with the extinguishment of the Senior Debentures.

Liquidity and Capital Resources

The Company's operating performance in the first nine months of 2019, fueled by the production growth at its high-grade Segovia Operations, and an improvement in spot gold prices, has enabled it to continue to strengthen its financial position. Free Cash Flow of \$38.7 million in the first nine months of 2019 (refer to computation on page 30), which was net of \$32.6 million of income tax payments, was more than sufficient to meet debt service obligations and repurchases of 2024 Warrants in the first nine months of 2019. The Company also used \$2.8 million of cash in the first nine months of 2019 to increase its equity position in Sandspring to 20.8%. In addition, net proceeds of \$13.7 million from the Private Placement (see page 5) completed at the end of April 2019 and \$3.9 million of proceeds from the exercise of stock options helped to increase the Company's cash and cash equivalents at September 30, 2019 to \$63.3 million, up from \$35.6 million at the end of 2018. The net proceeds of the Private Placement are being used by the Company to accelerate its exploration programs at the Segovia Operations over the next approximately 18 months. The aggregate principal amount of the Gold Notes was reduced to \$73.6 million as of September 30, 2019 compared with \$88.3 million at the end of 2018.

The Company's working capital increased to \$37.8 million at September 30, 2019 from \$4.4 million at the end of 2018. Key components of the Company's working capital at September 30, 2019 include:

- *Cash and cash equivalents* - \$63.3 million, up from \$35.6 million at the end of 2018 as noted above.
- *Gold Trust Account* - \$5.8 million associated with 3,900 ounces on deposit, compared with \$3.2 million associated with 2,600 ounces on deposit at the end of 2018. This represents the physical gold the Company has deposited in accordance with the terms of the Gold Notes to meet the quarterly amortizing payments. The 3,900 ounces held in the Gold Trust Account as of September 30, 2019 were subsequently sold on October 15, 2019 to fund the quarterly amortizing payment of the Gold Notes at the end of October 2019. For the next 7 months, the Company must continue to deposit 1,300 ounces of physical gold on a monthly basis to the Gold Trust Account, from which 3,900 ounces will be sold quarterly to meet the scheduled amortizing payments through the end of April 2020. The monthly deposits then decrease in May 2020 to 1,100 ounces for the next 12 months and the quarterly amortizing payments decrease to 3,300 ounces.
- *Accounts receivable* – \$15.2 million, up \$1.7 million from December 31, 2018. Trade receivables increased by \$1.2 million in the first nine months of 2019 reflecting (i) an increase of \$5.0 million for gold sales related to September 2019 which were subsequently received on October 1st, offset by (ii) the receipt of an overdue amount of \$1.4 million related to a shipment in the third quarter of 2018 that was ultimately collected from the former customer, with interest, following the termination of the long-term refining agreement in January 2019 (see *Revenues* on page 12) and (iii) the improvement in the payment terms for shipments under the Company's new agreement with an international refinery. The Company's VAT recoverable increased by \$0.9 million in the first nine months of 2019 solely as a result of timing of collection of refund claims.
- *Inventories* - \$18.2 million, up \$2.4 million from the end of 2018, principally resulting from the production growth in the Segovia Operations in 2019, additional spare parts for new equipment and timing of receipt for materials and supplies ordered in bulk quantities to meet operational requirements.
- *Accounts payable and accrued liabilities* - \$24.2 million, up \$2.6 million from December 31, 2018, largely reflecting timing of payment of suppliers' obligations and a \$1.0 million increase associated with the Company's new DSU and PSU plans for its directors, executive officers and senior management. The Company is continuing to manage obligations due to its trade creditors within normal payment terms.
- *Income tax payable* - \$17.1 million, down from \$18.0 million at December 31, 2018. The change in the first nine months of 2019 principally reflects an increase of \$32.3 million for the current provision for

income taxes recorded against earnings for the first nine months of 2019, primarily associated with the Company's Colombian mining operations, net of \$32.6 million of income taxes paid in Colombia in 2019 related to the balance owing from 2018 and prepayments toward the 2019 income tax liability. Other than ongoing withholdings of approximately 2.6% of revenues on account of its 2019 income tax liability, the Company is not obligated to make any further income tax instalments in the second half of 2019 as it did in the first half of the year.

- *Current portion of long-term debt* - \$18.8 million, down from \$19.5 million at the end of 2018, reflects the change in the aggregate principal amount of the Gold Notes that will be repaid over the next 12 months as the physical gold being deposited monthly in the Gold Trust Account to meet the quarterly amortizing payments decreases from 1,300 ounces to 1,100 ounces starting in May 2020.
- *Current portion of lease obligations* - \$0.6 million, up from less than \$0.1 million at the end of 2018, reflecting the adoption of IFRS 16 (see page 23) effective January 1, 2019 and representing lease payments to be made over the next 12 months.
- *Current portion of provisions* - \$2.0 million, down from \$2.9 million at December 31, 2018, reflecting payments in 2019 and the \$0.7 million reduction in a fine as described under *Cost of Sales*. The September 30, 2019 balance includes \$0.8 million for the next 12 monthly payments to fund the ongoing health plan obligations at the Segovia Operations, \$0.4 million related to the October 2019 payment of the fine included in environmental fees at Segovia and \$0.8 million of expected rehabilitation costs to be paid over the next 12 months related to the closure of tailings storage facilities at the Segovia Operations.
- *Amounts payable for acquisitions of mining interests* - \$2.9 million related to the Marmato Project, down from \$3.2 million since December 31, 2018 primarily reflecting a negotiated reduction in the amount owing under one of the remaining compensation agreements and \$0.1 million of payments in the first nine months of 2019. The Company is continuing to seek a resolution to its obligations under the other remaining compensation agreements, which amount to approximately \$2.6 million, including accumulated interest, of the total obligation at September 30, 2019.

Operating activities

Net cash provided by operating activities in the first nine months of 2019 amounted to \$68.7 million, a \$12.5 million or 22% increase over the first nine months of 2018. Factors contributing to this year-over-year increase included the positive impact on operating cash flow of the higher realized gold prices and the increased production level in the first nine months of 2019, including the reduction in total cash cost per ounce, combined with a reduction in Segovia's environmental fees paid and other operating working capital improvements, partially offset by an increase in G&A expenses and a \$15.2 million increase in income taxes paid in the first nine months of 2019 compared with the first nine months last year.

Investing activities

Net cash used in investing activities in the first nine months of 2019 of \$32.8 million primarily comprised additions to mining interests in the amount of \$30.0 million, up from \$26.6 million in the first nine months of 2018, and \$2.8 million used in connection with the acquisition of additional common shares in Sandspring (see page 21) compared with \$3.1 million of investment in Sandspring in the first nine months last year. Investing activities in the first nine months last year also included the receipt of the final \$0.8 million instalment of proceeds receivable for the sale of the Company's CIIGSA refinery interest in 2015.

Additions to mining interests amounting to \$30.0 million in the first nine months of 2019 comprised:

- *Sustaining capital expenditures.* The Company incurred \$24.6 million of sustaining capital expenditures in the first nine months of 2019, including \$23.2 million at the Segovia Operations and \$1.3 million at the Marmato Operations, as outlined below;
- *Non-sustaining capital expenditures.* The Company incurred \$4.4 million of non-sustaining capital expenditures in the first nine months of 2019 related to further exploration drilling and the preparation of the PEA at the Marmato Project, the conduct of studies to identify and prioritize step out and brownfield drilling targets at Segovia and the commencement of its regional drilling program at Segovia; and,
- A decrease in *accounts payable and accrued liabilities* related to capital expenditures and *amounts payable for acquisitions of mining interests* totalling \$1.0 million during the first nine months of 2019.

Sustaining capital expenditures of \$23.2 million at the Segovia Operations in the first nine months of 2019 included (i) \$6.2 million for drilling under the Company's ongoing exploration campaign, including approximately 25,000 meters drilled so far this year, (ii) \$5.5 million for ongoing mine development, (iii) \$7.1 million for the mines including additional underground equipment, continuation of the ventilation improvements at the El Silencio and Sandra K mines, construction of underground drilling platforms and further infrastructure improvements at all three mines, (iv) \$1.6 million associated with the expansion of the Maria Dama plant to 1,500 tpd and costs associated with the new filter press, (v) \$1.6 million for costs related to the ongoing construction activities at the new El Chocho tailings storage facility, and (vi) \$1.2 million associated with upgrading of the Segovia site facilities and mine support functions. At Marmato, sustaining capital expenditures in the first nine months of 2019 of \$1.3 million include \$1.0 million related to mine infrastructure improvements and equipment and \$0.3 million associated with mill improvements.

The Company incurred a total of \$4.4 million of non-sustaining capital expenditures in the first nine months of 2019 including (i) \$3.7 million at the Marmato Project in connection with the execution of approximately 15,000 meters of drilling to complete the 2018 drilling campaign in mid-March and then carry out the 2019 drilling campaign together with various technical studies in support of the underground expansion of the Marmato mining operations to incorporate the Deep mineralization, as outlined in the PEA results announced by the Company in October 2019 and (ii) \$0.7 million at the Segovia Project for technical studies and the first drill holes in the regional exploration program in the Chumeca vein. In the second quarter of 2019, the Company expanded its planned exploration program at Segovia using the net proceeds of the Private Placement (see page 5) to step out and begin exploring extensions of its existing mines and the brownfield areas where there was previous mining taking place within the Company's mining title. The initial work being carried out over the first approximately six months primarily involves technical and other studies, including the application of machine learning by the geologists and data scientists at GoldSpot Discoveries Corp., to identify and prioritize drilling targets followed by an expanded drilling campaign, over and above what is already planned by the Company in 2019 and 2020. The objective of the drilling program is to increase mineral reserves for future production growth and to extend the mine life of the Segovia Operations.

Increases in Sandspring Investment in 2019

In February 2019, the Company acquired a further 2,500,000 common shares of Sandspring in a private transaction with an unrelated party for cash consideration of CA\$0.7 million (equivalent to approximately \$0.5 million). Then in June 2019, as part of a CA\$4.0 million private placement completed by Sandspring, the Company acquired 10,800,000 units and 5,200,000 subscription receipts, at a price of CA\$0.125 per Unit and Receipt, for total cash consideration of CA\$2.0 million (approximately \$1.5 million). Each unit issued through this private placement consisted of one common share and one share purchase warrant entitling the

holder to purchase one additional share at CA\$0.165 for a period of 60 months. At its annual general meeting held on November 5, 2019, Sandspring received shareholder approval for the Company to become a “control person” and the subscription receipts were converted into an additional 5,200,000 common shares and 5,200,000 share purchase warrants.

In August 2019, Sandspring closed another private placement transaction for gross proceeds of CA\$7.5 million. As part of this private placement, the Company acquired 5,000,000 units at a price of CA\$0.2 per unit for total cash consideration of CA\$1.0 million (approximately \$0.8 million). Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional share at CA\$0.35 for a period of five years.

As at November 14, 2019, the Company owned a total of 58,500,000 common shares and 37,000,000 share purchase warrants (the “Sandspring Warrants”) of Sandspring. The Sandspring Warrants consist of (i) 16,000,000 share purchase warrants exercisable at CA\$0.40 per share that expire on July 20, 2023, (ii) 16,000,000 share purchase warrants exercisable at CA\$0.165 per share that expire on June 12, 2024, and (iii) 5,000,000 share purchase warrants exercisable at CA\$0.35 per share that expire on August 27, 2024. The common shares controlled by the Company currently represent approximately 20.8% of the outstanding common shares of Sandspring.

The Company has determined that it holds significant influence over Sandspring and, as such, it accounts for its investment in Sandspring using the equity method. For the first nine months of 2019, the Company recorded a loss from equity accounting in Sandspring in its statement of operations in the amount of \$0.3 million. The Sandspring Warrants and subscriptions receipts are derivative instruments and are carried at fair value with changes in fair value recorded through profit and loss. The fair value of the Sandspring Warrants and subscription receipts at September 30, 2019 was \$3.8 million and \$2.2 million, respectively, and the Company recorded a gain on financial instruments of approximately \$3.7 million representing the fair value adjustment for these assets during the first nine months of 2019 (2018 - \$Nil).

Financing activities

In the first nine months of 2019, net cash used in financing activities was \$6.7 million, compared with \$0.7 million in the first nine months last year. In the first nine months of 2019:

- the Company generated net proceeds of \$13.7 million through the Private Placement of Convertible Debentures at the end of April 2019;
- the Company completed three quarterly amortizing payments on the Gold Notes totaling approximately \$15.6 million, including \$0.9 million of Gold Premium;
- the Company paid approximately \$0.3 million in premiums to acquire additional put options to establish a minimum selling price of \$1,250 per ounce for the physical gold to be accumulated in the Gold Trust Account for the next four quarterly amortizing payments of the Gold Notes coming due from October 2019 through July 2020;
- the Company used \$2.2 million as it accelerated the deposit of physical gold into the Gold Trust Account to reach the 3,900 ounces required for the next amortizing payment starting by the end of the calendar quarter. In 2018, the Company had accumulated 2,600 ounces in the Gold Trust Account by the end of the calendar quarter and the remaining 1,300 ounces were deposited within the first two weeks following the quarter end to meet the requirement for funding the amortizing payments.
- the Company paid \$0.8 million of lease obligations;
- the Company paid net interest totaling \$5.1 million;

- the Company received approximately \$3.9 million from exercises of stock options to acquire a total of 1,789,997 common shares at an average price of CA\$2.87 per share; and,
- the Company used approximately \$0.3 million to repurchase 2024 Warrants under the NCIB for cancellation.

Financial Instruments

The carrying value of accounts payable and accrued liabilities and amounts payable related to acquisitions of mining interests approximates their respective fair values as they are short-term in nature. The Sandspring Warrants, Sandspring subscription receipts, Gold Notes, Convertible Debentures and 2024 Warrants are all carried at fair value through profit and loss. The \$72.1 million estimated fair value of the Gold Notes 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 above \$1,250 per ounce and the Company's options to early redeem the outstanding Gold Notes prior to maturity. The quoted TSX closing market price on September 30, 2019 was \$105.50 per \$100.00 principal amount of Gold Notes.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Accounting Policy Changes

IFRS 16, Leases ("IFRS 16")

On January 1, 2019 the Company adopted IFRS 16, which introduces a comprehensive model to identify, recognize, measure, and present lease arrangements. The Company has adopted IFRS 16 using the modified retrospective approach. Under this approach, the comparative information has not been restated and the reclassifications and adjustments arising from the new leasing rules are recognized in the opening statement of financial position on January 1, 2019. The details of the accounting policy changes and the quantitative impact of these changes are described below.

New accounting policy

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct to use of the asset if either (i) the Company has the right to operate the asset or (ii) the Company has designed the asset in a way that predetermines how

and for what purpose it will be used.

If a contract is assessed to contain a lease, the Company recognizes a lease liability with a corresponding right-of-use ("ROU") asset on the date at which the leased asset is available for use by the Company. The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the interest rate implicit in the lease. If the implicit rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that it would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost and decreased by lease payments made over the lease period. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Company's estimate of any residual amount payable, or if applicable, the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

The ROU asset is depreciated using the straight-line method from the recognition date to the earlier of the end of the useful life of the asset or the end of the lease term.

Payments associated with short-term leases and leases of low-value assets are expensed as they are incurred in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Impact on the Company's consolidated financial statements

Upon adoption of IFRS 16, the Company recognized \$2.1 million of ROU assets under plant and equipment and an equal amount of lease obligations with no adjustment required to retained earnings, summarized as follows:

Operating lease commitments at December 31, 2018	\$ 2,772
Discounted amount at January 1, 2019	2,102
Finance lease obligations at December 31, 2018	43
Total lease obligations recognized at January 1, 2019	\$ 2,145

The Company used the following practical expedients as permitted under IFRS 16 in recognizing the leases:

- leases with less than 12 months of lease term were not recognized;
- leases of low value leased assets were not recognized;
- initial direct costs were excluded from measuring the ROU asset at the date of initial application; and
- a single discount rate was applied to a portfolio of leases with similar characteristics.

In measuring the lease obligations, the Company used its incremental borrowing rates as at January 1, 2019 to discount lease payments. The weighted-average discount rate applied is 12.54%.

The Company had one lease previously classified as a finance lease under IAS 17. On adoption of IFRS 16, the Company recognized the carrying amount of the lease asset and lease obligation immediately before transition as the carrying amount of the right of use asset and the lease obligation at the date of initial application. This lease expired during the first quarter of 2019.

IFRIC 23, Uncertainty over Income Tax Treatments

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. On January 1, 2019, the Company adopted IFRIC 23, which did not have any effect on the Company’s financial statements.

Critical Accounting Policies and Estimates

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

The critical judgments and estimates applied in the preparation of the Company’s Interim Financial Statements are consistent with those applied and disclosed in Notes 3 and 4 to the Company’s consolidated financial statements for the year ended December 31, 2018, including:

- Exploration and evaluation;
- Assets’ carrying values and impairment charges;
- Income taxes;
- Mineral reserves and resources;
- Impairment and reversal of impairment;
- Amortization of mineral properties;
- Fair values of the Gold Notes and Convertible Debentures; and
- Decommissioning liabilities.

Recent Accounting Pronouncements

Accounting Standards Not Yet Adopted

There are no 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.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure controls and procedures and internal controls over financial reporting have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for evaluating the disclosure controls and procedures and internal controls over financial reporting. In making its assessment of internal controls, management used the *Internal Control – Integrated Framework (2013)* published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the design of the Company’s disclosure controls and procedures and internal controls over financial reporting was effective as at September 30, 2019. There have been no changes in the Company’s internal controls over financial reporting during the three months ended

September 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believes that any disclosure controls and procedures and internal controls over financial reporting, no matter how well designed and operated, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

Non-IFRS Measures

The Company has included non-IFRS measures in this MD&A such as total cash costs (by-product), AISC and All-in costs on a per ounce basis, adjusted EBITDA, adjusted net income and Free Cash Flow. These non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to other issuers. The Company reports total cash costs, AISC and All-in costs on a sales basis. In the gold mining industry, this is a common performance measure but does not have any standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's underlying performance of its core operations and its ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Non-IFRS measures referred to in this MD&A are defined as follows:

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

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

"All-in costs per ounce sold" includes AISC (as defined above) and adds non-sustaining capital and E&E costs divided by the number of ounces sold. Non-sustaining capital is related to new projects that are not associated with gold production from the current operations, and similar to AISC, excludes certain other cash expenditures such as income and other tax payments, financing costs and debt repayments.

"Adjusted EBITDA" represents earnings before interest (including non-cash accretion of financial obligations and lease obligations), income taxes and depreciation and amortization ("EBITDA"), adjusted to exclude impairment charges and reversals, allowance for doubtful accounts, gains or losses on asset dispositions, wealth taxes, share-based compensation, gains/losses on financial instruments, gains or losses from equity accounting in investees and foreign exchange gains/losses.

“Adjusted net income or loss” excludes gains/losses and other costs incurred for acquisitions and disposals of mining interests, impairment charges and reversals, non-cash accretion of the former Senior Debentures, debt financing costs, unrealized and non-cash gains/losses on financial instruments, foreign exchange gains/losses as well as other significant non-cash, non-recurring items.

“Free Cash Flow” is a common performance measure in the gold mining industry with no standardized meaning. The Company calculates free cash flow by deducting additions to mining interests and rehabilitation costs paid from net cash provided by operating activities. The Company discloses free cash flow as it believes the measure assists investors and analysts in evaluating the Company’s ability to generate cash flow after capital investments to service its debt obligations and build the cash resources of the Company.

In November 2018, the World Gold Council (“WGC”) published an update to its guidance note first issued in mid-2013 on AISC and All-in costs which predominantly reflects the impact of IFRS 16 on these metrics. The Company adopted IFRS 16 effective as of January 1, 2019 (see “Accounting Policy Changes” on page 23) using a modified retrospective approach. As such, comparative amounts in 2018 and prior periods were not restated. Beginning in 2019, and as a result of adopting IFRS 16, lease costs that were previously recorded in production costs and G&A expenses, have been replaced with lease payments now included in AISC and All-in costs, as appropriate. Although this change had minimal impact in the first quarter of 2019 on the Company’s reported AISC per ounce, the change resulted in an approximately \$4 decrease in total cash costs per ounce and an approximately \$1 decrease in G&A expenses per ounce with a corresponding \$5 per ounce increase in sustaining lease payments included in the computation of AISC.

In reviewing the updated WGC guidance note, the Company also revised its computation of AISC and All-in costs to (i) include social contributions related to current operations, primarily associated with the Segovia Operations as outlined on page 14, and (ii) to reclassify growth-related exploration expenditures at the Company’s Marmato Project in 2018 from sustaining to non-sustaining capital. Comparative data for AISC and All-in costs for 2018 and 2017 have been revised to reflect these changes, as summarized below:

	2018				2017			
	4 th Qtr	3 rd Qtr	2 nd Qtr	1 st Qtr	4 th Qtr	3 rd Qtr	2 nd Qtr	1 st Qtr
Gold sold (ounces)	56,360	55,601	53,051	49,610	56,100	33,932	45,179	38,434
Total AISC as previously reported	\$52,343	\$49,397	\$48,458	\$44,431	\$50,427	\$32,962	\$39,924	\$36,162
Social contributions	1,256	1,109	1,267	1,229	1,274	779	1,200	846
Marmato Project expenditures reclassified to non-sustaining	(932)	(917)	(401)	(16)	-	-	-	-
Total AISC on a revised basis	52,667	49,589	49,324	45,644	51,701	33,741	41,124	37,008
Marmato Project expenditures	932	917	401	16	-	-	-	-
Total All-in costs	\$53,599	\$50,506	\$49,725	\$45,660	\$51,701	\$33,741	\$41,124	\$37,008
AISC per ounce as previously reported	\$ 929	\$ 888	\$ 913	\$ 896	\$ 899	\$ 971	\$ 884	\$ 941
Social contributions	22	20	24	24	23	23	26	22
Marmato Project expenditures reclassified to non-sustaining	(17)	(16)	(7)	-	-	-	-	-
Total AISC per ounce on a revised basis	934	892	930	920	922	994	910	963
Marmato Project expenditures	17	16	7	-	-	-	-	-
Total All-in costs per ounce	\$ 951	\$ 908	\$ 937	\$ 920	\$ 922	\$ 994	\$ 910	\$ 963

The following table reconciles **total cash costs per ounce sold**, **AISC per ounce sold** and **All-in costs per ounce sold** as disclosed in this MD&A to the Interim Financial Statements:

(\$000's except ounces and per ounce data)	Third Quarter		Nine Months	
	2019	2018	2019	2018
Gold sales (ounces)	56,284	55,601	174,697	158,262
Total cash costs				
Production costs	\$ 36,025	\$ 34,454	\$ 106,920	\$ 100,316
Production taxes	3,372	2,705	9,627	8,299
Silver revenues	(879)	(646)	(2,505)	(1,940)
Total cash costs on a by-product basis	\$ 38,518	\$ 36,513	\$ 114,042	\$ 106,675
Total cash costs per ounce sold	\$ 684	\$ 657	\$ 653	\$ 674
AISC and All-in costs				
Total cash costs on a by-product basis	\$ 38,518	\$ 36,513	\$ 114,042	\$ 106,675
Provision for environmental fees	(658)	1,246	(736)	2,073
G&A, excluding depreciation and amortization	4,851	2,390	11,297	7,375
Social contributions	1,767	1,109	4,841	3,605
Sustaining capital and E&E costs	8,777	8,331	24,564	24,829
Payment of rehabilitation obligations	-	-	14	-
Sustaining lease payments	253	-	751	-
AISC	53,508	49,589	154,773	144,557
Non-sustaining capital and E&E costs	2,272	917	4,415	1,334
Total All-in costs	\$ 55,780	\$ 50,506	\$ 159,188	\$ 145,891
AISC and All-in costs per ounce sold				
Total cash costs per ounce sold	\$ 684	\$ 657	\$ 653	\$ 674
Provision for environmental fees	(12)	22	(4)	13
G&A, excluding depreciation and amortization	86	43	65	47
Social contributions	32	20	28	23
Sustaining capital and E&E costs and payment of rehabilitation obligations	156	150	140	156
Sustaining lease payments	5	-	4	-
AISC per ounce sold	951	892	886	913
Non-sustaining capital and E&E costs	40	16	25	9
All-in costs per ounce sold	\$ 991	\$ 908	\$ 911	\$ 922

The following table reconciles **sustaining and non-sustaining capital expenditures and E&E costs** to the Company's total additions as reported in the interim condensed consolidated statements of cash flows:

	Third Quarter		Nine Months	
	2019	2018	2019	2018
Additions to mining interests				
Sustaining capital and E&E costs	\$ 8,777	\$ 8,331	\$ 24,564	\$ 24,829
Non-sustaining capital and E&E costs				
Segovia exploration	438	-	729	-
Marmato expansion project	1,834	917	3,686	1,334
Change in accounts payable and accrued liabilities related to capital expenditures	(116)	57	933	334
Change in amounts payable for acquisitions of mining interests	43	26	71	87
Total additions to mining interests	\$ 10,976	\$ 9,331	\$ 29,983	\$ 26,584

The following table provides a reconciliation of **adjusted EBITDA** to the Interim Financial Statements:

	Third Quarter		Nine Months	
	2019	2018	2019	2018
Net income (loss)	\$ 9,014	\$ 13,973	\$ 17,685	\$ (11,417)
Income taxes	10,795	5,608	30,005	20,285
Finance costs, net of finance income	2,978	3,768	8,890	28,372
Depreciation and amortization	7,495	7,978	24,305	20,643
EBITDA	30,282	31,327	80,885	57,883
Gain on assignment of mining interest	-	(2,376)	-	(2,376)
Share-based compensation	342	-	1,795	903
Loss (gain) on financial instruments	7,466	(4,163)	23,114	22,217
Loss from equity accounting in investee	134	-	344	-
Foreign exchange (gain) loss	(629)	(87)	(70)	23
Adjusted EBITDA	\$ 37,595	\$ 24,701	\$ 106,068	\$ 78,650

The following table provides details of the primary components of **adjusted EBITDA**:

	Third Quarter		Nine Months	
	2019	2018	2019	2018
Revenue	\$ 82,952	\$ 66,605	\$ 238,017	\$ 200,318
Cost of sales, excluding DD&A	(38,739)	(38,405)	(115,811)	(110,688)
G&A, excluding DD&A	(4,851)	(2,390)	(11,297)	(7,375)
Social contributions	(1,767)	(1,109)	(4,841)	(3,605)
Adjusted EBITDA	\$ 37,595	\$ 24,701	\$ 106,068	\$ 78,650

The following table provides a reconciliation of **adjusted net income** to the Interim Financial Statements:

	Third Quarter		Nine Months	
	2019	2018	2019	2018
Net income (loss)	\$ 9,014	\$ 13,973	\$ 17,685	\$ (11,417)
Gain on assignment of mining interest	-	(2,376)	-	(2,376)
Loss (gain) on financial instruments	7,466	(4,163)	23,114	22,217
Accretion of discount on Senior Debentures	-	1,754	-	12,715
Debt financing costs	-	-	1,265	7,578
Foreign exchange loss	(629)	(87)	(70)	23
Income tax effect on adjustments	183	829	1,009	(759)
Adjusted net income	\$ 16,034	\$ 9,930	\$ 43,003	\$ 27,981

The following table provides the computation of **adjusted basic and diluted earnings per share**:

	Third Quarter		Nine Months	
	2019	2018	2019	2018
Adjusted net income	\$ 16,034	\$ 9,930	\$ 43,003	\$ 27,981
Add: Interest expense on Convertible and Senior Debentures, net of tax	301	191	586	2,216
Adjusted net income for fully diluted computation	\$ 16,335	\$ 10,121	\$ 43,589	\$ 30,197
Weighted average number of shares (000's)				
Basic	49,283	40,321	48,623	30,132
Add: Impact of stock options and warrants	7,357	1,012	5,948	538
Add: Impact of conversions of Convertible and Senior Debentures	4,211	7,829	2,761	39,713
Fully diluted	60,851	49,162	57,332	70,383
Adjusted earnings per share				
Basic	\$ 0.33	\$ 0.25	\$ 0.88	\$ 0.93
Diluted	0.27	0.21	0.76	0.43

The following table provides a reconciliation of **Free Cash Flow** to the interim condensed consolidated statements of cash flows:

	Third Quarter		Nine Months	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 30,606	\$ 20,531	\$ 68,655	\$ 56,180
Additions to mining interests	(10,976)	(9,331)	(29,983)	(26,584)
Payment of rehabilitation obligations	-	-	(14)	-
Free Cash Flow	\$ 19,630	\$ 11,200	\$ 38,658	\$ 29,596

Risks and Uncertainties

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

Such risks include:

- Liquidity risks;
- Metal price volatility;
- Future production rates;
- Financing risks;
- Indebtedness of the Company;
- Servicing indebtedness;
- Indebtedness – restrictive covenants;
- Current global markets and economic conditions;
- Availability and cost of supplies;
- Exploration, development and operations;
- Risks with title to mineral properties;
- Changes in environmental laws;
- Mining risks and insurance risks;
- Additional indebtedness;
- Risks related to the Gold Notes:
 - Ranking of the Gold Notes; Collateral; Voiding the Gold Notes or Guarantees; Bankruptcy and Insolvency Laws; Subordinated Collateral; Reduction of Pool of Assets Securing the Gold Notes; Release of Collateral for the Gold Notes; Perfecting Security Interests of the Gold Notes; Financing the Change of Control Provision in the Gold Notes; and No Guarantee of Public Market for the Gold Notes;
- Interest rate risk;
- Price risk;
- Currency risk;
- Regulatory approvals;
- Environmental permits;
- Changes in legislation;
- Corruption;
- Labour matters and employee relations;
- Economic and political factors:
 - Colombia:
 - Emerging market country; economic and political developments; exchange controls; decline in economic growth; seizure or expropriation of assets; local legal and regulatory systems; Colombia – less developed country; sanctions by the United States government; and guerilla and other criminal activity;
 - Venezuela;
- Use of and reliance on experts outside Canada;
- Integration risks;
- Governmental regulation and permitting;
- Decommissioning liabilities;
- Shortage of experienced personnel and equipment;
- Potential conflicts of interest;
- Possible volatility of stock price;

- Repatriation of earnings;
- Enforcement of civil liabilities;
- Forward-looking information may prove inaccurate;
- Infrastructure;
- Joint ventures;
- Competition;
- Dividends;
- Service of process and enforcement of judgments outside Canada; and
- Other risks.

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

Readers are encouraged to read and consider the risk factors listed above, which are more specifically described in the Company's Annual Information Form dated as of March 27, 2019 which is available at www.sedar.com. Such risk factors could materially affect the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Cautionary Note Regarding Forward Looking Statements

Certain statements in this MD&A constitute forward-looking information. Often, but not always, forward-looking statements use words or phrases such as: "expects", "does not expect" or "is expected", "anticipates" or "does not anticipate", "plans" or "planned", "estimates" or "estimated", "projects" or "projected", "forecasts" or "forecasted", "believes", "intends", "likely", "possible", "probable", "scheduled", "positioned", "goal", "objective" or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Such forward-looking statements, including but not limited to statements with respect to anticipated business plans or strategies, gold production, total cash costs, AISC and All-in costs per ounce sold, capital expenditures and quarterly amortizing payments of the Gold Notes, involve known and unknown risks, uncertainties and other factors which may cause the actual actions, events and results to be materially different from estimated actions, events or results expressed or implied by such forward-looking statements. The Company believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the caption "*Risk Factors*" in the Company's Annual Information Form dated as of March 27, 2019, which is available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws.