



2018 Debentures – Frequently Asked Questions

This document provides a summary of *Frequently Asked Questions* in respect of the **Senior Unsecured Convertible Debentures due 2018** (the “2018 Debentures”) issued under the Amended and Restated Indenture dated as of August 11, 2011 (as amended and restated as of January 20, 2016) between Gran Colombia Gold Corp. (the “Company”) (as issuer) and TSX Trust Company (as “Trustee”) (the “2018 Debentures Indenture”) relating to the issuance of the 2018 Debentures. The information contained in this document is of a summary nature, and as such, is qualified in its entirety by the more detailed information contained in the 2018 Debentures Indenture, a copy of which is available on SEDAR and on the Company’s website at www.grancolombiagold.com.

GENERAL

1. What currency are the 2018 Debentures denominated in?

The 2018 Debentures are denominated in U.S. dollars.

2. What denominations are the 2018 Debentures available in?

The 2018 Debentures are issuable only in denominations of US\$1.00 and integral multiples thereof.

3. Where do the 2018 Debentures trade?

The 2018 Debentures are listed for trading on the Toronto Stock Exchange under the symbol GCM.DB.U.

4. Are the 2018 Debentures secured?

No, the 2018 Debentures are unsecured indebtedness of the Company. The covenants and events of default are as set out in Articles 10 and 11 of the 2018 Debentures Indenture.

The 2018 Debentures are guaranteed by certain subsidiaries of the Company to secure the required payment of all obligations and the performance by the Company of its obligations contained in the 2018 Debentures Indenture.

5. What is the interest rate on the 2018 Debentures and when is interest paid?

Interest is paid in cash at a rate of 1% per annum.

Interest is paid monthly in arrears on the last day of each month commencing February 29, 2016 (each, an “Interest Payment Date”). Interest is payable on each Interest Payment Date to holders of record at the close of business on the fifth business day immediately preceding each Interest Payment Date. If the date for payment of any amount of interest is not a Business Day, then payment will be made on the next Business Day and the holders of the 2018 Debentures will not be entitled to any further interest or other payment in respect of the delay.

6. How are the interest payments calculated?

Interest on the 2018 Debentures accrues from the most recent date to which interest has been paid to the Interest Payment Date. Interest is computed on the basis of a year of 365 days or 366 days in a leap year, as the case may be.

Note also that when a conversion request, as outlined below, is processed during a month, the Holder will receive interest from the most recent date to which interest has been paid to the date the conversion request is processed by the Trustee.

7. When do the 2018 Debentures mature?

The 2018 Debentures mature on August 11, 2018 (“Maturity Date”).

8. How will the 2018 Debentures be settled at maturity?

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

9. What happens if there is a Change of Control of the Company?

If a change of control occurs, each holder will have the option to elect to put the 2018 Debentures held, in whole or in part, for settlement by the Company on the basis of 101% of the face amount of the debentures plus accrued and unpaid interest, provided no such option will exist if the acquirer has a credit rating of B or better on a pro forma post-consolidated basis and such acquirer agrees to guarantee all obligations under the 2018 Debentures.

10. What is the effect of the Company’s one-for-fifteen consolidation effective April 25, 2017?

As a result of the consolidation of the Company’s issued and outstanding common shares on a one post-consolidation share for every fifteen pre-consolidation shares (1:15) basis effective April 25, 2017, the conversion price of the 2018 Debentures was also adjusted in accordance with section 8.6 (a) of the 2018 Debentures Indenture. The conversion price following consolidation was adjusted to US\$1.95 per common share of the Company, being a conversion ratio of approximately 513 common shares for each US\$1,000 principal amount of 2018 Debentures.

CONVERSION OPTION

11. When can I exercise the conversion option on my 2018 Debentures?

Holders of the 2018 Debentures have the option to convert their 2018 Debentures into common shares of the Company at any time prior to the close of business on the Maturity Date. However, no 2018 Debenture may be exchanged or withdrawn from the Global Debenture Certificate on an Interest Payment Date or during the seven Business Days preceding an Interest Payment Date. If a 2018 Debenture is surrendered for exchange on an Interest Payment Date or during the seven Business Days preceding an Interest Payment Date, the Trustee will hold the conversion request for processing until the first Business Day following the Interest Payment Date.

12. What is the conversion price?

Following the common share consolidation effective April 25, 2017, the Conversion Price is US\$1.95 per common share of the Company, being a conversion ratio of approximately 513 common shares for each US\$1,000 principal amount of 2018 Debentures. The conversion price is subject to standard provisions providing for adjustments upon the occurrence of certain corporate events.

No fractional common shares will be issued under a conversion. Holders will receive a cash payment in satisfaction of any fractional interest in an amount equal to the fractional interest which would have been issuable multiplied by the Conversion Price.

13. How do I exercise my conversion option?

Holders may elect to convert any part of a 2018 Debenture, provided that it must be in denominations of US\$1.00 or an integral multiple thereof.

Holders of 2018 Debentures desiring to convert their debentures in whole or in part into common shares of the Company must surrender the 2018 Debentures certificates to the Trustee at its principal offices in the City of Toronto, Ontario together with the conversion notice in the form attached to the 2018 Debenture as Schedule B (the "Conversion Notice") or any other written notice in a form satisfactory to the Trustee, in either case duly executed by the Holder or their executors or administrators or other legal representatives or their attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Trustee, exercising their right to convert the 2018 Debenture.

In most cases, a Holder's 2018 Debentures will be beneficially held through an intermediary (such as a financial institution or a brokerage firm), who in turn hold the 2018 Debentures through a Global Debenture Certificate. In these circumstances, the Holder must contact their intermediary directly to have the intermediary execute the conversion request on their behalf. Once instructed, the intermediary will submit a request to have the 2018 Debentures withdrawn from the Global Debenture Certificate and the intermediary will receive a 2018 Debentures certificate in definitive form. It should be noted that 2018 Debentures cannot be withdrawn from the Global Debenture Certificate on an Interest Payment Date or during the seven Business Days preceding an Interest Payment Date. Once received, the intermediary will then complete the Conversion Notice and deliver the 2018 Debentures certificate and the completed Conversion Notice to the Trustee. The Trustee in turn will process the conversion request and deliver the applicable common shares to the intermediary to register in the Holder's account with the intermediary, unless instructed otherwise.

It is important to note that if a conversion of 2018 Debentures would result in the Holder being issued common shares of the Company that, together with any other common shares held by such Holder, would constitute 10% or more of the then outstanding common shares of the Company, then the Holder must, as a condition to their conversion request, provide to the Company and the Toronto Stock Exchange (the "Exchange") an undertaking, in the form attached as Schedule C to the 2018 Debenture or such other form as may be acceptable to the Exchange. Such undertaking will require such Holder to: (i) file with the Exchange such documentation as may be required by the Exchange in connection with such Holder acquiring common shares constituting 10% or more of the then outstanding common shares, which may include, among other things, a Personal Information Form, if, on the 10th Business Day following such conversion, the Holder continues to hold common shares constituting 10% or more of the then outstanding common shares of the Company; and (ii) if such Personal Information Form is not cleared by the Exchange, within 20 Business Days following notice from the Exchange thereof to the Holder, the Holder will sell that number of common shares in order to decrease their holdings of common shares below 10% of the then outstanding common shares of the Company.

EXCESS CASH FLOW SWEEP AND REDEMPTION OR REPURCHASE BY GRAN COLOMBIA

14. What is the Excess Cash Flow Sweep (Sinking Fund) associated with the 2018 Debentures?

The Company covenants that, commencing in 2016, 25% of its Excess Cash Flow, as outlined in FAQ #15 below, will be paid into a sinking fund, which will be applied towards repayment, repurchase or other redemption, as the Company elects, of the 2018 Debentures. The 2018 Debentures' sinking fund will also serve as a guarantee for the 2020 Debentures so long as the 2020 Debentures remain outstanding.

15. How is Excess Cash Flow determined?

"Excess Cash Flow" means with respect to any fiscal quarter of the Company, consolidated EBITDA for such fiscal quarter less capital, development and exploration expenditures, cash payments of principal and interest on debt, changes in non-cash working capital items and payment of taxes and certain other existing financial obligations of the Company. Reference should be made to the definition of Excess Cash Flow in the 2018 Debentures Indenture for more specifics on the financial terms related to this calculation.

16. Can the Company redeem the 2018 Debentures?

Yes, the 2018 Debentures may be redeemed by the Company for cash in whole or in part from time to time at the option of the Company on not more than 60 days and not less than 30 days prior notice, at a price equal to their principal amount plus accrued and unpaid interest.

17. Can the Company repurchase the 2018 Debentures for cancellation prior to maturity?

Yes, the Company, at any time when it is not in default, may purchase any or all of the 2018 Debentures in the open market, by tender or by private contract, at any price (which, for greater certainty, may be below par) in compliance with any applicable securities regulations and stock exchange rules.

OTHER

18. What if I have other questions?

If you have any questions regarding the 2018 Debentures, please contact:

Equity Financial Trust Company
1-866-393-4891 (North American toll free)
416-342-1091 (outside North America)

Or

You can send an e-mail to the Company at investorrelations@grancolombiagold.com.