

**Gran Colombia Gold Corp.**

Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

## Management's Report

Management is responsible for preparing the consolidated financial statements and accompanying notes. The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, include management's best estimates and judgments, particularly in those circumstances where transactions affecting a current period are dependent upon future events. Management has established and maintains a system of internal controls that is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and the financial information is reliable and accurate.

The Company's external auditors, KPMG LLP, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. KPMG LLP has full and free access to the Audit Committee.

The Audit Committee of the Board of Directors, consisting exclusively of independent directors, has reviewed in detail the consolidated financial statements with management and the external auditors. The Board of Directors on the recommendation of the Audit Committee has approved the consolidated financial statements.

*"Lombardo Paredes Arenas"*  
Chief Executive Officer

*"Michael Davies"*  
Chief Financial Officer

Toronto, Canada  
March 30, 2017



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## **INDEPENDENT AUDITORS' REPORT**

To the shareholders of Gran Colombia Gold Corp.

We have audited the accompanying financial statements of Gran Colombia Gold Corp., which comprise the statements of financial position as at December 31, 2016 and December 31, 2015, the statements of operations, comprehensive income (loss), equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gran Colombia Gold Corp. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants  
March 30, 2017  
Toronto, Canada

Gran Colombia Gold Corp.  
Consolidated Statements of Financial Position  
(Expressed in thousands of U.S. dollars)

	Notes	As at December 31, 2016	As at December 31, 2015
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 2,783	\$ 3,004
Cash in trust	9a	245	77
Accounts receivable	14	11,352	6,172
Income taxes recoverable		-	1,740
Inventories	5	10,828	7,801
Prepaid expenses and deposits		1,679	1,331
		26,887	20,125
Non-current			
Cash in trust	9c,9d,11c	1,260	310
Accounts receivable	14	701	796
Mining interests	6	348,998	350,688
Deferred tax asset	13	3,268	6,404
Other assets	14	38	18
<b>Total assets</b>		<b>\$ 381,152</b>	<b>\$ 378,341</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 16,627	\$ 25,305
Amounts payable related to acquisitions of mining interests	6	10,975	11,525
Current portion of long-term debt	9	1,232	102,183
Equity tax payable		-	3,657
Wealth tax payable	10	-	1,846
Current portion of provisions	11	3,318	1,832
Income tax payable	13	6,053	1,059
		38,205	147,407
Non-current			
Long-term debt	9	85,022	1,569
Provisions	11	25,311	25,491
Deferred income taxes	13	49,922	50,266
<b>Total liabilities</b>		<b>198,460</b>	<b>224,733</b>
<b>Equity</b>			
Share capital	12b	381,888	369,150
Share purchase warrants	12c	6,317	6,317
Contributed surplus		163,109	160,303
Accumulated other comprehensive loss		(78,434)	(88,265)
Deficit		(290,188)	(293,897)
<b>Total equity</b>		<b>182,692</b>	<b>153,608</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 381,152</b>	<b>\$ 378,341</b>

Nature of operations (Note 1)  
Contingency (Note 11b)  
Subsequent events (Notes 9d, 14)

On behalf of the Board of Directors:

"Miguel de la Campa" (Signed)

"Robert Metcalfe" (Signed)

See accompanying notes to the consolidated financial statements.

Gran Colombia Gold Corp.  
Consolidated Statements of Operations  
(Expressed in thousands of U.S. dollars, except share amounts)

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
<b>Revenue</b>		\$ 184,074	\$ 134,949
<b>Costs and expenses</b>			
Cost of sales	15	120,353	101,338
General and administrative		7,082	5,696
Impairment charges	7	17,008	37,344
Loss on disposal of mining interests	6	1,195	3,936
Share-based compensation	12d	548	-
Social contributions	6	3,158	1,989
<b>Income (loss) from operations</b>		34,730	(15,354)
<b>Other income (expense)</b>			
Finance income		321	98
Finance costs	16	(32,843)	(12,874)
Foreign exchange gain (loss)		(244)	10,286
Wealth tax	10	(2,231)	(3,269)
Gain on sale of CIIGSA	14	-	668
Gain on financial instruments	17	18,815	14,987
		(16,182)	9,896
<b>Income (loss) before income taxes</b>		18,548	(5,458)
Income taxes			
Current	13	(14,702)	(5,716)
Deferred	13	(137)	(1,915)
		(14,839)	(7,631)
<b>Net income (loss)</b>		\$ 3,709	\$ (13,089)
<b>Attributed to shareholders</b>		\$ 3,709	\$ (13,020)
<b>Attributed to non-controlling interests</b>		\$ -	\$ (69)
<b>Basic and diluted earnings (loss) per share attributable to shareholders</b>	18	\$ 0.02	\$ (0.55)
Weighted average number of common shares outstanding		186,875,481	23,703,268

See accompanying notes to the consolidated financial statements.

Gran Colombia Gold Corp.  
Consolidated Statements of Comprehensive Income (Loss)  
(Expressed in thousands of U.S. dollars)

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
<b>Net income (loss)</b>		<b>\$ 3,709</b>	<b>\$ (13,089)</b>
<b>Other comprehensive income:</b>			
<b>Items not to be reclassified to profit (loss) in subsequent periods</b>			
Actuarial gain (loss) on health plan obligation, net of tax of nil (2015 – nil)	11c	(588)	149
<b>Items that may be reclassified to profit (loss) in subsequent periods</b>			
Unrealized gain on available-for-sale investment, net of tax		19	-
Foreign currency translation adjustment		10,400	(36,349)
<b>Comprehensive income (loss)</b>		<b>\$ 13,540</b>	<b>\$ (49,289)</b>
<b>Attributed to shareholders</b>		<b>\$ 13,540</b>	<b>\$ (49,193)</b>
<b>Attributed to non-controlling interests</b>		<b>\$ -</b>	<b>\$ (96)</b>

See accompanying notes to the consolidated financial statements.

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

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
<b>Common shares</b>			
Balance, beginning of period	12b	\$ 369,150	\$ 369,148
Exercise of warrants	12c	-	2
Issuance of common shares on exchange of:			
Gold notes	9c	84	-
Silver notes	9d	3,831	-
Issuance of common shares on exchange of:			
2018 Debentures	9d	8,438	-
2020 Debentures	9c	385	-
Balance, end of period		381,888	369,150
<b>Share purchase warrants</b>			
Balance, beginning of period	12c	6,317	137,159
Expiry of warrants		-	(130,842)
Balance, end of period		6,317	6,317
<b>Contributed surplus</b>			
Balance, beginning of period		160,303	42,816
Share-based compensation	12d	548	-
Expiry of warrants, net of tax effect of \$13,355	12c	-	117,487
Additional deferred income tax on warrant expiry	12c	(1,008)	-
Fair value of conversion option on issuance of:			
2018 Debentures	9d	2,213	-
2020 Debentures	9c	1,705	-
2018 Debentures converted to common shares	9d	(641)	-
2020 Debentures converted to common shares	9c	(11)	-
Balance, end of period		163,109	160,303
<b>Accumulated other comprehensive loss</b>			
Balance, beginning of period		(88,265)	(52,065)
Actuarial (loss) gain on health plan obligation	11c	(588)	149
Income tax on gain on health plan obligation		-	-
Unrealized gain on available-for-sale investment		19	-
Foreign currency translation adjustment		10,400	(36,349)
Balance, end of period		(78,434)	(88,265)
<b>Deficit</b>			
Balance, beginning of period		(293,897)	(280,877)
Net income (loss) attributable to shareholders		3,709	(13,020)
Balance, end of period		(290,188)	(293,897)
<b>Non-controlling interests</b>			
Balance, beginning of period		-	528
Net income attributable to non-controlling interests		-	(69)
Sale of CIIGSA		-	(459)
Balance, end of period		-	-
<b>Total equity</b>		<b>\$ 182,692</b>	<b>\$ 153,608</b>

See accompanying notes to the consolidated financial statements.

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

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
<b>Operating Activities</b>			
Net income (loss)		\$ 3,709	\$ (13,089)
Adjusted for the following items:			
Depreciation, depletion and amortization		12,563	12,497
Share-based compensation	12b	548	-
Finance income		(321)	(98)
Finance costs		32,843	12,874
Foreign exchange gain		(252)	(11,394)
Impairment charges	7	17,008	37,344
Loss on disposal of mining interests	6	1,195	3,936
Gain on sale of CIIGSA		-	(668)
Provision for environmental discharges	11b	86	725
Environmental discharges fees paid	11	(1,259)	(748)
Gain on financial instruments	17	(18,815)	(14,987)
Payments of health obligations	11c	(812)	(756)
Wealth tax expense	10	2,231	3,269
Current income tax expense	13	14,702	5,716
Deferred income taxes	13	137	1,915
Changes in non-cash working capital items	19	(15,860)	2,191
Operating cash flows before taxes		47,703	38,727
Equity tax paid		(2,416)	(2,641)
Wealth tax paid		(4,110)	(890)
Income tax refund received		1,626	2,052
Income taxes paid		(9,529)	(4,299)
Net cash provided by operating activities		33,274	32,949
<b>Investing Activities</b>			
Additions to mining interests	6	(16,710)	(12,653)
Proceeds received from sale of CIIGSA		194	204
Net cash used in investing activities		(16,516)	(12,449)
<b>Financing Activities</b>			
Repayment of long-term debt		(1,487)	(1,763)
Net interest paid		(10,462)	(15,337)
Increase in cash in trust for debt service	9a	(157)	(84)
(Increase) decrease in cash in trust for health plan guarantee	11c	(374)	311
Increase in cash in trust for 2018 and 2020 Debentures	9c	(2,914)	-
Buy back costs for 2018 and 2020 Debentures	9c	(60)	-
Debt restructuring costs		(1,714)	(1,209)
Exercise of warrants		-	2
Net cash used in financing activities		(17,168)	(18,080)
Impact of foreign exchange rate changes on cash and cash equivalents		189	(183)
<b>(Decrease) increase in cash and cash equivalents</b>		<b>(221)</b>	<b>2,237</b>
Cash and cash equivalents, beginning of year		3,004	767
<b>Cash and cash equivalents, end of year</b>		<b>\$ 2,783</b>	<b>\$ 3,004</b>

See accompanying notes to the consolidated financial statements.



Gran Colombia Gold Corp.  
Notes to the Consolidated Financial Statements  
December 31, 2016

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

## 1. NATURE OF OPERATIONS

Gran Colombia Gold Corp. and its subsidiaries (collectively the “Company”) are engaged in the acquisition, exploration, development and operation of gold properties in Colombia. The Company is incorporated under the laws of the Province of British Columbia. The head office of the Company is located at 333 Bay Street, Suite 1100, Toronto, Ontario, M5H 2R2 and its registered office is located at 1188 West Georgia Street, Suite 650, Vancouver, British Columbia, V6E 4A2. The Company also has an office in Medellin, Colombia.

On January 20, 2016 (the “Exchange Date”), the Company’s comprehensive debt restructuring was implemented pursuant to a Plan of Arrangement under the Business Corporations Act (British Columbia) (the “Arrangement”). Under the Arrangement: (i) all accrued and unpaid interest on the Senior Secured Gold-Linked Notes (“Gold Notes”) and Senior Unsecured Silver-Linked Notes (“Silver Notes”), together with a 2% restructuring fee, were added to the principal amount of each Gold Note and Silver Note; (ii) the principal amount of the Gold Notes and Silver Notes were exchanged for the same principal amount of Senior Secured Convertible Debentures due 2020 (“2020 Debentures”) and Senior Unsecured Convertible Debentures due 2018 (“2018 Debentures”), respectively; and (iii) holders of the Gold Notes and Silver Notes had the option to convert some or all of their debt for common shares on the Exchange Date at a conversion price of \$0.13 per common share. Refer to Notes 9c and 9d for additional information regarding the 2020 Debentures and 2018 Debentures.

## 2. BASIS OF PRESENTATION

These consolidated financial statements (the “financial statements”), approved by the Board of Directors on March 30, 2017, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

### Consolidation

These financial statements comprise the financial statements of the Company including its subsidiaries at December 31, 2016.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. On May 29, 2015 the Company completed the sale of its 60% interest in the CIIGSA refinery operation (Note 14), subsequent to the sale date the Company no longer has subsidiaries with non-controlling interests.

The Company and its significant subsidiaries, all of which have a December 31 year end, are as follows:

Entity	Property/function	Location	Functional currency <sup>(1)</sup>	December 31, 2016	December 31, 2015
Gran Colombia Gold Corp.	Corporate	Canada	USD		
Gran Colombia Gold, S.A.	Corporate	Panama	USD	100%	100%
Zandor Capital, S.A. Sucursal	Segovia Operations	Colombia	COP	100%	100%
Mineros Nacionales, S.A.S.	Marmato Underground	Colombia	COP	100%	100%
Minerales Andinos de Occidente, S.A.	Marmato Project	Colombia	COP	100%	100%
Minera Croesus S.A.S.	Marmato Project	Colombia	COP	100%	100%
Zancudo Gold Sucursal	El Zancudo	Colombia	COP	100%	100%

(1) “USD” = U.S. dollar; “COP” = Colombian peso

Gran Colombia Gold Corp.  
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(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

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Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

**Foreign currency translation**

a) Functional and presentation currencies

Items included in the financial statements of each entity consolidated by the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). In January 2016, the Company determined that, as a result of the changes in its U.S. dollar debentures and the conversion price being based in USD, as described in Notes 9c and 9d, its functional currency for Gran Colombia Gold Corp., the non-operating parent company, should be changed from the Canadian dollar to USD. The Company also determined that as a result of the change in the source of funding for the activities of its non-operating Colombian exploration subsidiaries, the functional currency for these entities should be changed from USD to the COP. The translation procedures, applicable to the new functional currencies, have been applied prospectively from January 1, 2016. The functional currency of each of the Company's significant subsidiaries is disclosed in the table under "Consolidation" above. The financial statements are presented in U.S. dollars as the Company believes this will facilitate comparison with other mining and resource companies.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions or revaluation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of operations in "foreign exchange gain (loss)".

c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- ii) income and expenses for each consolidated statement of operations and cash flows for the years presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- iii) components of equity are translated at the exchange rates at the dates of the relevant transactions or at average exchange rates where this is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, and are not re-translated; and
- iv) all resulting exchange differences are recognized in other comprehensive income (loss).

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of operations as part of the gain or loss on sale.

**Segment reporting**

Reportable segments are those whose operating results are reviewed by the chief operating decision-maker, identified as the Executive Committee of the Board of Directors, which is responsible for allocating resources and assessing performance.

The Company currently operates in one reportable operating segment, being the acquisition, exploration, development and operation of gold properties in Colombia.

Gran Colombia Gold Corp.  
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### **Business combinations**

The Company uses the acquisition method of accounting for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of operations.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, term deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included in liabilities as bank indebtedness. As at December 31, 2016 and 2015, cash and cash equivalents were comprised solely of cash balances.

### **Accounts receivable**

Receivables are measured at amortized cost using the effective interest method less a provision for impairment. Provision is made in the allowance for doubtful accounts based on management's best estimate of the accounts receivable balances that may not be collectible.

### **Inventories**

Mineral inventories are valued at the lower of average production cost and net realizable value ("NRV"). The cost of mineral inventories includes all costs related to bringing the inventory to its current condition, including mining and processing costs, labour costs, supplies, direct and allocated indirect operating overhead and depreciation expense. Materials and supplies inventories are valued at the lower of cost and NRV, where cost is based on a first in, first out basis. Net realizable value is the estimated selling price less applicable selling expenses.

### **Exploration and evaluation assets**

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditures include costs which are directly attributable to:

- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods;
- completing pre-feasibility and feasibility studies; and
- costs incurred in acquiring mineral rights.

Exploration and evaluation expenditures are capitalized and are classified as such until the project demonstrates technical feasibility and commercial viability. Technical feasibility and commercial viability

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generally coincide with the establishment of proven and probable reserves; however, they may also occur when the Company makes a decision to proceed with development or begins production. Upon demonstrating technical feasibility and commercial viability, and subject to an impairment analysis, capitalized exploration and evaluation costs are transferred to mineral properties within property, plant and equipment.

**Property, plant and equipment**

Property, plant and equipment are recorded at cost less accumulated depreciation, amortization and impairment losses. Cost includes expenditures that are directly attributable to the acquisition and are recorded as part of the development and construction of the asset. Costs to acquire mineral properties are capitalized and represent the property's fair value at the time it was acquired, either as an individual asset purchase or as part of a business combination.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognized. All other repairs and maintenance costs are charged to the consolidated statement of operations during the financial period in which they are incurred.

Amortization of mineral properties is charged to cost of sales on an unit-of-production basis based upon proven and probable reserves and measured and indicated resources or until the properties are abandoned, sold or considered to be impaired in value. Mineral properties are tested for impairment in accordance with the policy for impairment of non-financial assets as set out below. Land is not depreciated.

Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Machinery and equipment	10 years
Transportation equipment	5 years
Office and other equipment	5 to 10 years
Buildings and improvements	20 years

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates each component separately. The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "other income (expense)" in the consolidated statement of operations.

The recoverability of the amounts shown for mineral properties is dependent on the existence and economic extraction of resources, the capacity to obtain financing to complete the development of such reserves, the ability to obtain the necessary licenses and permits and meet the Company's obligations under various agreements, and the success of future operations or dispositions.

**Borrowing costs**

Borrowing costs attributable to the acquisition, development or construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. The Company does not capitalize borrowing costs related to exploration and evaluation assets. All other borrowing costs are recognized as finance costs in the consolidated statement of operations in the period in which they are incurred.

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(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

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**Current and deferred income tax**

The provision for income tax for the year comprises current and deferred income tax. Income tax is recognized in the consolidated statement of operations, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized using the asset and liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined on a non-discounted basis using tax rates (and laws) that have been enacted or substantively enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**Decommissioning liabilities**

Decommissioning liabilities arise from the development, construction and normal operation of mining property, plant and equipment as mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations.

The estimated present value of reclamation liabilities is recorded in the period in which the liabilities are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated on a unit-of-production basis. The liability will be increased each period to reflect the interest element and will also be adjusted for changes in the discount rates and in the estimates of the amount, timing and cost of the work to be carried out.

Future remediation costs are accrued based on management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Changes in estimates are reflected by adjusting the decommissioning liability and the related asset in the period during which an estimate is revised. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs they will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. The estimates are dependent on labour costs, known environmental impacts, the effectiveness of remedial and restoration measures, inflation rates and pre-tax interest rates that reflect current market assessment of time value for money and the risk specific to the obligation. The Company also estimates the timing of the outlays, which is subject to change depending on continued exploitation and newly discovered mineral reserves.

Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

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#### **Provisions for other liabilities and charges**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are based on management's best estimate of the expenditure required to settle the obligation and are generally measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance costs.

#### **Post-retirement benefits – health plan obligations**

In connection with the 2010 Frontino Gold Mines Ltd. ("Frontino") assets acquisition, the Company agreed to provide the funds required to pay all of the obligatory ongoing health contributions of the participants of the predecessor company's pension plan. Actuarial gains and losses resulting from variances between actual results and economic estimates or actuarial assumptions are recorded in other comprehensive income. Changes in the present value of the obligation due to amendments or changes to the plan are recorded in profit or loss. Payments made in respect of these benefits are accounted for as operating activities.

#### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of gold and silver. Revenue is recognized upon the transfer of the ownership risks and benefits to the buyer which is generally simultaneous with delivery, when the price is fixed or determinable, and when the Company has reasonable assurance with respect to the measurement and collectability.

#### **Share-based payments**

The Company records equity-settled share-based payments under which the entity receives services from employees, consultants and directors as consideration for equity instruments (options) of the Company. For employees and others providing similar services, the total amount to be expensed is based on the fair value of the options granted.

The fair value is determined using the Black-Scholes model on grant date. Measurement inputs include share price on measurement date, exercise price, expected volatility, expected life, expected dividends, expected forfeiture rate and the risk-free interest rate.

The compensation expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of operations with a corresponding adjustment to equity.

For transactions with other third parties, the fair value of the services received in exchange for the grant of the options is recognized as an expense or asset unless the fair value of the services received cannot be reliably measured, in which case the service is measured based on the fair value of the equity instruments granted.

#### **Earnings per share**

Basic income (loss) per share is computed by dividing net income (loss) for the period attributable to shareholders by the weighted average number of common shares outstanding during the period.

Provided that they are not anti-dilutive, diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. This method assumes that proceeds received from the exercise of stock options and warrants and any unamortized share-based compensation amounts are used to repurchase common shares at the prevailing market rate. The dilutive effect of the 2018 Debentures and the 2020 Debentures is calculated using the if-converted method. Under the if-converted method, the debentures are assumed to be converted at the beginning of the period, and the resulting common

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shares are included in the denominator of the diluted earnings per share calculation for the entire period being presented. Interest expense, net of any income tax effects, is added back to the numerator for purposes of the if-converted calculation.

**Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Cash and cash equivalents	Loans and receivables
Accounts receivables	Loans and receivables
Investments	Available-for-sale financial assets
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Term loans	Other financial liabilities
Finance lease	Other financial liabilities
Silver Notes	Financial liabilities at fair value through profit and loss
Gold Notes	Financial liabilities at fair value through profit and loss
2018 Debentures	Other financial liabilities
2020 Debentures	Other financial liabilities

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain and loss in other comprehensive income is transferred to net earnings.

*Other financial liabilities*

Borrowings and other financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, these are measured at amortized cost using the effective interest method. Other financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss. Prior to their settlement, the Company's Gold Notes and Silver Notes were financial liabilities at fair value through profit and loss.

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Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separate embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses in liabilities held for trading are recognized in profit or loss.

*Fair value hierarchy*

IFRS requires an entity to classify financial assets and liabilities that are recognized in the statement of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

**Impairment**

*Financial assets*

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

*Non-financial assets*

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows (cash generating units or "CGUs"), which are typically the individual mining projects. The estimates used for impairment reviews are based on detailed mine plans and operating budgets, modified as appropriate to meet the requirements of IAS 36, *Impairment of Assets*. If the Company does not have sufficient information on its mine development costs to estimate the cash flows to review the recoverability of capitalized costs, the Company determines impairment by comparing the fair value to book value, without considering value in use.

When evaluating the value in use, value in use is determined based on discounted cash flow models taking into consideration estimates of the quantities of the reserves and mineral resources, future production levels, future gold prices, and future cash costs of production, capital expenditure, shutdown, restoration and environmental clean-up. Assumptions used are specific to the Company and the discount rate applied in the value in use test is based on the Company's estimated weighted average cost of capital with appropriate adjustment for the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecasted cash flows.

When evaluating fair value less costs of disposal, fair value is determined based on the amount that could be obtained in an arm's length transaction and generally uses a discounted cash flow model based on the present value of estimated future cash flows, including future expansions or development projects. In a fair value less costs of disposal analysis the assumptions used are those that a market participant would be expected to apply.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded in the consolidated statement of operations. Non-financial assets, other than goodwill, that were previously impaired are reviewed for possible reversal of the impairment at each reporting date when an event warrants such consideration.



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#### Recent accounting pronouncements

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”). The standard replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRS Interpretations Committee (“IFRIC”) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Company is in the process of determining the impact of IFRS 15 on its consolidated financial statements.

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

In January 2016, the IASB issued IFRS 16, *Leases* (“IFRS 16”). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided that IFRS 15 is also adopted. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a “right of use” asset and liability calculated using a prescribed methodology. The Company will evaluate the impact of adopting IFRS 16 in its consolidated financial statements in future periods.

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payments* which include guidance on how to measure the fair value of the liability incurred in a cash-settled share-based payments and clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments (i.e. the modified grant date method). The amendments also clarify the conditions under which a share-based payment transaction with employees settled net of tax withholding is accounted for as equity-settled. Additional amendments clarify the accounting for modifications to plans that result in plans changing from equity to cash settled. Companies are required to apply the amendments for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company will evaluate the impact of adopting these amendments in its consolidated financial statements in future periods.

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

#### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to use judgment in applying its accounting policies and estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. 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 financial statements.

##### a) Significant Judgments in the application of accounting policies

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are as follows:

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#### **Exploration and evaluation assets**

Exploration and evaluation assets are tested for impairment when indicators of impairment are present. In assessing impairment for exploration and evaluation assets, the Company is required to apply judgment in considering various factors that determine technical feasibility and commercial viability.

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of inferred resources to measured and indicated resources, scoping and feasibility studies, operating management expertise and existing permits.

#### **Assets' carrying values and impairment charges**

In determination of carrying value and impairment charges, management looks at the higher of value in use and fair value less costs of disposal in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management use judgment when making a decision based on the best available information at each reporting period.

#### **Income taxes**

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the consolidated provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

At each reporting date, the Company evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if the Company believes that it is probable that some portion of the deferred tax assets will fail to be realized, the Company records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires management to make significant judgments.

#### **b) Significant accounting estimates and assumptions**

The areas which require management to make significant estimates and assumptions in determining carrying values include:

#### **Mineral reserves and resources**

The Company's mineral reserves and resources are estimated based on information compiled by the Company's qualified persons. Mineral reserves and resources are used in the calculation of amortization and depletion, for the purpose of calculating any impairment charges, and for forecasting the timing of the payment of shutdown, restoration, and clean-up costs.

In assessing the life of a mine for accounting purposes, mineral reserves and resources are only taken into account where there is a high degree of confidence of economic extraction. There are numerous uncertainties inherent in estimating mineral reserves and resources, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Mineral reserves and resource estimates may vary as a result of changes in the price of gold, production costs and with additional knowledge of the ore deposits and mining conditions. Changes in the measured and indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, reclamation and remediation obligations, recognition of deferred tax amounts and depreciation, depletion and amortization.

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### **Impairment**

Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, and current, historical or projected losses that demonstrate continuing losses.

The fair value measurement of the Company's non-financial assets, for the purpose of comparison with the carrying value, is based on numerous assumptions and may differ significantly from actual fair values.

The fair values are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated fair values of non-financial assets to their carrying values. The Company's fair value estimates are based on numerous assumptions including, but not limited to, estimated gold prices, operating costs, recoveries, resources, capital and site restoration expenditures and estimated future foreign exchange rates. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's financial position and results of operations. Reserve and resource estimates are the most important variable in the Company's fair value estimates. A decrease in the Company's reserves and resources may result in an impairment charge, which could decrease the Company's net income.

Management's estimate of future cash flows is subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur with evolving economic conditions, which may affect recoverability of the Company's non-financial assets.

### **Amortization of mineral properties**

The mineral properties balance is amortized using the units-of-production method over the expected operating life of the mine based on estimated recoverable ounces of gold, which are the prime determinants of the life of a mine. Estimated recoverable ounces are based on proven and probable reserves and measured and indicated resource balances. Changes in these estimates will result in changes to the amortization charges over the remaining life of the operation. A decrease in reserves and resources would increase amortization expense, and this could have a material impact on the operating results.

### **Fair values of the 2018 Debentures and the 2020 Debentures**

The 2018 Debentures and the 2020 Debentures represent other financial liabilities recorded at fair value at the Exchange Date and subsequently measured at amortized cost. The initial fair value ascribed to the debentures is being accreted up to the principal amount over the term of the debentures using the effective interest method with the change in amortized cost being recognized through profit and loss. Fair values have been determined based on a valuation methodology that captured all of the features of the respective notes in a set of partial differential equations that then solved numerically to arrive at the value of the 2018 Debentures and the 2020 Debentures at the Exchange Date. The fair value estimates are based on numerous assumptions including, but not limited to, commodity prices, time value, volatility factors, risk-free rates and credit spreads.

### **Fair values of the Gold Notes and the Silver Notes**

The Gold Notes and the Silver Notes, prior to their exchange for the 2020 Debentures and 2018 Debentures respectively, represented financial liabilities held at fair value with the change in fair value being recognized through profit and loss. Fair values have been determined based on a valuation methodology that captures all of the features of the respective notes in a set of partial differential equations that are then solved numerically to arrive at the value of the notes. The fair value estimates are based on numerous assumptions including, but not limited to, commodity prices, time value, volatility factors, risk-free rates and credit spreads. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's financial position and results of operations.

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**Decommissioning liabilities**

The Company assesses its provision for reclamation and remediation on a quarterly basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

**5. INVENTORIES**

	December 31, 2016	December 31, 2015
Mineral inventories	\$ 2,381	\$ 1,854
Materials and supplies	8,447	5,947
	<b>\$ 10,828</b>	<b>\$ 7,801</b>

**6. MINING INTERESTS**

	Mineral properties	Plant and equipment	Construction in progress	Exploration and evaluation	Total
<b>Year ended December 31, 2015</b>					
Opening net book value	\$ 106,420	\$ 35,021	\$ 58,670	\$ 228,430	\$ 428,541
Additions	2,086	4,836	2,386	2,061	11,369
Transfers from construction in progress	-	1,226	(1,226)	-	-
Capitalized interest	-	-	10,000	-	10,000
Social contributions <sup>(1)</sup>	(107)	-	-	-	(107)
Decrease in decommissioning liability	(1,336)	-	-	-	(1,336)
Depreciation and amortization	(8,977)	(3,761)	-	-	(12,738)
Impairment charges (Note 7)	(18,181)	(5,038)	(14,125)	-	(37,344)
Disposal of mining interests	-	(785)	-	(3,151)	(3,936)
Reduction in Marmato commitments	-	-	-	(721)	(721)
Exchange difference	(21,194)	(7,665)	(10,088)	(4,093)	(43,040)
Closing net book value	<b>\$ 58,711</b>	<b>\$ 23,834</b>	<b>\$ 45,617</b>	<b>\$ 222,526</b>	<b>\$ 350,688</b>
<b>As at December 31, 2015</b>					
Cost	\$ 165,458	\$ 43,460	\$ 62,148	\$ 226,398	\$ 497,464
Accumulated depreciation, amortization and impairment losses	106,747	19,626	16,531	3,872	146,776
Net book value	<b>\$ 58,711</b>	<b>\$ 23,834</b>	<b>\$ 45,617</b>	<b>\$ 222,526</b>	<b>\$ 350,688</b>

<sup>(1)</sup> In 2015, the Company donated land and buildings in Segovia to the local government with a carrying value of \$0.1 million.

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	Mineral properties	Plant and equipment	Construction in progress	Exploration and evaluation	Total
<b>Year ended December 31, 2016</b>					
Opening net book value	\$ 58,711	\$ 23,834	\$ 45,617	\$ 222,526	\$ 350,688
Additions	5,589	6,947	2,637	401	15,574
Transfers from construction in progress	8,107	6,929	(15,036)	-	-
Decrease in decommissioning liability	(583)	-	-	-	(583)
Depreciation and amortization	(8,601)	(4,241)	-	-	(12,842)
Impairment charges (Note 7)	-	-	(17,008)	-	(17,008)
Disposal of mining interests	-	(161)	-	(958)	(1,119)
Exchange difference	2,099	937	945	10,307	14,288
Closing net book value	\$ 65,322	\$ 34,245	\$ 17,155	\$ 232,276	\$ 348,998
<b>As at December 31, 2016</b>					
Cost	\$ 185,748	\$ 58,695	\$ 48,988	\$ 237,103	\$ 530,534
Accumulated depreciation, amortization and impairment losses	120,426	24,450	31,833	4,827	181,536
Net book value	\$ 65,322	\$ 34,245	\$ 17,155	\$ 232,276	\$ 348,998

A summary of mining interests by property is as follows:

	Mineral properties	Plant and equipment	Construction in progress	Exploration and evaluation	December 31, 2016	December 31, 2015
Segovia Operations	\$ 65,322	\$ 25,248	\$ 17,155	\$ -	\$ 107,725	\$ 120,598
Marmato Project	-	8,997	-	232,276	241,273	230,090
Total	\$ 65,322	\$ 34,245	\$ 17,155	\$ 232,276	\$ 348,998	\$ 350,688

A summary of the depreciation recorded during the years ended December 31 is as follows:

	2016	2015
Cost of sales	\$ 12,546	\$ 12,472
General and administrative expenses	17	25
Total charged to operations	12,563	12,497
Increase in inventories	180	125
Decrease in assets held for sale	-	(6)
Capitalized to exploration and evaluation assets	99	122
	\$ 12,842	\$ 12,738

*Segovia Operations social contributions*

In connection with the 2010 Frontino assets acquisition, the Company must make contributions to a trust account to fund local social programs in each quarter in which it produces a minimum of 15,000 ounces of gold. The contribution rate is \$4 per ounce of gold production at the minimum gold price of \$700 per ounce and increases by \$2 per ounce for each \$50 increment in the price of gold. Based on the Company's gold production during 2016, the Company incurred a total obligation for social contributions of \$3.2 million (2015 – \$2.0 million). As at December 31, 2016, \$0.8 million was included in accounts payable and accrued liabilities related to this obligation (December 31, 2015 – \$1.0 million).

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*Marmato Project commitments*

(i) *Mining title contracts – title transfers approved:* The Company has entered into agreements to purchase additional mining titles related to the Marmato property. The transfer of title is conditional on approval by government authorities. In December 2015, the Company negotiated the cancellation of certain mining titles contracts with minimal impact on the total mineral resources at Marmato. The cancellation reduced mining titles payables by \$0.7 million and a loss on disposal of mining titles of \$2.3 million was recorded on amounts that had previously been paid. As at December 31, 2016, COP 2.6 billion (\$0.9 million) is included in amounts payable for acquisition of mining interests related to title acquisitions for which approval for the transfer has been obtained (December 31, 2015 – COP 7.4 billion; \$2.3 million).

(ii) *Mining title contracts – title transfers pending approval:* The Company has mining title contracts for which the approval for the transfer of title has not yet been obtained from the government authorities. If government approval is not obtained, the Company will forfeit any amounts previously paid and will no longer be required to make further payments. In 2016, the Company cancelled and renegotiated certain mining title contracts pending approval, reducing its future commitments by COP 12.6 billion (approximately \$4.2 million) and resulting in a loss on disposal of mining interests of \$0.9 million of amounts that had previously been paid (2015 - \$1.1 million and \$0.4 million respectively). As of December 31, 2016, the Company has commitments under these contracts to spend an additional COP 12.2 billion (\$4.1 million) (December 31, 2015 – COP 24.8 billion; \$7.9 million) which has not been included in amounts payable for acquisition of mining interests. In 2015, the Company's commitments decreased by COP 7.5 billion (approximately \$2.4 million) as the Company received notice that the applications for the transfer of certain titles, which were superimposed on areas the Company had already been granted, were cancelled.

(iii) *Compensation agreements:* In 2011 and 2012, the Company entered into agreements to compensate artisanal miners who will be required to cease mining activities at the Company's Marmato Project upon commencement of development activities. As at December 31, 2016, a total of COP 30.3 billion (\$10.1 million), including interest, is included in amounts payable for acquisition of mining interests related to these compensation agreements which are currently in arrears and under discussion with the counterparties (December 31, 2015 – COP 28.9 billion; \$9.2 million). In December 2015, the Company terminated certain compensation agreements reducing the compensation agreements payable by COP 0.9 billion (approximately \$0.3 million) and recording a loss on disposal of mining interests of \$0.5 million on amounts that had previously been paid.

**7. IMPAIRMENT CHARGES**

	Years ended December 31,	
	2016	2015
Segovia Operations (Note 6)		
Mineral properties	\$ -	\$ 18,181
Plant and equipment	-	5,038
Construction in process	17,008	14,125
	\$ 17,008	\$ 37,344

*Segovia Operations CGU*

In the fourth quarter of 2016, the Company completed an assessment of the carrying value of the remaining construction in process assets associated with the new 2,500 tpd processing plant at Segovia. Based on its current mine plan, the Company has determined that for the foreseeable future, the new plant will not be required. Certain equipment originally acquired for the new plant has already been incorporated into upgrades at the existing Maria Dama plant and the Company expects that it will recover the carrying value of certain other components through upgrades of its existing processing plants or sale. However, the Company has recorded an impairment charge of \$17.0 million in the fourth quarter of 2016 for expenditures associated with earthworks, buildings and project related overheads which may not be recoverable.

As part of the annual review of recoverable amounts of its CGUs at December 31, 2015, the fair value (less cost of disposal) of the Segovia Operations CGU was reassessed based on an updated mine plan completed in December 2015 together with further changes in the expected long-term gold price. The determination of fair value (less cost of disposal) for the Segovia Operations CGU uses Level 3 valuation techniques. The

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assessment of carrying value of the Segovia Operations CGU at December 31, 2015 utilized future life-of-mine ("LOM") after-tax cash flows which incorporated management's best estimates of future metals prices, production based on current estimates of recoverable mineral resources, future operating costs, capital expenditures, inflation and long-term foreign exchange rates. The recoverable amount of the asset was then determined by discounting the LOM after-tax cash flow projections with assumptions that would be expected to be applied by market participants including a discount rate of 7.75%, a gold price of \$1,200 per ounce in 2016 and long-term gold prices beyond 2016 of \$1,200. As a result of a \$100 per ounce reduction in the long-term gold price assumption compared with the 2014 annual impairment review, the carrying value of the Segovia Operations CGU exceeded the estimated recoverable amount, and as such, a \$37.3 million impairment charge was recognized against the mineral properties, property, plant and equipment and construction in process for the Segovia Operations.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31, 2016	December 31, 2015
Trade payables related to operating, general and administrative expenses	\$ 11,683	\$ 20,095
Trade payables related to capital expenditures	1,251	1,830
Withholding taxes payable	1,271	590
Advances received against future gold sales	-	1,172
Other provisions and accrued liabilities	2,422	1,618
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 16,627</b>	<b>\$ 25,305</b>

**9. LONG-TERM DEBT**

	Maturity	Currency	Interest Rate	December 31, 2016	December 31, 2015
Term loan (a)	2017	COP	Variable	\$ 937	\$ 2,083
Finance leases (b)	2017 to 2019	COP	Variable	715	929
2020 Debentures (c)	2020	USD	6%	61,227	-
2018 Debentures (d)	2018	USD	1%	23,375	-
Gold Notes (c)	2017	USD	10%	-	62,332
Silver Notes (d)	2018	USD	5%	-	38,408
<b>Total long-term debt</b>				<b>86,254</b>	<b>103,752</b>
<b>Less: current portion</b>				<b>1,232</b>	<b>102,183</b>
<b>Long-term portion</b>				<b>\$ 85,022</b>	<b>\$ 1,569</b>

*a) Term loan*

At December 31, 2016, the Company had a total of COP 2.8 billion outstanding, equivalent to approximately \$0.9 million (December 31, 2015 – COP 6.6 billion or \$2.1 million), pursuant to a term loan due August 2017 with a Colombian bank which is repaid on a quarterly basis and bears interest at the Colombian market weekly average of fixed-term deposits ("DTF") rate (December 31, 2016 – 6.86%) plus 4.0%. The term loan is secured by a portion of the operating cash flows from the Segovia Operations which are accumulated through a monthly deposit of COP 450 million (approximately \$0.2 million) into a restricted cash account to meet the debt service obligations.

At December 31, 2016, there was \$0.2 million held in trust for this term loan (December 31, 2015 - \$0.1 million).

*b) Obligations under finance leases*

At December 31, 2016, the Company had four finance leases related to mining and other equipment used in the Company's Segovia Operations. The leases are paid in monthly instalments over three- to five-year terms and, at the end of the leases, the Company has the option to purchase the equipment for a total of COP 0.4 billion, equivalent to 10% of the original value or approximately \$0.2 million. The leases have an average effective interest rate of 8.96%.

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Under the arrangements, the Company's annual minimum lease payments at December 31, 2016 are:

Within 1 year	\$	329
2-5 years, including purchase option		468
<hr/>		
Total minimum lease payments		797
Amount representing interest		(82)
<hr/>		
Present value of net minimum lease payments	\$	715

c) 2020 Debentures and Gold Notes

Gold Notes	Number of Gold Notes	Amount
<hr/>		
As at December 31, 2014	100,000	\$ 80,904
Gain on mark-to-market adjustment (Note 17)	-	(19,556)
Interest in arrears	-	984
<hr/>		
As at December 31, 2015	100,000	\$ 62,332
Additional interest in arrears, including interest thereon	-	256
Interest in arrears capitalized to Gold Notes on the Exchange Date	-	(2,148)
Gold Notes issued to settle arrears interest	2,148	1,145
Gold notes issued for 2% restructuring fee (Note 16)	2,000	1,066
Gain on mark-to-market adjustment at Exchange Date (Note 17)	-	(7,140)
Gold Notes converted to common shares on Exchange Date (Note 12b)	(156)	(84)
<hr/>		
Gold Notes exchanged for 2020 Debentures at the Exchange Date	103,992	\$ 55,427
<hr/>		
2020 Debentures	Number of 2020 Debentures	Amount
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Principal amount issued on the Exchange Date	103,992	\$ 103,992
Initial discount	-	(48,565)
Value allocated to conversion option	-	(1,705)
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Value allocated to debt at the Exchange Date	103,992	53,722
Converted to common shares (Note 12b)	(698)	(371)
Purchased and cancelled	(2,134)	(1,251)
Accretion of discount (Note 16)	-	9,127
<hr/>		
As at December 31, 2016	101,160	\$ 61,227
<hr/>		
Total principal amount issued and outstanding	101,160	101,160
Balance of discount to be accreted	-	(39,933)
<hr/>		
	101,160	\$ 61,227

As described in Note 1, Gold Notes were exchanged for 2020 Debentures on the Exchange Date. In addition, on the Exchange Date, the Company issued 1,201,707 common shares to certain holders of Gold Notes who elected to receive common shares in exchange for \$0.16 million principal amount of Gold Notes, including all corresponding accrued and unpaid interest and applicable restructuring fees as of the Exchange Date.

Key terms of the 2020 Debentures, which were listed for trading on the Toronto Stock Exchange (the "TSX") on January 22, 2016 under the trading symbol GCM.DB.V, include:

- i. The aggregate principal amount, before conversions elected on the Exchange Date, was \$104.2 million, representing the sum of \$100 million principal amount of the Gold Notes plus \$2.2 million of accrued and unpaid interest on the Gold Notes and a \$2.0 million restructuring fee.
- ii. The 2020 Debentures are issuable only in denominations of \$1.00 and integral multiples thereof.
- iii. The 2020 Debentures bear cash interest at a rate of 6.00% per annum payable monthly in arrears on the last business day of each month, commencing on February 29, 2016.
- iv. The maturity date is January 2, 2020.



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- v. The 2020 Debentures are convertible, at the option of the holder at any time prior to the close of business on the maturity date at a conversion price of \$0.13 per common share (this represents a conversion rate of approximately 7,692 common shares per \$1,000 principal amount of 2020 Debentures). The conversion price is subject to standard provisions providing for adjustments upon the occurrence of certain corporate events.
- vi. The 2020 Debentures may be redeemed 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.
- vii. The 2020 Debentures are senior secured indebtedness of the Company. The ranking of, and security for, the 2020 Debentures are as set out in the Gold Notes indenture. The covenants and events of default are also as set out in the Gold Notes indenture.
- viii. In addition to the right of the Company to redeem the 2020 Debentures, as set out above, the Company also has the right at any time to purchase the 2020 Debentures in the market, by tender, or by private contract, at any price, which, for greater certainty, may be below par.
- ix. If a change of control occurs, each holder will have the option to elect to put the 2020 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 however, that a change of control will be deemed not to have occurred 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 2020 Debentures.

From the Exchange Date to December 31, 2016, debenture holders have elected to convert a total of \$0.7 million aggregate principal amount of 2020 Debentures into 5,373,215 common shares.

In addition to the above, the Company covenants that, commencing in 2016, 75% of its Excess Cash Flow, as defined below, will be paid into a sinking fund, which will be applied towards repayment, repurchase (in the market, by tender, or by private contract, at any price, which, for greater certainty, may be below par) or other redemption, as the Company elects, of the 2020 Debentures. "Excess Cash Flow" means with respect to any fiscal quarter of the Company, consolidated EBITDA for such fiscal quarter less capital, development and exploration expenditures, cash payments of principal and interest on debt, changes in non-cash working capital items and payment of taxes and certain other existing financial obligations of the Company. During the year ended December 31, 2016, the Company generated a total of \$2.9 million of excess cash flow, of which \$2.2 million has been deposited into the 2020 Debentures sinking fund.

On July 19, 2016, the Company announced that it had received approval from the TSX to commence a Normal Course Issuer Bid ("2020 NCIB") for its 2020 Debentures. The 2020 NCIB commenced on July 21, 2016 and will remain open until the earlier of July 20, 2017 or the date on which the Company has purchased the maximum number of 2020 Debentures permitted under the bid. Under the terms of the 2020 NCIB, the Company will have the right to purchase for cancellation up to a maximum of \$9,629,597 aggregate principal amount of 2020 Debentures through the facilities of the TSX or alternative Canadian trading systems. This amount represents approximately 10% of the public float of the 2020 Debentures issued and outstanding as of July 11, 2016, determined in accordance with the applicable rules of the TSX. Management of the Company will determine the actual number of 2020 Debentures that may be purchased and the timing of any such purchases, subject to compliance with applicable TSX rules. Daily purchases will be limited to \$12,279 principal amount of 2020 Debentures, other than block purchase exceptions. The price that the Company will pay for any debentures purchased will be the market price at the time of the acquisition. The Company will not purchase debentures when the market price per \$100 aggregate principal amount of the debentures exceeds \$100. From July 21, 2016 and December 31, 2016, the Company purchased and cancelled \$2.1 million aggregate principal amount of 2020 Debentures, having an amortized cost of \$1.3 million, at the market price of \$1.8 million recording a loss on financial instruments of \$0.6 million. As at December 31, 2016, a balance of \$0.4 million in the 2020 Debentures sinking fund is included in non-current cash in trust.

The 2020 Debentures are secured by: (i) a general security agreement on assets of the Company; (ii) a general pledge of assets of Gran Colombia Gold, S.A. (excluding its interest in the shares of certain unrestricted subsidiaries); (iii) a general pledge of assets registered against Zandor Capital, S.A.; (iv) a pledge of the securities of Zandor Capital, S.A.; (v) a general pledge of assets in Colombia of the Colombian branches of Zandor Capital, S.A., the registered owner of the assets comprising the Segovia Operations; (vi) a pledge of the securities of Mineros Nacionales S.A.S., Minerales Andinos de Occidente, S.A. and Minera Croesus, S.A.S.; (vii) a general pledge of assets of Mineros Nacionales S.A.S., Minerales Andinos de Occidente, S.A. and Minera Croesus, S.A.S., which are the registered owners of the assets comprising the Marmato Project;

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(viii) direct security on material mining titles to the Segovia Project and the Marmato Project; and (ix) a pledge of the securities and a general pledge of assets of any restricted subsidiary holding or receiving any cash derived from the Segovia Operations or the Marmato Project. The Company is permitted to incur additional indebtedness that could be secured by liens on the collateral.

On the Exchange Date, in light of the Arrangement, the fair value of the Gold Notes exchanged for 2020 Debentures was determined based on a valuation methodology that captured all the features of the 2020 Debentures in a set of partial differential equations that were then solved numerically to arrive at the fair value of the Gold Notes. The Company recognized a \$7.1 million mark-to-market gain on the Gold Notes at the Exchange Date.

The 2020 Debentures were considered a unit that included two separate financial instruments, the 6% coupon secured \$1,000 principal debenture and the conversion option. As such, on issuance, the Company elected to value the \$1,000 principal debenture first and allocate the residual amount to the conversion option, which is recorded in contributed surplus. The \$1,000 principal debentures are a financial liability and have been designated at amortized cost. As such, the 2020 Debentures were recorded at fair value at the Exchange Date and are subsequently measured at amortized cost using the effective interest method. The initial fair value ascribed to the debentures is being accreted up to the principal amount over the term of the debentures using the effective interest method, resulting in an effective interest rate of 22.7%, including the cash interest of 6%. The 2020 Debentures are classified as Level 2 in the fair value hierarchy outlined in IFRS 13, *Financial Instruments: Disclosures* ("IFRS 13") as the fair value has been determined based on inputs, including gold prices, time value, volatility factors, risk-free rate, stock price, and credit spread, which can be substantially observed or corroborated in the marketplace.

d) 2018 Debentures and Silver Notes

<b>Silver Notes</b>	Number of Silver Notes	Amount
As at December 31, 2014	78,632	\$ 33,436
Gain on mark-to-market adjustment (Note 17)	-	4,569
Interest in arrears	-	403
As at December 31, 2015	78,632	38,408
Additional interest in arrears, including interest thereon	-	103
Interest in arrears capitalized to Silver Notes on the Exchange Date	-	(2,490)
Silver Notes issued to settle arrears interest	2,490	828
Silver notes issued for 2% restructuring fee (Note 16)	1,572	522
Gain on mark-to-market adjustment at Exchange Date (Note 17)	-	(9,884)
Silver Notes converted to common shares on Exchange Date (Note 12b)	(11,526)	(3,831)
<b>Silver Notes exchanged for 2020 Debentures at the Exchange Date</b>	<b>71,168</b>	<b>\$ 23,656</b>
<b>2018 Debentures</b>	Number of 2018 Debentures	Amount
Principal amount issued on the Exchange Date	71,168	\$ 71,168
Initial discount	-	(47,512)
Value allocated to conversion option	-	(2,213)
Value allocated to debt at the Exchange Date	71,168	21,443
Converted to common shares (Note 12(b))	(20,642)	(7,800)
Purchased and cancelled	(782)	(313)
Accretion of discount (Note 16)	-	10,045
As at December 31, 2016	49,744	\$ 23,375
Total principal amount issued and outstanding	49,744	49,744
Balance of discount to be accreted	-	(26,369)
	49,744	\$ 23,375

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As described in Note 1, Silver Notes were exchanged for 2018 Debentures on the Exchange Date. In addition, on the Exchange Date, the Company issued 88,663,325 common shares to certain holders of Silver Notes who elected to receive common shares in exchange for \$11.5 million principal amount of Silver Notes, including all corresponding accrued and unpaid interest and applicable restructuring fees as of the Exchange Date.

Key terms of the 2018 Debentures, which were listed for trading on the TSX on January 22, 2016 under the trading symbol GCM.DB.U, include:

- i. The aggregate principal amount, before conversions elected on the Exchange Date, was \$82.7 million, representing the sum of \$78.6 million principal amount of the Silver Notes plus \$2.5 million of accrued and unpaid interest on the Silver Notes and a \$1.6 million restructuring fee.
- ii. The 2018 Debentures are issuable only in denominations of \$1.00 and integral multiples thereof.
- iii. The 2018 Debentures bear cash interest at a rate of 1.0% per annum payable monthly in arrears on the last business day of each month, commencing on February 29, 2016.
- iv. The maturity date is August 11, 2018.
- v. The 2018 Debentures are convertible, at the option of the holder at any time prior to the close of business on the maturity date at a conversion price of \$0.13 per common share (this represents a conversion rate of approximately 7,692 common shares per \$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.
- vi. The 2018 Debentures may be redeemed 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.
- vii. 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 \$0.13. 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 \$0.13 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 \$0.13 per common share.
- viii. The 2018 Debentures are unsecured indebtedness of the Company. The covenants and events of default are as set out in the Silver Notes indenture.
- ix. In addition to the right of the Company to redeem the 2018 Debentures, as set out above, the Company also has the right at any time to purchase the 2018 Debentures in the market, by tender, or by private contract, at any price, which, for greater certainty, may be below par.
- x. 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 however, that a change of control will be deemed not to have occurred 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.

From the Exchange Date to December 31, 2016, debenture holders have elected to convert a total of \$20.6 million aggregate principal amount of 2018 Debentures into 158,786,337 common shares. Subsequent to December 31, 2016, debenture holders have elected to convert an additional \$3.8 million aggregate principal amount of 2018 Debentures into 29,028,179 common shares.

In addition to the foregoing, the Company covenants that, commencing in 2016, 25% of its Excess Cash Flow, as defined in Note 9c, will be paid into a sinking fund, which will be applied towards repayment, repurchase (in the market, by tender, or by private contract, at any price, which, for greater certainty, may be below par) or other redemption, as the Company elects, of the 2018 Debentures. During the year ended December 31, 2016, the Company generated a total of \$2.9 million of which \$0.7 million has been deposited to the 2018 Debentures sinking fund.

On July 19, 2016, the Company announced that it had received approval from the TSX to commence a Normal Course Issuer Bid ("2018 NCIB") for its 2018 Debentures. The 2018 NCIB commenced on July 21, 2016 and will remain open until the earlier of July 20, 2017 or the date on which the Company has purchased the maximum number of 2018 Debentures permitted under the bid. Under the terms of the 2018 NCIB, the

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Company will have the right to purchase for cancellation up to a maximum of \$6,633,471 aggregate principal amount of 2018 Debentures through the facilities of the TSX or alternative Canadian trading systems. This amount represents approximately 10% of the public float of the 2018 Debentures issued and outstanding as of July 11, 2016, determined in accordance with the applicable rules of the TSX. Management of the Company will determine the actual number of 2018 Debentures that may be purchased and the timing of any such purchases, subject to compliance with applicable TSX rules. Daily purchases will be limited to \$17,154 principal amount of 2018 Debentures, other than block purchase exceptions. The price that the Company will pay for any debentures purchased will be the market price at the time of the acquisition. The Company will not purchase debentures when the market price per \$100 aggregate principal amount of the debentures exceeds \$100. From July 21, 2016 to December 31, 2016, the Company purchased and cancelled \$0.8 million aggregate principal amount of 2018 Debentures, having an amortized cost of \$0.3 million, at a market price of \$0.6 million recording a loss on financial instruments of \$0.3 million. As at December 31, 2016, there is a balance of \$0.1 million in the 2018 Debentures sinking fund included in non-current cash in trust.

On the Exchange Date, in light of the Arrangement, the fair value of the Silver Notes exchanged for 2018 Debentures was determined based on a valuation methodology that captured all the features of the 2018 Debentures in a set of partial differential equations that are then solved numerically to arrive at the fair value of the Silver Notes. The Company recognized a \$9.9 million mark-to-market gain on the Silver Notes at the Exchange Date.

The 2018 Debentures were considered a unit that included two separate financial instruments, the 1% coupon secured \$1,000 principal debenture and the conversion option. As such, on issuance, the Company elected to value the \$1,000 principal debenture first and allocate the residual amount to the conversion option, which is recorded in contributed surplus. The \$1,000 principal debentures are a financial liability and have been designated at amortized cost. As such, the 2018 Debentures were recorded at fair value at the Exchange Date and are subsequently measured at amortized cost using the effective interest method. The initial fair value ascribed to the debentures is being accreted up to the principal amount over the term of the debentures using the effective interest method, resulting in an effective interest rate of 47.9%, including interest of 1%. The 2018 Debentures are classified as Level 2 in the fair value hierarchy outlined in IFRS 13 as the fair value has been determined based on inputs, including gold prices, time value, volatility factors, risk-free rate, stock price, and credit spread, which can be substantially observed or corroborated in the marketplace.

e) *Scheduled debt repayments*

	2017	2018	2019	2020	Total
Term loan	\$ 937	\$ -	\$ -	\$ -	\$ 937
Finance leases <sup>(1)</sup>	329	411	57	-	797
2020 Debentures <sup>(2)</sup>	-	-	-	101,160	101,160
2018 Debentures <sup>(2)(3)</sup>	-	49,744	-	-	49,744
	\$ 1,266	\$ 50,155	\$ 57	\$ 101,160	\$ 152,638

(1) Includes interest and purchase option.

(2) Represents the principal amount of the debentures at maturity, based on the amounts issued and outstanding at December 31, 2016, assuming no prior conversions, redemptions or repurchases, as permitted, prior to maturity (Notes 9(c) and 9(d)).

(3) The Company has the option to settle the 2018 Debentures at maturity through the issuance of common shares at \$0.13 per share; however, if the Company's share price is below \$0.13 per share at maturity, then the Company must pay 19% of the then outstanding principal amount in cash and the remaining 81% may be settled in common shares at \$0.13 per share.

**10. WEALTH TAX**

In December 2014, a tax reform bill amending the Colombian Tax Statute introduced a new wealth tax applicable for 2015 through 2017, inclusive. The taxable basis accrues annually on January 1<sup>st</sup> of each year and is payable in two instalments in each of May and September. For 2015, the wealth tax expense of \$3.3 million was based on rates of up to 1.15% of gross equity in Colombia (minus allowable debts) held through branches or permanent establishments located in Colombia. For 2016, the wealth tax expense of \$2.2 million was based on rates of up to 1.00%.

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**11. PROVISIONS**

A summary of changes to provisions is as follows:

	Decommissioning and rehabilitation	Environmental discharges	Health plan obligations	Total
As at December 31, 2014	\$ 9,566	\$ 10,892	\$ 15,287	\$ 35,745
Recognized in period	-	725	-	725
Effect of changes in estimates	(1,336)	-	(149)	(1,485)
Interest recognized in the period	-	765	-	765
Payments in the period	-	(748)	(756)	(1,504)
Accretion of discount	419	465	998	1,882
Exchange difference	(2,306)	(2,791)	(3,708)	(8,805)
As at December 31, 2015	6,343	9,308	11,672	27,323
Recognized in period	-	568	-	568
Effect of changes in estimates	(583)	(482)	588	(477)
Interest recognized in the period	-	336	-	336
Payments in the period	-	(1,259)	(812)	(2,071)
Accretion of discount	481	194	954	1,629
Exchange difference	279	464	578	1,321
As at December 31, 2016	\$ 6,520	\$ 9,129	\$ 12,980	\$ 28,629
Current	\$ -	\$ 2,516	\$ 802	\$ 3,318
Non-current	6,520	6,613	12,178	25,311
	\$ 6,520	\$ 9,129	\$ 12,980	\$ 28,629

*a) Decommissioning and rehabilitation provision*

In 2012, the Company filed a five-year environmental management plan for the Segovia Operations with the local environmental authority. Although the Company is not currently required to prepare a comprehensive closure plan for the Segovia Operations, it has estimated the undiscounted costs to be incurred with respect to the ultimate mine closure and reclamation activities to be approximately \$15 million. As such, the Company recorded the present value of the estimated obligation as a decommissioning liability in 2012. The provision recorded represents management's best estimate of the future reclamation and remediation obligation; however, the estimated amount is inherently uncertain and will be revised as further information becomes available. Actual future expenditures may therefore differ materially from the amounts currently provided. During the year ended, December 31, 2015, the Company recorded a reduction in the present value of the decommissioning and rehabilitation provision and the corresponding mineral property related the Company extended the expected date of expenditures for the closure and reclamation activities for the Segovia Operation based on the current updated mine plan.

	Expected date of expenditures	Inflation rate	Pre-tax risk free rate	Undiscounted cash flow
Marmato Mine	2019	4.6%	8.01%	\$ 765
Segovia Operations	2020	4.6%	8.01%	2,986
Segovia Operations	2022	4.6%	8.01%	5,972

*b) Provision for Segovia Operation environmental discharges*

The Company's mining and exploration activities are subject to Colombian laws and regulations governing the protection of the environment. Colombian regulations provide for fees applicable to entities discharging effluents to river basins. The gold processing plant acquired in the 2010 Frontino assets acquisition has been producing discharges to the environment for many years. Since the 2010 Frontino assets acquisition, the

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Company has been taking steps to minimize and eventually eliminate these discharges through its capital investments in its gold processing plant and the expansion of its tailings storage facilities.

In July 2013, Corantioquia issued a resolution confirming an assessment of fees totalling COP 29.5 billion (approximately \$12.3 million) for environmental discharges in 2010 and 2011 at tariff rates that significantly exceed the applicable rates that the Company believes were in effect for those particular periods. In November 2013, after further appeal to Corantioquia to appropriately amend the assessments, the Company initiated proceedings in the Colombian judicial system to seek a reduction in the assessed discharge fees. The matter is currently still in process in the judicial system.

In April 2013, Corantioquia issued an invoice to the Company in the amount of COP 9.9 billion (approximately \$5.1 million), including interest, in respect of discharge fees for 2012. After administrative remedies, Corantioquia issued a resolution in August 2013, reducing the assessed amount to COP 9.8 billion. In February 2014, after further appeal by the Company, the interest included in the 2012 assessment was cancelled, reducing the amount to COP 9.7 billion (approximately \$5.0 million).

In June 2014, Corantioquia issued an invoice to the Company in the amount of COP 3.6 billion (approximately \$1.9 million), including interest, in respect of discharge fees for 2013.

In February 2015, the Company signed a four-year payment plan agreement for settlement of the 2012 and 2013 discharge fee obligations which includes COP 1.9 billion (approximately \$0.8 million) of accrued interest up to the date of commencement of the payment plan. The payment plan agreement bears interest at 19.21% per annum and will be paid in 48 escalating monthly payments which commenced on February 19, 2015.

In April 2015, Corantioquia issued an invoice to the Company in the amount of COP 2.3 billion (approximately \$1.0 million), including interest, in respect of discharge fees for 2014. In April 2016, Corantioquia issued an invoice to the Company in the amount of COP 2.2 billion (approximately \$0.8 million), including interest, in respect of discharge fees for 2015.

In June 2016, the Company signed a four-year payment plan agreement for settlement of the 2014 and 2015 discharge fee obligations, excluding COP 0.4 billion (approximately \$0.1 million) of accrued interest up to the date of commencement of the payment plan, which was paid in July 2016. The payment plan agreement bears interest at 10.83% per annum and will be paid in 48 equal monthly payments which will commence on August 30, 2016.

Based on the foregoing, the Company has recorded a provision in operating costs for the discharge fee for the year ended December 31, 2016 in the amount of \$0.6 million (2015 - \$0.7 million). This amount for 2016 represents the Company's best estimate of the potential liability for environmental discharge fees incurred during the year that has not yet been assessed or invoiced by Corantioquia.

*c) Provision for health plan obligations*

In connection with the 2010 Frontino assets acquisition, the Company agreed to fund the obligatory ongoing health plan contributions of the participants in Frontino's pension plan. The fair value of this obligation based on an actuarial report prepared as at December 31, 2016, with an inflation rate of 4.93% and a discount rate of 9.96%, was COP 38.9 billion (approximately \$13.0 million). The Company is currently paying approximately COP 0.2 billion (approximately \$0.1 million) monthly to fund the obligatory health plan contributions. At December 31, 2016, cash in trust includes \$0.7 million deposited in a restricted fund account as security against this obligation (December 31, 2015 - \$0.3 million).

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**12. SHARE CAPITAL**

*a) Authorized*

Unlimited number of common shares with no par value.

*b) Issued and fully paid*

On the Exchange Date, in January 2016, the Company issued 1,201,707 and 88,663,325 common shares to certain holders of Gold Notes and Silver Notes, respectively, who elected to convert their debt into common shares under the Arrangement (Notes 9c and 9d).

Between the Exchange Date and December 31, 2016, the Company issued an additional 164,159,552 common shares to debenture holders who elected to convert their 2018 Debentures and 2020 Debentures into common shares (Notes 9c and 9d).

During the year ended December 31, 2015, 33 common shares were issued upon exercise of warrants under the Company's warrant indenture dated August 20, 2010.

As at December 31, 2016, there were 277,727,323 common shares issued and outstanding (December 31, 2015 – 23,703,281 common shares).

Subsequent to December 31, 2016, as disclosed in Note 9d, the Company issued an additional 29,028,179 common shares to debenture holders who elected to convert their 2018 Debentures into common shares.

*c) Share purchase warrants*

*Warrants (GCM.WT.A)*

In connection with the March 2014 equity offering, the Company issued one-half of one common share purchase warrant for each unit sold. Each warrant will entitle the holder to purchase one of the Company's common shares at CA\$3.25 per common share for a period of five years. As at December 31, 2016 and 2015, 4,211,918 Warrants were outstanding and exercisable.

*Warrants (GCM.WT)*

The Company had previously issued warrants in 2010 and 2011 under the Company's warrant indenture dated August 20, 2010 that entitled the holder thereof to acquire one common share of the Company at an exercise price of CA\$65 per common share with an expiry date of August 24, 2015.

On August 24, 2015, the remaining 6,318,759 Warrants expired unexercised, resulting in a tax expense of approximately \$13.4 million which has been reflected as a reduction in contributed surplus associated with the warrants. Concurrently, the Company has recognized a tax asset, related to available tax losses in Canada, to offset the tax liability on the expired warrants. These tax losses and other attributes resulted in a deferred tax recovery of \$8.0 million that has been included in the provision for income taxes in profit/loss during the year ended December 31, 2015. During the three months ended June 30, 2016, upon finalizing the tax treatment for the warrant expiry, additional deferred income taxes were recorded with a \$1.0 million adjustment to contributed surplus.

*Unlisted Share Purchase Warrants issued through Gold Notes offering*

In connection with the issuance of the Gold Notes in 2012, the Company issued 10 unlisted share purchase warrants for each Gold Note. Each warrant will entitle the holder to purchase one of the Company's common shares at a price of CA\$18.75 and will expire on October 31, 2017. As at December 31, 2016 and 2015, 1,000,000 Warrants were outstanding and exercisable.

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d) *Stock option plan*

The Company has a “rolling” Stock Option Plan (the “Plan”) in compliance with the TSX’s policy for granting stock options. Under the Plan, the maximum number of common shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares and, to any one optionee, may not exceed 5% of the issued common shares on a yearly basis. As of March 30, 2017, a total of 12,788,221 common shares have been reserved for issuance under the Company’s stock option plan.

The exercise price of each stock option will not be less than the market price of the Company’s stock at the date of grant. Each stock option vesting period and expiry is determined on a grant-by-grant basis. Almost all stock options granted to date vested immediately and have a five-year life from the date of grant.

On March 30, 2016, a total of 11,850,000 stock options were approved and granted effective April 1, 2016 to directors, management and employees of the Company. These stock options, exercisable at CA\$0.17 per share, vested on the grant date and have a five-year term to expiry. The Company did not grant stock options during the year ended December 31, 2015.

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

	Years ended December 31,	
	2016	2015
Stock compensation expense	\$ 548	\$ -
Per option	CA\$0.06	-
Black-Scholes option pricing model inputs		
Market price of the shares on the approval date	CA\$0.10	-
Dividends paid	Nil	-
Expected volatility	128%	-
Risk-free interest rate	0.75%	-
Expected life of options	2.5 years	-

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

	Outstanding common shares issuable	Weighted average exercise price per common share (CA\$)
Balance, December 31, 2014	1,367,075	\$ 12.34
Granted during the year	-	-
Cancelled during the year	(469,339)	25.29
Balance, December 31, 2015	897,736	5.57
Granted during the year	11,850,000	0.17
Cancelled during the year	(192,736)	20.75
Balance, December 31, 2016	12,555,000	\$ 0.26

The table below summarizes information about the stock options outstanding and the common shares issuable as at December 31, 2016:

Expiry date	Outstanding and exercisable options	Common shares issuable	Remaining contractual life in years	Exercise price (CA\$/share)
April 1, 2021	11,850,000	11,850,000	4.3	\$ 0.17
July 21, 2019	705,000	705,000	2.6	1.84
	12,555,00	12,555,000	4.2	\$ 0.26



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**13. INCOME TAX**

A reconciliation between income tax expense and the product of the accounting net income (loss) before income taxes multiplied by the Company's domestic federal and provincial combined tax rate is provided below:

	Years ended December 31,	
	2016	2015
Net income (loss) before income taxes	\$ 18,548	\$ (5,458)
Canadian statutory income tax rate	26.5%	26.5%
Income tax expense (recovery) at statutory rate	4,915	(1,446)
Increase (decrease) in income tax provision resulting from:		
Differences in tax rates in foreign jurisdictions	4,243	4,027
Other non-deductible (non-taxable) expenses	4,227	(493)
Share-based compensation	145	-
Impact of foreign exchange	-	11,742
Tax impact on debt discount on conversions of debentures	(2,144)	-
Deferred tax impact of tax functional currency change in Canada	6,009	-
Tax impact of future tax rate differences	(774)	-
Tax impact of change in tax rate	(1,024)	-
Expiry of tax attributes	1,317	-
Change in unrecorded deferred tax asset	(2,075)	2,177
Losses that had not been previously recognized	-	(8,376)
<b>Income tax expense for the year</b>	<b>\$ 14,839</b>	<b>\$ 7,631</b>
Current income tax expense	\$ 14,702	\$ 5,716
Deferred income tax expense	137	1,915
<b>Income tax expense for the year</b>	<b>\$ 14,839</b>	<b>\$ 7,631</b>

A summary of the components of the net deferred income tax is as follows:

	December 31, 2016	December 31, 2015
Deferred tax assets		
Tax loss carry forwards	\$ 11,538	\$ 6,780
Mining interests	8,829	4,816
Provisions	844	1,651
Other	1,384	243
Deferred tax liabilities		
Mining interests	(48,634)	(41,267)
Long-term debt	(20,615)	(16,085)
<b>Total deferred tax</b>	<b>\$ (46,654)</b>	<b>\$ (43,862)</b>
Deferred tax asset	\$ 3,268	\$ 6,404
Deferred tax liability	(49,922)	(50,266)
<b>Total deferred tax</b>	<b>\$ (46,654)</b>	<b>\$ (43,862)</b>

A summary of the movement in net deferred tax is as follows:

	Years ended December 31,	
	2016	2015
Balance at the beginning of the year	\$ 43,862	\$ 30,099
Recognized in profit / loss	137	1,915
Recognized in contributed surplus	1,008	13,355
Recognized in other comprehensive loss	1,647	(1,507)
<b>Balance at the end of the year</b>	<b>\$ 46,654</b>	<b>\$ 43,862</b>

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Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilized.

The Company has \$10.7 million of ordinary losses in respect of its Colombian operations which do not expire and \$35.0 million of non-capital losses in respect of its Canadian head office which expire in the years 2033 to 2036.

The Company has other deductible temporary differences, totaling \$6.5 million (December 31, 2015 - \$6.3 million), for which no deferred tax assets have been recognized.

#### 14. FINANCIAL RISK MANAGEMENT

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

##### *Credit risk*

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

	December 31, 2016	December 31, 2015
Trade	\$ 1,761	\$ 1,096
VAT recoverable <sup>(1)</sup>	8,166	3,992
Receivable from sale of CIIGSA <sup>(2)</sup>	1,095	1,168
Other	1,031	712
<b>Total accounts receivable</b>	<b>\$ 12,053</b>	<b>\$ 6,968</b>
Current	\$ 11,352	\$ 6,172
Non-current	701	796
<b>Total accounts receivable</b>	<b>\$ 12,053</b>	<b>\$ 6,968</b>

<sup>(1)</sup> Subsequent to December 31, 2016, the Company received \$3.9 million of its VAT recoverable.

<sup>(2)</sup> In 2015, the Company sold its 60% interest in the CIIGSA refinery operation in Medellin, Colombia for total consideration of COP 5.2 billion (equivalent to approximately \$2.1 million) resulting in a gain on sale of \$0.7 million. The amounts receivable as of December 31, 2016 represent the present value of future non-interest bearing cash consideration to be received, discounted at an annual rate of 4.91%, in instalments in 2017 and 2018. In connection with the sale transaction, the Company also entered into a 12-year supply agreement pursuant to which it will continue to sell all of its gold and silver production in Colombia to the acquirer for processing at CIIGSA as market prices.

The Company's accounts receivable are aged as follows:

	December 31, 2016	December 31, 2015
Not past due	\$ 12,100	\$ 7,015
Past due (0-30 days)	-	-
Past due (31-120 days)	-	-
Past due (over 120 days)	-	85
Allowance for doubtful accounts	(47)	(132)
<b>Total accounts receivable</b>	<b>\$ 12,053</b>	<b>\$ 6,968</b>

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

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customer, the Company's credit risk is minimal as it receives 80% of the sales proceeds upon delivery of its production to CIIGSA and the balance within a short settlement period thereafter. In the event that CIIGSA is unable to perform under the supply agreement, the Company does have other avenues through which it can sell its production. The Company is exposed to credit risk in respect of the accounts receivable for the future instalments to be received for the proceeds on sale of CIIGSA; however, the Company believes the counterparty to the sale transaction will be able to meet its financial obligations as they come due in accordance with the sale transaction.

*Foreign currency risk*

The Company is exposed to foreign currency fluctuations in COP and CA. Such exposure arises primarily from expenditures and balances payable that are denominated in currencies other than the functional currency. The Company monitors its exposure to foreign currency risks. To reduce its foreign currency exposure associated with operating expenses incurred in COP, the Company may enter into foreign currency derivatives to manage such risks. The Company has not entered into any foreign currency derivative instruments in the years ended December 31, 2016 and 2015.

The following table summarizes, in USD equivalents, the Company's major currency exposures as of December 31, 2016:

	CA	COP
Cash	\$ 15	\$ 2,423
Cash in trust	-	968
Accounts receivable	86	10,869
Accounts payable and accrued liabilities <sup>(1)</sup>	(242)	(26,616)
Long-term debt, including current portion	-	(1,652)
<b>Net financial liabilities</b>	<b>\$ (141)</b>	<b>\$ (14,008)</b>

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

Based on the net exposure at December 31, 2016, a 10% depreciation or appreciation of the CA against the USD would result in less than \$0.1 million increase or decrease in the Company's after-tax net loss and a 10% depreciation or appreciation of the COP against the USD would result in approximately a \$1.4 million increase or decrease in the Company's other comprehensive loss.

*Interest rate risk*

The Company is exposed to interest rate risk on its outstanding borrowings, cash and restricted cash balances. The Company monitors its ongoing exposure to interest rates. The Company is exposed to interest rate cash flow risk on floating interest rate bank indebtedness and long-term debt due to fluctuations in market interest rates. The Company has not entered into any derivative agreements to mitigate this risk. Based on its borrowings as at December 31, 2016, a 1% hypothetical change in the variable interest rate would not expose the Company to a significant increase or decrease in its annual interest expense. The remainder of the Company's financial assets and liabilities are not exposed to interest rate risk.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent that the Company does not believe it will have sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions and, if required, renegotiate the terms of the obligations. The Company manages its liquidity risk by continuously monitoring forecast cash flow requirements. See Note 1 for management's assessment of the appropriateness of the use of the going concern assumption and Notes 9c and 9d regarding the events of default under the Gold and Silver Notes, respectively, and their subsequent restructuring.

The Company's financial obligations currently consist of:

- *Accounts payable and accrued liabilities:* These arise during the normal course of business and are paid from operating cash flow, and except under certain exceptions, are usually due within no later than one

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month. The Company from time to time also enters into payment plans to pay these amounts over extended periods, typically less than 12 months.

- *Amounts due for property acquisitions:* The Company has suspended payments on most of its agreements related to the Marmato title contracts and compensation agreements and is currently in negotiations with many of the counterparties to either amend the terms of the agreements, including extending the timing to complete past due payments related to its Marmato Project commitments, or to cancel the agreements.
- *Short- and long-term debt (excluding the 2020 Debentures, 2018 Debentures, Gold Notes and Silver Notes):* These obligations represent borrowings under short- and long-term facilities with financial institutions (see Notes 9a and 9b).
- *2020 Debentures and 2018 Debentures:* As described in Notes 9c and 9d, these obligations were initially recorded at fair value and subsequently measured at amortized cost.

The carrying value of short-term debt, accounts payable and accrued liabilities, and amounts payable for property acquisitions approximates their respective fair values as they are short-term in nature. The carrying value of the long-term debt (excluding the 2020 Debentures and 2018 Debentures) approximates its fair value as it is at floating rates.

*Price risk*

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

*Fair value risk*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table summarizes the Company's financial instruments that are carried at fair value as at December 31, 2016, in accordance with the classification of fair value input hierarchy in IFRS 13, Financial Instruments – Disclosures.

	Level 1	Level 2	Level 3	Total
Other assets:				
Investment in Tolima Gold Inc.	\$ 38	\$ -	\$ -	\$ 38

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing their classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The fair values of cash and cash equivalents, cash in trust, accounts receivable, accounts payable and accrued liabilities, and taxes payable, approximate their carrying values due to the short term to maturity of these financial instruments. The fair value of the 2020 Debentures and 2018 Debentures at December 31, 2016 were \$85.0 million and \$30.3 million based on the quoted market price of the debentures on the TSX on or about that date.

*Capital management*

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to develop its mining properties into production and to maintain investor, creditor and market confidence to sustain the future development of the business. The Company considers its capital structure to include equity attributable to its shareholders (\$189.3 million) and its long-term debt (\$86.3 million).

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may, from time to time, issue new shares, issue new debt (secured, unsecured, convertible and/or other types of debt instruments), acquire or dispose

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of assets or adjust its capital spending to manage its ability to continue as a going concern. As of December 31, 2016, other than certain restrictive covenants related to additional indebtedness under the terms of the 2020 Debentures, the Company is not subject to any externally imposed capital requirements.

**15. COST OF SALES**

	Years ended December 31,	
	2016	2015
Production costs	\$ 99,003	\$ 80,359
Production taxes	7,990	6,087
Provision for environmental discharges (Note 11b)	86	725
Workforce reduction costs	728	2,170
Supplier contract termination costs	-	(475)
Depreciation, depletion and amortization	12,546	12,472
	<b>\$ 120,353</b>	<b>\$ 101,338</b>

**16. FINANCE COSTS**

	Years ended December 31,	
	2016	2015
Total interest	\$ 9,825	\$ 18,708
Less: amounts capitalized	-	(10,000)
Interest expense	9,825	8,708
Accretion of 2020 Debentures (Note 9c)	9,127	-
Accretion of 2018 Debentures (Note 9d)	10,045	-
Accretion of provisions (Note 11)	1,629	1,882
Debt restructuring costs (Notes 9c and 9d)	2,217	2,284
	<b>\$ 32,843</b>	<b>\$ 12,874</b>

In addition to the above, the Company capitalized \$10.0 million interest costs related to the Gold Notes in the year ended December 31, 2015 (Note 6).

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

	Years ended December 31,	
	2016	2015
Loss on buyback of 2020 Debentures	\$ (555)	\$ -
Loss on buyback of 2018 Debentures	(259)	-
Buy back costs for 2018 and 2020 Debentures	(60)	-
Gain on mark-to-market adjustment of Gold Notes (Note 9c)	7,140	19,556
Gain (loss) on mark-to-market adjustment of Silver Notes (Note 9d)	9,884	(4,569)
Gain on settlement of Gold Notes arrears interest (Note 9c)	1,003	-
Gain on settlement of Silver Notes arrears interest (Note 9d)	1,662	-
	<b>\$ 18,815</b>	<b>\$ 14,987</b>

**18. EARNINGS (LOSS) PER SHARE**

The loss per share amounts are calculated by dividing the net loss for the period attributable to shareholders of the Company by the weighted average number of shares outstanding during the period.

	Years ended December 31,	
	2016	2015
Net income (loss) attributable to shareholders	\$ 3,709	\$ (13,020)
Basic weighted average number of shares	186,875,481	23,703,268
Basic and diluted earnings (loss) per common share	<b>\$ 0.02</b>	<b>\$ (0.55)</b>

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As at December 31, 2016 and 2015, basic loss per share is equal to diluted loss per share, as all convertible debentures, options and warrants outstanding are anti-dilutive. As at December 31, 2016, the Company has 12,555,000 stock options, 5,211,918 share purchase warrants and approximately 1.2 billion common shares issuable under the convertible feature of the 2020 Debentures and the 2018 Debentures which have not been included in the calculation of diluted loss per share as they are anti-dilutive.

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

	Years ended December 31,	
	2016	2015
Accounts receivable	\$ (4,829)	\$ 5,296
Inventories	(2,396)	453
Prepaid expenses and deposits	(308)	(620)
Accounts payable and accrued liabilities	(8,327)	(3,125)
Net assets held for sale	-	187
	\$ (15,860)	\$ 2,191

**20. RELATED PARTY TRANSACTIONS**

The following transactions with related parties occurred during the years ended December 31, 2016 and 2015:

*Key management personnel compensation*

Key management in 2016 includes the Company's Chief Executive Officer, Chief Financial Officer, General Counsel and the directors. In 2015, key management also included the Chief Project Director. In addition to their salaries and annual bonuses or director fees, executive officers and directors also participate in the Company's stock option plan. During the year ended December 31, 2016, 9,275,000 stock options were granted to executive officers and directors (December 31, 2015 – Nil).

Key management personnel compensation comprised the following:

	Years ended December 31,	
	2016	2015
Short-term employee benefits	\$ 1,341	\$ 1,146
Severance payments	-	407
Share-based payments	412	-
	\$ 1,753	\$ 1,553

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

*U.S. Global factoring loan*

On March 3, 2015, the Company entered into a \$2.4 million factoring loan agreement bearing interest at 2.0% monthly plus an additional interest payment upon repayment corresponding to 10% of the initial amount outstanding and secured against refund applications for approximately \$10.3 million of its recoverable value-added taxes ("VAT") and \$2.3 million of income taxes recoverable in the Segovia Operations. Three months' interest was prepaid from the proceeds of the factoring loan in March 2015. The Company agreed to repay the loan in full and the additional interest payment at the earlier of August 27, 2015, or when the aforementioned recoverable taxes were received. On June 3, 2015, the factoring loan was repaid in full, including the \$0.2 million additional interest payment, from VAT refunds received of approximately \$9.4 million. \$2.0 million of the factoring loan was provided by a consortium of investment funds that are managed by U.S. Global Investors, Inc. ("U.S. Global"), a company that beneficially held more than 10% of the issued and outstanding shares in the capital of the Company on a non-diluted basis at the time the factoring loan was made.

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**21. SEGMENT DISCLOSURES**

The Company currently operates in one operating segment, being the acquisition, exploration, development and operation of gold properties in Colombia.

For the years ended December 31, 2016 and 2015, the Company's sales were made to one customer located in Colombia under a long-term supply agreement (Note 14). As at December 31, 2016 and 2015, all material non-current assets of the Company were located in Colombia.