Gran Colombia Gold Corp.

Interim Condensed Consolidated Financial Statements
(Unaudited)

For the three months ended March 31, 2018

Gran Colombia Gold Corp.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited; expressed in thousands of U.S. dollars)

	Notes	As at March 31, 2018	As at December 31, 2017
ASSETS			
Current			
Cash and cash equivalents		$ 3,400	$ 3,272
Cash in trust	6b	4,909	4,271
Accounts receivable	9	12,786	14,409
Inventories	3	16,262	12,930
Prepaid expenses and deposits		2,546	2,006
		39,903	36,888
Non-current			
Cash in trust	6c	10,389	8,408
Mining interests	4	436,862	404,576
Investment at fair value through other comprehensive income		38	118
Total assets		$ 487,192	$ 449,990
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5	$ 20,584	$ 18,756
Amounts payable related to acquisitions of mining interests	4	11,994	11,045
Current portion of long-term debt	6	37,472	34,271
Current portion of provisions	7	3,894	4,001
Income tax payable		4,239	8,370
		78,183	76,443
Non-current			
Long-term debt	6	63,964	64,881
Provisions	7	27,059	24,802
Deferred income taxes		61,587	59,504
Total liabilities		230,793	225,630
Equity			
Share capital	8b	388,338	384,440
Share purchase warrants	8c	6,317	6,317
Contributed surplus		171,026	171,133
Accumulated other comprehensive loss		(53,762)	(76,658)
Deficit		(255,520)	(260,872)
Total equity		256,399	224,360
Total liabilities and shareholders' equity		$ 487,192	$ 449,990

Contingency **(Note 7b)**

Subsequent events **(Notes 6b, 6c, 6d and 14)**

See accompanying notes to the consolidated financial statements.

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

	Notes	Three months ended March 31, 2018	2017
Revenue	10	$ 64,786	$ 45,717
Costs and expenses			
Cost of sales	11	39,937	33,011
General and administrative		2,259	1,827
Share-based compensation	8d	-	582
Social contributions	4	1,229	846
Income from operations		21,361	9,451
Other income (expense)			
Finance income		60	114
Finance costs	12	(9,150)	(7,888)
Foreign exchange income (loss)		(18)	65
Wealth tax		-	(934)
		(9,108)	(8,643)
Income before income taxes		12,253	808
Income taxes			
Current		(8,860)	(2,499)
Deferred		1,959	907
		(6,901)	(1,592)
Net income (loss)		**$ 5,352**	**$ (784)**
Per share			
Basic		$ 0.25	$ (0.04)
Diluted		0.12	(0.04)
Weighted average number of common shares outstanding		21,568,194	19,588,143

See accompanying notes to the consolidated financial statements.

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

	Notes		Three months ended March 31, 2018		2017
Net income (loss)		**$**	**5,352**	**$**	**(784)**
Other comprehensive income:					
Items that will not be reclassified to profit (loss) in subsequent periods					
Unrealized loss on investment, net of tax			(77)		-
Items that may be reclassified to profit (loss) in subsequent periods					
Foreign currency translation adjustment			22,973		10,003
Comprehensive income		**$**	**28,248**	**$**	**9,219**

See accompanying notes to the consolidated financial statements.

Gran Colombia Gold Corp.

Consolidated Statements of Equity

(Expressed in thousands of U.S. dollars)

	Notes	Three months ended March 31, 2018	2017
Common shares			
Balance, beginning of period	8	$ 384,440	$ 381,888
Issuance of common shares on conversion of:			
2018 Debentures	6b	982	1,984
2020 Debentures	6c	509	-
2024 Debentures	6d	2,407	-
Balance, end of period		388,338	383,872
Share purchase warrants			
Balance, beginning and end of period	8c	6,317	6,317
Contributed surplus			
Balance, beginning of period		171,133	163,109
2018 Debentures converted to common shares	6b	(37)	(117)
2020 Debentures converted to common shares	6c	(11)	-
2024 Debentures converted to common shares	6d	(59)	-
Balance, end of period		171,026	163,574
Accumulated other comprehensive loss			
Balance, beginning of period		(76,658)	(78,434)
Unrealized loss on investment at fair value through other comprehensive income		(77)	-
Foreign currency translation adjustment		22,973	10,003
Balance, end of period		(53,762)	(68,431)
Deficit			
Balance, beginning of period		(260,872)	(290,188)
Net income (loss)		5,352	(784)
Balance, end of period		(255,520)	(290,972)
Total equity		**$ 256,399**	**$ 194,360**

See accompanying notes to the consolidated financial statements.

Gran Colombia Gold Corp.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited; expressed in thousands of U.S. dollars)

	Notes	Three months ended March 31, 2018	2017
Operating Activities			
Net income (loss)		$ 5,352	$ (784)
Adjusted for the following items:			
Depreciation, depletion and amortization	4	6,082	3,558
Share-based compensation	8d	-	582
Finance income		(60)	(114)
Finance costs	12	9,150	7,888
Foreign exchange gain		(71)	(228)
Provision for environmental discharges	7b	-	154
Environmental discharge fees paid	7b	(724)	(423)
Payments of health obligations	7c	(225)	(216)
Wealth tax expense		-	934
Current income tax expense		8,860	2,499
Deferred income taxes		(1,959)	(907)
Changes in non-cash working capital items	13	(401)	2,225
Operating cash flows before taxes		26,004	15,168
Income taxes paid		(13,277)	(6,069)
Net cash provided by operating activities		12,727	9,099
Investing Activities			
Additions to mining interests	4	(8,197)	(4,811)
Proceeds received from sale of CIIGSA		-	194
Net cash used in investing activities		(8,197)	(4,617)
Financing Activities			
Repayment of finance leases		(72)	(390)
Net interest paid		(1,989)	(1,881)
Increase in cash in trust for health plan guarantee		(4)	-
Decrease in cash in trust for debt service	6a	-	125
Increase in cash in trust for 2018 and 2020 Debentures	6b,6c	(2,554)	(2,276)
Debt restructuring costs		-	(69)
Net cash used in financing activities		(4,619)	(4,491)
Impact of foreign exchange rate changes on cash and cash equivalents		217	115
Increase in cash and cash equivalents		**128**	**106**
Cash and cash equivalents, beginning of year		3,272	2,783
Cash and cash equivalents, end of year		**$ 3,400**	**$ 2,889**

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Gran Colombia Gold Corp. and its subsidiaries (collectively the "Company") are engaged in the acquisition, exploration, development and operation of gold properties in Colombia. The Company is incorporated under the laws of the Province of British Columbia. The head office of the Company is located at 401 Bay Street, Suite 2400, Toronto, Ontario, M5H 2Y4 and its registered office is located at 1188 West Georgia Street, Suite 650, Vancouver, British Columbia, V6E 4A2. The Company also has an office in Medellin, Colombia.

2. BASIS OF PRESENTATION

These interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, under International Financial Reporting Standards ("IFRS"').

The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the fiscal year ended December 31, 2017, except as discussed below. The interim financial statements do not include all the disclosures included in the annual audited consolidated financial statements and accordingly should be read in conjunction with the annual audited consolidated financial statements and the notes thereto included in the Company's annual report for the year ended December 31, 2017. These interim condensed consolidated financial statements were approved by the Audit Committee of the Company for issue on May 10, 2018.

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

Accounting Standards Adopted in the Current Period

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

In May 2014, the IASB issued IFRS 15 which replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRS Interpretations Committee ("IFRIC") 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018. Under IFRS 15, revenue is recognized when control of a good or service transfers to a customer and is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Under IAS 18, revenue was recognized when the significant risks and rewards of ownership had been transferred to the customer and was measured at the fair value of the consideration received or receivable.

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

IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39, *Financial Instruments* ("IAS 39"). This standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 provides a revised model for recognition and measurement of financial instruments with the following classification categories: amortized cost, fair value through profit or loss ("FVTPL"), and fair value through other comprehensive income ("FVTOCI"). As well, under the new standard a single impairment method is required, 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.

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

The classification and measurement of financial assets under IFRS 9 is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The implementation of the new standard did not have an impact on the Company's financial statements except for certain equity securities that were previously classified as available-for-sale ("AFS") investments. These are now classified as financial assets at FVTOCI, where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be transferred into earnings (loss) upon disposition. The measurement of the investments at FVTOCI is based on level 1 inputs in accordance with the fair value input hierarchy in IFRS 13, *Fair Value Measurement*.

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

	Classification category	
	Original (IAS 39)	**New (IFRS 9)**
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivables	Loans and receivables	Amortized cost
Investments	AFS financial assets	FVTOCI
Bank indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Term loans	Other financial liabilities	Amortized cost
Finance leases	Other financial liabilities	Amortized cost
Debentures	Other financial liabilities	Amortized cost

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

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

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

Future Accounting Standards Not Yet Adopted

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

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided that IFRS 15 is also adopted. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and liability calculated using a prescribed methodology. The Company is in the process of identifying and evaluating all leasing contracts that may be impacted by IFRS 16.

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23"). The interpretation seeks to provide guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted. The Company intends to adopt IFRIC 23 in its financial statements for the annual period beginning on January 1, 2019. The Company is in the process of determining the impact of IFRIC 23 on its financial statements.

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

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

3. INVENTORIES

	March 31, 2018	December 31, 2017
Mineral inventories	$ 4,872	$ 2,517
Materials and supplies	11,390	10,413
	$ 16,262	$ 12,930

4. MINING INTERESTS

	Mineral properties	Plant and equipment	Construction in progress	E&E assets	Total
Three months ended March 31, 2018					
Opening net book value	$ 104,147	$ 40,610	$ 25,505	$ 234,314	$ 404,576
Additions	4,044	2,982	2,076	102	9,204
Depreciation and amortization	(4,983)	(1,632)	-	-	(6,615)
Exchange difference	7,596	2,988	1,955	17,158	29,697
Closing net book value	$ 110,804	$ 44,948	$ 29,536	$ 251,574	$ 436,862
As at March 31, 2018					
Cost	$ 208,968	$ 72,078	$ 61,369	$ 256,401	$ 598,816
Accumulated depreciation, amortization and impairment charges	98,164	27,130	31,833	4,827	161,954
Net book value	$ 110,804	$ 44,948	$ 29,536	$ 251,574	$ 436,862

A summary of mining interests by property is as follows:

	Mineral properties	Plant and equipment	Construction in progress	E&E assets	March 31, 2018	December 31, 2017
Segovia Operations	$ 110,804	$ 35,170	$ 29,536	-	$ 175,510	$ 161,049
Marmato Project	-	9,778	-	$ 251,574	261,352	243,527
Total	$ 110,804	$ 44,948	$ 29,536	$251,574	$ 436,862	$ 404,576

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

	Three months ended March 31, 2018	2017
Cost of sales	$ 6,079	$ 3,500
General and administrative expenses	3	58
Total charged to operations	6,082	3,558
Increase in inventories	262	2
Capitalized to mineral properties and E&E assets	271	102
	$ 6,615	$ 3,662

Segovia Operations social contributions

In connection with the acquisition of the Segovia Operations, the Company agreed to make contributions to a trust account to fund local social programs in each quarter in which it produces a minimum of 15,000 ounces of gold. The contribution rate is $4 per ounce of gold production at the minimum gold price of $700 per ounce and increases by $2 per ounce for each $50 increment in the price of gold. Based on the Company's gold production during the three months ended March 31, 2018, the Company incurred a total obligation for social contributions of $1.2 million (2017 – $0.8 million). As at March 31, 2018, $0.7 million was included in accounts payable and accrued liabilities related to this obligation (December 31, 2017 – $1.5 million).

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

Marmato Project commitments

(i) *Mining title contracts – title transfers approved*: The Company has entered into agreements to purchase additional mining titles related to the Marmato property. The transfer of title is conditional on approval by government authorities. As at March 31, 2018, COP 0.9 billion ($0.3 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, 2017 – COP 1.1 billion; $0.4 million).

(ii) *Mining title contracts – title transfers pending approval*: The Company has mining title contracts for which the approval for the transfer of title has not yet been obtained from the government authorities. If government approval is not obtained, the Company will forfeit any amounts previously paid and will no longer be required to make further payments. As of March 31, 2018, the Company has commitments under these contracts to spend an additional COP 12.2 billion ($4.1 million) which has not been included in amounts payable for acquisition of mining interests.

(iii) *Compensation agreements*: In 2011 and 2012, the Company entered into agreements to compensate artisanal miners who would be required to cease mining activities at the Company's Marmato property upon commencement of open pit development activities. As at March 31, 2018, a total of COP 32.5 billion ($11.7 million) including interest, is included in amounts payable for acquisition of mining interests related to these agreements (December 31, 2017 – COP 31.9 billion; $10.7 million). Payments related to these agreements have been suspended since 2013 and the Company is currently evaluating its options with respect to these obligations in light of its expected future underground development activities at Marmato.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2018	December 31, 2017
Trade payables related to operating, general and administrative expenses	$ 13,136	$ 12,285
Trade payables related to capital expenditures	3,796	2,768
Withholding taxes payable	1,858	1,547
Other provisions and accrued liabilities	1,794	2,156
Total accounts payable and accrued liabilities	$ 20,584	$ 18,756

6. LONG-TERM DEBT

	Maturity	Currency	Interest Rate	March 31, 2018	December 31, 2017
Finance leases (a)	2018 to 2019	COP	Variable	$ 394	$ 439
2018 Debentures (b)	2018	USD	1%	37,078	33,913
2020 Debentures (c)	2020	USD	6%	35,796	34,833
2024 Debentures (d)	2024	USD	8%	28,168	29,967
Total long-term debt				$ 101,436	$ 99,152
Less: current portion				37,472	34,271
Non-current portion				$ 63,964	$ 64,881

a) Obligations under finance leases

At March 31, 2018, the Company had three finance leases related to mining and other equipment used in the Company's Segovia Operations. The leases are paid in monthly instalments over five-year terms and, at the end of the leases, the Company has the option to purchase the equipment for a total of COP 0.4 billion, equivalent to 10% of the original value or approximately $0.1 million. The leases have an average effective interest rate of 9.41%. The present value of the net minimum lease payments under these arrangements is as follows:

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

	March 31, 2018	December 31, 2017
Within 1 year	$ 416	$ 384
2-5 years, including purchase option	-	84
Total minimum lease payments	416	468
Amount representing interest	(22)	(29)
Present value of net minimum lease payments	$ 394	$ 439
Less: current portion	394	82
Non-current portion	$ -	$ 357

b) 2018 Debentures (Note 14)

	Number of 2018 Debentures	Amount
As at December 31, 2017	45,160	$ 33,913
Accretion of discount (Note 12)	-	4,110
Converted to common shares (Note 8b)	(1,175)	(945)
As at March 31, 2018	43,985	$ 37,078
Total principal amount issued and outstanding	43,985	$ 43,985
Balance of discount to be accreted	-	(6,907)
	43,985	$ 37,078

The 2018 Debentures mature on August 11, 2018 and, as such, are classified in current liabilities at March 31, 2018. 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 the principal plus accrued and unpaid interest amounts (the “Outstanding Balance”) by issuing and delivering that number of common shares obtained by dividing the Outstanding Balance by $1.95. However, should the volume-weighted average trading price of the Company’s common shares traded during the 20 consecutive trading days ending five trading days prior to August 11, 2018 be below $1.95 per common share, a minimum of 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 $1.95 per common share. The 2018 Debentures are convertible into common shares at any time prior to maturity at the election of the holder based on a conversion price of $1.95 per common share (this represents a conversion rate of approximately 513 common shares per $1,000 principal amount of 2018 Debentures).

The 2018 Debentures consist of two separate financial instruments, a debt component (the 1% coupon unsecured debenture, issued in denominations of $1.00) and an equity component (the conversion option). On issuance, the Company valued the principal amount of the debenture first and allocated the residual amount to the conversion option, which is recorded in contributed surplus. The principal amount of the 2018 Debentures is a financial liability and has been designated at amortized cost. As such, the 2018 Debentures were recorded at fair value at the time of issuance on January 20, 2016 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 the 1% coupon. The 2018 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.

During the three months ended March 31, 2018, debenture holders elected to convert a total of $1.2 million aggregate principal amount of 2018 Debentures into 602,517 common shares (three months ended March 31, 2017 - $3.8 million aggregate principal converted into 1,935,212 common shares). Subsequent to March 31, 2018, debenture holders have elected to convert an additional $2.3 million aggregate principal amount of 2018

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

Debentures into 1,192,307 common shares. Reference should also be made to Note 14 in connection with the early redemption of 2018 Debentures subsequent to March 31, 2018.

Under the terms of the 2018 Debentures, the Company must deposit 25% of its Excess Cash Flow, as defined below, 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. "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 three months ended March 31, 2018, the Company generated a total of $2.5 million of Excess Cash Flow (2017 - $2.3 million), of which $0.6 million has been deposited into the 2018 Debentures' sinking fund (2017 - $0.6 million). As at March 31, 2018, there was a balance of $4.9 million in the 2018 Debentures' sinking fund included in current cash in trust (December 31, 2017 - $4.3 million in current cash in trust).

c) 2020 Debentures (Note 14)

	Number of 2020 Debentures	Amount
As at December 31, 2017	48,696	$ 34,833
Accretion of discount (Note 12)	-	1,461
Converted to common shares (Note 8b)	(673)	(498)
As at March 31, 2018	48,023	$ 35,796
Total principal amount issued and outstanding	48,023	$ 48,023
Balance of discount to be accreted	-	(12,227)
	48,023	$ 35,796

The 2020 Debentures mature on January 2, 2020 and consist of two separate financial instruments, a debt component (the 6% coupon secured debenture, issued in denominations of $1.00) and an equity component (the conversion option). The debentures are convertible into common shares at any time prior to maturity at the election of the holder based on a conversion price of $1.95 per common share (this represents a conversion rate of approximately 513 common shares per $1,000 principal amount of 2020 Debentures). On issuance, the Company valued the principal amount of the debenture first and allocated the residual amount to the conversion option, which is recorded in contributed surplus. The principal amount of the 2020 Debentures is a financial liability and has been designated at amortized cost. As such, the 2020 Debentures were recorded at fair value on issuance on January 20, 2016, 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 6% coupon. The 2020 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.

During the three months ended March 31, 2018, a total of 0.7 million aggregate principal amount of 2020 Debentures were converted into 345,403 common shares (three months ended March 31, 2017 - Nil). Subsequent to March 31, 2018, debenture holders have elected to convert an additional $0.3 million aggregate principal amount of 2018 Debentures into 154,064 common shares.

Under the terms of the 2020 Debentures, the Company must deposit 75% of its Excess Cash Flow, as defined in Note 6b, 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. During the three months ended March 31, 2018, the Company generated a total of $2.5 million of Excess Cash Flow (2017 - $2.3 million), of which $1.9 million has been deposited into the 2020 Debentures' sinking fund (2017 - $1.7 million).

On July 21, 2016, the Company commenced a Normal Course Issuer Bid for its 2020 Debentures ("2020 NCIB") which remained open until July 20, 2017. Under the terms of the 2020 NCIB, the Company had the right to purchase for cancellation up to a maximum of $9.9 million aggregate principal amount of 2020

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

Debentures through the facilities of the TSX or alternative Canadian trading systems. On July 21, 2017, the Company commenced a second 12-month term for its 2020 NCIB that will remain open until the earlier of July 20, 2018 or the date on which the Company has purchased the new maximum amount permitted under the 2020 NCIB of $5.2 million aggregate principal amount of 2020 Debentures. The Company did not purchase any 2020 Debentures during the three months ended March 31, 2018 (2017 – Nil). As at March 31, 2018, there was a balance of $9.6 million in the 2020 Debentures' sinking fund included in non-current cash in trust (December 31, 2017 - $7.6 million).

d) 2024 Debentures (Note 14)

	Number of 2024 Debentures	Amount
As at December 31, 2017	46,955	$ 29,967
Accretion of discount (Note 12)	-	549
Converted to common shares (Note 8b)	(3,624)	(2,348)
As at March 31, 2018	43,331	$ 28,168
Total principal amount issued and outstanding	43,331	$ 43,331
Balance of discount to be accreted	-	(15,163)
	43,331	$ 28,168

On May 12, 2017, the Company received the required consent from holders of the 2020 Debentures to amend the Amended and Restated Indenture dated as of January 20, 2016, as amended January 1, 2017, (the "Indenture") through a consent solicitation process (the "Consent Solicitation") to provide an option for holders to extend the maturity date of the 2020 Debentures to January 2, 2024 ("2024 Debentures"). The 2024 Debentures carry largely the same terms and conditions as the 2020 Debentures except that the maturity date has been extended and interest will be paid monthly over the remaining term of the 2024 Debentures at a coupon of 8% commencing with the first monthly interest payment on June 30, 2017. Pursuant to the Consent Solicitation, holders representing $47.0 million aggregate principal amount of 2020 Debentures elected to exchange their holdings into 2024 Debentures. On May 31, 2017 (the "Extension Date"), the Company issued $47.0 million of 2024 Debentures to extinguish the same principal amount of 2020 Debentures. The 2024 Debentures are convertible into common shares at any time prior to maturity at the election of the holder based on a conversion price of $1.95 per common share (this represents a conversion rate of approximately 513 common shares per $1,000 principal amount of 2024 Debentures).

The 2024 Debentures consist of two separate components, a debt component (the 8% coupon secured debenture, issued in denominations of $1.00) and an equity component (the conversion option). On the Extension Date, the Company determined the fair value of the 2024 Debentures to be $38.9 million, of which $28.7 million was allocated to the debt component and $10.2 million was allocated to the equity component, which was recorded in contributed surplus ($7.5 million net of tax). The fair value of the 2024 Debentures was determined using an industry standard methodology based on a set of coupled differential equations solved numerically using finite-difference methods. The debt component is a financial liability measured at amortized cost, and is subsequently being accreted up to the principal amount over the term of the 2024 Debentures with an effective interest rate of 15.48%. The 2024 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.

On the Extension Date, the Company recognized a gain on financial instruments in the amount of $1.4 million (net of $0.3 million of fees and expenses) associated with the extinguishment of the 2020 Debentures. In addition, the fair value of the conversion option of the 2024 Debentures issued on the Extension Date of $10.2 million was recorded as a direct charge against retained earnings, net of $2.7 million of tax.
During the three months ended March 31, 2018, a total of $3.6 million aggregate principal amount of 2024 Debentures were converted into 1,858,720 common shares (three months ended March 31, 2017 - Nil). Subsequent to March 31, 2018, debenture holders have elected to convert an additional $2.5 million aggregate principal amount of 2024 Debentures into 1,283,072 common shares.

The 2024 Debentures are governed by the same indenture as the 2020 Debentures. Under the terms of the indenture, the Excess Cash Flow deposited into the 2020 Debentures' sinking fund also serves as security for the 2024 Debentures. However, so long as there are 2020 Debentures issued and outstanding, the 2020 Debentures' sinking fund balance can only be used to repurchase, redeem or otherwise repay the 2020 Debentures. Once the 2020 Debentures have been fully settled, then the 2020 Debentures' sinking fund balance may be used to repurchase, redeem or otherwise repay the 2024 Debentures.

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

e) *Scheduled debt repayments*

	2018	2019	2020	2021	Thereafter	Total
Finance leases (1)	$ 344	$ 50	$ -	$ -	$ -	$ 394
2018 Debentures (2)	43,985	-	-	-	-	43,985
2020 Debentures (2)	-	-	48,023	-	-	48,023
2024 Debentures (2)	-	-	-	-	43,331	43,331
	$ 44,329	$ 50	$ 48,023	$ -	$ 43,331	$ 135,733

(1) Includes interest and purchase option.
(2) Represents the principal amount of the Debentures issued and outstanding as of March 31, 2018, assuming no prior conversions, redemptions or repurchases, as permitted, prior to maturity (Notes 6b, 6c and 6d).

7. PROVISIONS

A summary of changes to provisions is as follows:

	Decommissioning and rehabilitation	Environmental discharges	Health plan obligations	Total
As at December 31, 2017	$ 7,113	$ 7,612	$ 14,078	$ 28,803
Interest recognized in the period	-	107	-	107
Payments in the period	-	(724)	(225)	(949)
Accretion of discount (Note 12)	85	414	382	881
Exchange difference	521	552	1,038	2,111
As at March 31, 2018	$ 7,719	$ 7,961	$ 15,273	$ 30,953
Current	$ -	$ 3,117	$ 777	$ 3,894
Non-current	7,719	4,844	14,496	27,059
	$ 7,719	$ 7,961	$ 15,273	$ 30,953

a) *Decommissioning and rehabilitation provision*

Environmental obligations for the Company's Segovia Operations are governed by an environmental management plan which has been filed with the local environmental authority and is updated periodically. Although the Company is not currently required under its environmental management plan to prepare a comprehensive closure plan for the Segovia Operations, it has estimated the undiscounted costs to be incurred with respect to the ultimate mine closure and reclamation activities to be approximately COP 26.9 billion, equivalent to approximately $9.7 million at the March 31, 2018 exchange rate. As such, the Company initially recorded the present value of the estimated obligation as a decommissioning liability in 2012. The provision recorded represents management's best estimate of the future reclamation and remediation obligation; however, the estimated amount is inherently uncertain and will be revised as further information becomes available. Actual future expenditures may therefore differ materially from the amounts currently provided.

	Expected date of expenditures	Inflation rate	Pre-tax risk free rate	Undiscounted cash flow
Marmato Mine	2019	4.60%	5.09%	$ 843
Segovia Operations	2020-2026	4.60%	5.09%	9,669

b) Provision for Segovia Operation environmental discharges

The Company's mining and exploration activities are subject to Colombian laws and regulations governing the protection of the environment. Colombian regulations provide for fees applicable to entities discharging effluents to river basins. At the Company's Segovia Operations, the gold processing plant had been producing discharges to the environment for many years prior to its acquisition in 2010 for which the Company has no financial obligations. Since then, the Company has taken steps to minimize and eliminate these discharges through its capital investments in its gold processing plant and the expansion of its tailings storage facilities.

In July 2013, Corantioquia, the local environmental authority, issued a resolution confirming an assessment of fees totalling COP 29.5 billion (equivalent to approximately $10.6 million at the March 31, 2018 exchange rate) for environmental discharges in 2010 and 2011 at tariff rates that significantly exceed the applicable rates that the Company believes were in effect for those particular periods. In November 2013, after further appeal to Corantioquia to appropriately amend the assessments, the Company initiated proceedings in the Colombian judicial system to seek a reduction in the assessed discharge fees. The matter is currently still in process in the judicial system. At March 31, 2018, the Company has a provision in the amount of COP 10.8 billion (approximately $3.9 million) related to these fees (December 31, 2017 – COP 10.8 billion or approximately $3.6 million).

In February 2015, the Company signed a four-year payment plan agreement for settlement of COP 14.9 billion related to discharge fees for 2012 and 2013, including accrued interest up to the date of commencement of the payment plan. The payment plan agreement bears interest at 19.21% per annum and will be paid in 48 escalating monthly payments which commenced in February 2015 and will run through January 2019. At March 31, 2018, the Company has a provision in the amount of COP 5.7 billion (approximately $2.0 million) related to this payment plan obligation (December 31, 2017 – COP 7.2 billion or approximately $2.4 million).

In June 2016, the Company signed a four-year payment plan agreement for settlement of COP 3.8 billion related to discharge fees for 2014 and 2015. The payment plan agreement bears interest at 10.83% per annum and will be paid in 48 equal monthly payments which commenced in August 2016 and will run through July 2020. At March 31, 2018, the Company has a provision in the amount of COP 2.5 billion (approximately $0.9 million) related to this payment plan obligation (December 31, 2017 – COP 2.7 billion or approximately $0.9 million).

The Company recorded a provision for the discharge fee for the year ended December 31, 2017 in the amount of COP 2.0 billion (approximately $0.7 million) representing its best estimate of the potential liability for environmental discharge fees incurred during 2017. This obligation is included in the current portion of provisions as the Company expects to pay the final assessment for the 2017 discharge fees within the next 12 months. No amount has been accrued by the Company for the three months ended March 31, 2018 as a result of the reduction of effluents being discharged by the Company since mid-2017.

c) Provision for health plan obligations

In connection with certain mineral interests in Segovia, the Company is required to fund the obligatory health plan contributions of the participants in a Colombian pension plan. The fair value of this obligation based on an actuarial report prepared as at December 31, 2017, with an inflation rate of 5.74% and a discount rate of 10.82%, was COP 42.0 billion (approximately $14.1 million). The Company is currently paying approximately COP 0.2 billion (approximately $0.1 million) monthly to fund the obligatory health plan contributions. At March 31, 2018, non-current cash in trust includes $0.8 million deposited in a restricted fund account as security against this obligation (December 31, 2017 - $0.8 million).

8. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

b) Issued and fully paid and share consolidation

As at March 31, 2018 the Company had 23,672,389 common shares issued and outstanding (December 31, 2017 - 20,865,749 common shares).

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

During the three months ended March 31, 2018, the Company issued 602,517, 345,403, and 1,858,720 common shares to holders of the 2018, 2020, and 2024 Debentures respectively who elected to convert their debentures into common shares. Subsequent to March 31, 2018, as disclosed in Note 6, the Company issued an additional 5,645,409 common shares to debenture holders who elected to convert their 2018, 2020, and 2024 Debentures into common shares.

*c) **Share purchase warrants***

Warrants (GCM.WT.A)

In connection with the March 2014 equity offering, the Company issued listed share purchase warrants expiring on March 18, 2019. After the effect of the share consolidation, warrant holders are entitled to purchase one of the Company's common shares at CA$48.75 per share in exchange for 15 warrants. As at March 31, 2018, a total of 4,211,918 warrants, representing 280,795 common shares upon issuance, were outstanding and exercisable.

*d) **Stock option plan***

The Company has a “rolling” Stock Option Plan (the “Plan”) in compliance with the TSX’s policy for granting stock options. Under the Plan, the maximum number of common shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares and, to any one option holder, may not exceed 5% of the issued common shares on a yearly basis. The exercise price of each stock option will not be less than the market price of the Company’s stock at the date of grant. Each stock option vesting period and expiry is determined on a grant-by-grant basis. To-date, almost all stock options granted have vested immediately and have a five-year life from the date of grant.

No stock options were granted during the three months ended March 31, 2018 (2017 - 1,141,327 granted, exercisable at CA$2.55 per share).

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
Stock compensation expense	$ Nil	$ 582
Per option	-	CA$0.68
Weighted average Black-Scholes option pricing model inputs		
Market price of the shares on the approval date	-	CA$1.43
Exercise price	-	CA$2.55
Dividends expected	-	Nil
Expected volatility	-	105%
Risk-free interest rate	-	0.75%
Expected life of options	-	2.5 years

The table below summarizes information about the stock options outstanding and the common shares issuable as at March 31, 2018 and December 31, 2017:

Expiry date	Outstanding and exercisable options	Common shares issuable	Remaining contractual life in years	Exercise price (CA$/share)
July 21, 2019	47,000	47,000	1.6	$ 27.60
April 1, 2021	723,332	723,332	3.3	2.55
April 3, 2022	1,034,661	1,034,661	4.3	2.55
December 12, 2022	81,666	81,666	4.9	2.55
	1,886,659	1,886,659	4.0	$ 3.17

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

9. FINANCIAL RISK MANAGEMENT

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

Credit risk

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

	March 31, 2018	December 31, 2017
Trade	$ 2,135	$ 1,708
VAT recoverable	8,151	10,625
Receivable from sale of CIIGSA	787	741
Other	1,713	1,335
Total accounts receivable	$ 12,786	$ 14,409

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

The exposure to credit risk arises through the failure of a third party to meet its contractual obligations to the Company. The Company's exposure to credit risk arises primarily from the Company's cash balances, which are held with highly-rated Canadian and Colombian financial institutions, and accounts receivable. Although the Company is now obligated through its long-term supply agreement to sell its production to a single customer, the Company's credit risk is minimal as it receives 80% of the sales proceeds upon delivery of its production to 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.

Foreign currency risk

The Company is exposed to foreign currency fluctuations in Colombian pesos ("COP") and Canadian dollars ("CA"). Such exposure arises primarily from expenditures that are denominated in currencies other than the functional currency. The Company monitors its exposure to foreign currency risks. To reduce its foreign currency exposure associated with operating expenses incurred in COP, the Company may enter into foreign currency derivatives to manage such risks. For the three months ended March 31, 2018, the Company has not utilized derivative financial instruments to manage this risk.

The following table summarizes, in USD equivalents, the Company's major currency exposures as of March 31, 2018:

	CA	COP
Cash	$ 8	$ 2,029
Cash in trust		839
Accounts receivable	18	10,416
Accounts payable and accrued liabilities[(1)]	(169)	(17,368)
Long-term debt, including current portion	-	(3,511)
Net financial liabilities	$ (143)	$ (7,595)

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

Based on the net exposure at March 31, 2018, a 10% depreciation or appreciation of the CA against the USD would have minimal impact on the Company's after-tax net income and a 10% depreciation or appreciation of the COP against the USD would result in approximately a $0.7 million increase or decrease in the Company's other comprehensive income.

Liquidity risk

The Company manages its liquidity risk by continuously monitoring forecast cash flow requirements. The Company's financial obligations currently consist of the following:

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

- *Accounts payable and accrued liabilities*: These arise during the normal course of business and are paid from operating cash flow, and except under certain exceptions, are usually due within no later than one month. The Company from time to time also enters into payment plans to pay these amounts over extended periods, typically less than 12 months.
- *Amounts payable for acquisitions of mining interests*: Principally represents compensation agreements with artisanal miners at the Company's Marmato Project. Payments related to these compensation agreements have been suspended by the Company since 2013 and the Company is currently evaluating its options with respect to these obligations in light of its future underground development activities.
- *Finance lease:* These obligations represent lease payments related to mining and other equipment used at the Segovia Operation (see Note 6).
- *Convertible debentures*: As described in Notes 6c, 6d and 6e, these obligations are carried 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.

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.

10. REVENUE

	Three months ended March 31, 2018	2017
Gold	$ 64,170	$ 45,106
Silver	616	611
	$ 64,786	$ 45,717

11. COST OF SALES

	Three months ended March 31, 2018	2017
Production costs	$ 31,166	$ 27,364
Production taxes	2,692	1,993
Provision for environmental discharges (Note 7b)	-	154
Depreciation, depletion and amortization	6,079	3,500
	$ 39,937	$ 33,011

12. FINANCE COSTS

	Three months ended March 31, 2018	2017
Interest expense	$ 2,149	$ 1,965
Accretion of 2018 Debentures (Note 6b)	4,110	2,741
Accretion of 2020 Debentures (Note 6c)	1,461	2,575
Accretion of 2024 Debentures (Note 6d)	549	-
Accretion of provisions (Note 7)	881	538
Debt restructuring costs	-	69
	$ 9,150	$ 7,888

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

13. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Three months ended March 31, 2018	2017
Accounts receivable	$ 2,200	$ 2,822
Inventories	(2,056)	(648)
Prepaid expenses and deposits	(418)	(144)
Accounts payable and accrued liabilities	(127)	195
	$ (401)	$ 2,225

14. SUBSEQUENT EVENT

Refinancing of 2020 and 2024 Debentures and Early Settlement of $7.3 Million of 2018 Debentures

On April 30, 2018 (the "Closing Date"), the Company completed a private placement of 97,992 units (the "Units") of the Company for aggregate gross proceeds of $97,992,000 (the "Offering") to refinance its 2020 Debentures and its 2024 Debentures. Each Unit consists of $1,000 principal amount of senior secured gold-linked notes (the "Notes") and 124 common share purchase warrants (the "Warrants" and each, a "Warrant") of the Company (12,151,008 Warrants in aggregate). Each Warrant has an exercise price of CA$2.21 and entitles the holder thereof to purchase one common share in the capital of the Company at any time prior to the maturity of the Notes. The Notes and Warrants comprising each Unit will not separate until 45 days following the Closing Date. The Notes and the Warrants are also subject to a hold period equal to four months and a day following the Closing Date, and the Company will take commercially reasonable steps to obtain approval for the listing and trading of the Notes and the Warrants on the Toronto Stock Exchange ("TSX") by the end of the hold period. On the Closing Date, the Company provided notice (the "Redemption Notice") to the trustee (the "Trustee") of its Senior Debentures that, on May 14, 2018 (the "Redemption Date"), the Company will redeem all of the principal amount of its outstanding 2020 Debentures and 2024 Debentures at a redemption price equal to $1 for each $1 principal amount, plus accrued and unpaid interest up to (but excluding) the Redemption Date. A portion of the proceeds of the Offering is from the purchases of Units by certain holders of the 2020 Debentures and 2024 Debentures who elected to use the proceeds payable to them for the redemption of their debentures at the closing of the Offering to make such purchases of Units. On the Closing Date, the Company deposited sufficient cash proceeds from the Offering with the Trustee to complete the redemption.

The Notes bear interest at 8.25% per annum, to be paid monthly, and have a six-year term. The Company is required to set aside an amount of physical gold each month in a trust account (the "Gold Trust Account") and the proceeds from the quarterly sale of the gold will be used to repay the principal amount of the Notes based on a guaranteed floor price of $1,250 per ounce. The scheduled annual number of physical gold ounces to be deposited into the Gold Trust Account will vary by year, representing approximately 10% of the projected annual gold production from the Company's Segovia Operations and ranging from 15,594 ounces in the first year down to 10,000 ounces in the final year of the term of the Notes.

On the Closing Date, the Company also completed the early redemption of $7,260,659 aggregate principal amount of 2018 Debentures from holders who elected to exchange their 2018 Debentures for a cash payment equal to 19% of the principal amount of their 2018 Debentures, representing a total payment of approximately $1.4 million funded by cash held in the sinking fund for the 2018 Debentures, and the remaining 81% of the principal amount settled with common shares, representing the issuance of a total of 3,015,966 common shares, based on the conversion price of $1.95 per common share. Furthermore, in accordance with the 2018 Debenture holders consent solicitation process to facilitate the Offering, the Company has increased the annual interest rate on the remaining issued and outstanding 2018 Debentures from 1% to 5% effective the Closing Date and through to maturity in August 2018.