Gran Colombia Gold Corp.

Interim Condensed Consolidated Financial Statements
(Unaudited)

For the three and six months ended June 30, 2019

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

	Notes	As at June 30, 2019	As at December 31, 2018
ASSETS			
Current			
Cash and cash equivalents		$ 51,317	$ 35,645
Gold Trust Account	7	5,178	3,210
Accounts receivable	11a	10,878	13,495
Derivative assets	11d	44	65
Inventories	3	17,819	15,836
Prepaid expenses and deposits		2,121	1,465
		87,357	69,716
Non-current			
Cash in trust	9c	755	731
Mining interests	4	382,178	373,239
Investments and other assets	5	7,862	6,168
Total assets		$ 478,152	$ 449,854
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	6	$ 22,529	$ 21,672
Income tax payable		8,248	18,038
Current portion of long-term debt	7	19,500	19,500
Current portion of lease obligations	8	632	43
Current portion of provisions	9	3,016	2,852
Amounts payable related to acquisitions of mining interests	4	3,063	3,190
		56,988	65,295
Non-current			
Long-term debt	7	72,301	54,560
Lease obligations	8	1,622	-
Provisions	9	24,594	24,317
2024 Warrant liability	10c	21,036	13,798
Deferred income taxes		44,870	46,208
Total liabilities		221,411	204,178
Equity			
Share capital	10b	436,452	434,831
Share purchase warrants	10c	-	4,212
Contributed surplus		177,195	172,596
Accumulated other comprehensive loss		(101,326)	(101,712)
Deficit		(255,580)	(264,251)
Total equity		256,741	245,676
Total liabilities and shareholders' equity		$ 478,152	$ 449,854

Contingencies **(Note 9b, 11e)**
Subsequent events **(Note 5, 7a, 10b, 10c, 11d)**

See accompanying notes to the interim condensed consolidated financial statements.

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

	Notes	Three months ended June 30, 2019	2018	Six months ended June 30, 2019	2018
Revenue	12	$ 77,610	$ 68,927	$ 155,065	$ 133,713
Costs and expenses					
Cost of sales	13	47,227	44,999	93,853	84,936
General and administrative		3,146	2,738	6,475	4,997
Share-based compensation	10g	686	903	1,453	903
Social contributions	4	1,666	1,267	3,074	2,496
Income from operations		24,885	19,020	50,210	40,381
Other income (expense)					
Finance income		367	141	638	201
Finance costs	14	(3,843)	(15,655)	(6,550)	(24,805)
Foreign exchange loss		(427)	(92)	(559)	(110)
Loss from equity accounting in associate	5	(128)	-	(210)	-
Loss on financial instruments	15	(11,057)	(26,380)	(15,648)	(26,380)
		(15,088)	(41,986)	(22,329)	(51,094)
Income (loss) before income tax		9,797	(22,966)	27,881	(10,713)
Income tax (expense) recovery					
Current		(9,710)	(8,782)	(20,236)	(17,642)
Deferred		681	1,006	1,026	2,965
		(9,029)	(7,776)	(19,210)	(14,677)
Net income (loss)		**$ 768**	**$ (30,742)**	**$ 8,671**	**$ (25,390)**
Per share					
Basic		$ 0.02	$ (1.09)	$ 0.18	$ (1.02)
Diluted	17	0.02	(1.09)	0.18	(1.02)
Basic weighted average number of common shares outstanding		48,337,782	28,302,393	48,287,484	24,953,899

See accompanying notes to the interim condensed consolidated financial statements.

Gran Colombia Gold Corp.

Interim Condensed Consolidated Statements of Comprehensive (Loss) Income

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Net income (loss)	**$ 768**	**$ (30,742)**	**$ 8,671**	**$ (25,390)**
Other comprehensive (loss) income:				
Items that will not be reclassified to profit in subsequent periods:				
Unrealized loss on investment in Amilot, net of $nil tax	(3)	-	(3)	(77)
Unrealized (loss) gain on Gold Notes due to changes in credit risk, net of tax (Note 7a)	(2,380)	1,341	(3,338)	1,341
Unrealized gain on Convertible Debentures due to changes in credit risk, net of tax (Note 7b)	55	-	55	-
Items that may be reclassified to profit in subsequent periods:				
Foreign currency translation adjustment (nil tax effect)	(3,167)	(17,717)	3,672	5,256
Comprehensive (loss) income	**$ (4,727)**	**$ (47,118)**	**$ 9,057**	**$ (18,870)**

See accompanying notes to the interim condensed consolidated financial statements.

Gran Colombia Gold Corp.
Interim Condensed Consolidated Statements of Equity
June 30, 2019
(Unaudited; amounts expressed in thousands of U.S. dollars)

	Notes	Six months ended June 30, 2019	2018
Common shares			
Balance, beginning of period	10	$ 434,831	$ 384,440
Exercise of options	10d	1,621	59
Issuance of common shares on conversion of:			
2018 Debentures		-	9,126
2020 Debentures		-	1,509
2024 Debentures		-	4,918
Balance, end of period		436,452	400,052
Share purchase warrants			
Balance, beginning and end of period	10c	4,212	6,317
Expiry of warrants		(4,212)	-
Balance, end of period		-	6,317
Contributed surplus			
Balance, beginning of period		172,596	171,133
Exercise of options		(380)	(14)
Expiry of warrants	10c	4,212	-
Share-based compensation	10d	767	903
2018 Debentures converted to common shares		-	(315)
2020 Debentures converted to common shares		-	(32)
2024 Debentures converted to common shares		-	(121)
Balance, end of period		177,195	171,554
Accumulated other comprehensive loss			
Balance, beginning of period		(101,712)	(76,658)
Actuarial gain (loss) on health plan obligation, net of nil tax			-
Unrealized loss on investment in Amilot, net of $nil tax	5	(3)	(77)
Unrealized (loss) gain on Gold Notes due to changes in credit risk, net of tax	7a	(3,338)	1,341
Unrealized gain on Convertible Debentures due to changes in credit risk, net of tax	7b	55	-
Foreign currency translation adjustment, net of $nil tax		3,672	5,256
Balance, end of period		(101,326)	(70,138)
Deficit			
Balance, beginning of period		(264,251)	(260,872)
Net income (loss)		8,671	(25,390)
Balance, end of period		(255,580)	(286,262)
Total equity		**$ 256,741**	**$ 221,523**

See accompanying notes to the interim condensed consolidated financial statements.

Gran Colombia Gold Corp.

Interim Condensed Consolidated Statements of Cash Flows

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

	Notes	Six months ended June 30, 2019	2018
Operating Activities			
Net income (loss)		$ 8,671	$ (25,390)
Adjusted for the following items:			
Depreciation, depletion and amortization	4	16,810	12,665
Share-based compensation	10g	1,453	903
Finance income		(638)	(201)
Finance costs	14	6,550	24,805
Foreign exchange		180	180
Loss on financial instruments	15	15,648	26,380
Provision for environmental fees	9	(78)	827
Loss from equity accounting in associate	5	210	-
Current income tax expense		20,236	17,642
Deferred income tax recovery		(1,026)	(2,965)
Environmental fees paid	9	(576)	(2,635)
Payment of health obligations	9	(418)	(453)
Changes in non-cash operating working capital items	16	1,378	(665)
Operating cash flow before income taxes		68,400	51,093
Income taxes paid		(30,351)	(15,444)
Net cash provided by operating activities		38,049	35,649
Investing Activities			
Additions to mining interests	4	(19,007)	(17,253)
Payment of rehabilitation obligations	9	(14)	-
Investment in Sandspring	5	(2,036)	-
Proceeds received from sale of refinery interest		-	804
Net cash used in investing activities		(21,057)	(16,449)
Financing Activities			
Net proceeds from Convertible Debentures	7b	13,653	-
Repayment of Gold Notes, including Gold Premium	7a	(10,062)	-
Increase in Gold Trust Account	7a	(1,898)	(3,912)
Premiums paid for commodity hedging contracts related to repayment of Gold Notes	11d	(255)	(83)
Payment of lease obligations	8	(498)	(154)
Net interest paid		(3,303)	(4,369)
Exercises of stock options	10d	1,241	45
Repurchases of 2024 Warrants	10c	(143)	-
Net proceeds from issuance of Gold Notes		-	67,563
Decrease in cash in trust for Senior Debentures		-	8,381
Early settlement of 2018 Debentures		-	(1,379)
Repayment of 2020 and 2024 Debentures		-	(63,471)
Net cash (used in) provided by financing activities		(1,265)	2,621
Impact of foreign exchange rate changes on cash and cash equivalents		(55)	(178)
Increase in cash and cash equivalents		**15,672**	**21,643**
Cash and cash equivalents, beginning of period		35,645	3,272
Cash and cash equivalents, end of period		**$ 51,317**	**$ 24,915**

See accompanying notes to the interim condensed 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, primarily in Colombia. The Company is incorporated under the laws of the Province of British Columbia. The head office of the Company is located at 401 Bay Street, Suite 2400, PO Box 15, Toronto, Ontario, M5H 2Y4 and its registered office is located at 1166 Alberni Street, Suite 1604, Vancouver, British Columbia, V6E 3Z3. 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, 2018, 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 for the year ended December 31, 2018. These interim financial statements were approved by the Audit Committee of the Company for issue on August 14, 2019.

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 16 Leases ("IFRS 16")

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

New accounting policy

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

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

If a contract is assessed to contain a lease, the Company recognizes a lease liability with a corresponding right-of-use ("ROU") asset on the date at which the leased asset is available for use by the Company. The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the interest rate implicit in the lease. If the implicit rate cannot be readily determined, the

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

Company's incremental borrowing rate is used, being the rate that it would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

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

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

Impact on the Company's consolidated financial statements

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

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

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

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

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

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

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23"). The interpretation seeks to provide guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. On January 1, 2019, the Company adopted IFRIC 23, which did not have any effect on the Company's financial statements.

3. INVENTORIES

	June 30, 2019	December 31, 2018
Mineral inventories	$ 5,598	$ 5,101
Materials and supplies	12,221	10,735
	$ 17,819	$ 15,836

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

4. MINING INTERESTS

	Mineral properties	Plant and equipment	ROU plant and equipment	Construction in progress	E&E assets	Total
Six months ended June 30, 2019						
Opening net book value	$ 98,623	$ 47,148	$ 15	$ 15,686	$ 211,767	$ 373,239
ROU assets recognized on January 1, 2019 (Note 2)	-	-	2,102	-	-	2,102
Additions	12,040	1,659	445	2,570	2,148	18,862
Reversal of amounts payable for acquisition of mining interest	-	-	-	-	(142)	(142)
Transfers	1,021	1,836	-	(2,857)	-	-
Increase in decommissioning liability	165	-	-	-	-	165
Depreciation and amortization	(13,423)	(3,423)	(414)	-	-	(17,260)
Exchange difference	1,389	638	35	241	2,909	5,212
Closing net book value	$ 99,815	$ 47,858	$ 2,183	$ 15,640	$ 216,682	$ 382,178
As at June 30, 2019						
Cost	$ 222,337	$ 79,713	$ 2,573	$ 45,385	$ 221,119	$ 571,127
Accumulated depreciation, amortization and impairment charges	122,522	31,855	390	29,745	4,437	188,949
Net book value	$ 99,815	$ 47,858	$ 2,183	$ 15,640	$ 216,682	$ 382,178

A summary of mining interests by property is as follows:

As at June 30, 2019	Mineral properties	Plant and equipment	ROU Plant and equipment	Construction in progress	E&E assets	Total
Segovia Operations	$ 99,815	$ 38,100	$ 1,944	$ 15,640	$ 291	$ 155,790
Marmato Project	-	9,710	110	-	216,391	226,211
Corporate	-	48	129	-	-	177
Total	$ 99,815	$ 47,858	$ 2,183	$ 15,640	$ 216,682	$ 382,178
As at December 31, 2018						
Segovia Operations	$ 98,623	$ 37,736	$ 15	$ 15,686	$ -	$ 152,060
Marmato Project	-	9,355	-	-	211,767	221,122
Corporate	-	57	-	-	-	57
Total	$ 98,623	$ 47,148	$ 15	$ 15,686	$ 211,767	$ 373,239

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

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Cost of sales expense	$ 7,612	$ 6,574	$ 16,781	$ 12,653
General and administrative expenses	15	9	29	12
Total charged to operations	7,627	6,583	16,810	12,665
(Decrease) increase in inventories	(193)	78	(37)	340
Capitalized depreciation	235	310	487	581
	7,669	$ 6,971	$ 17,260	$ 13,586

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

Segovia Operations social contributions

The Company makes 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 and six months ended June 30, 2019, the Company incurred a total obligation for social contributions of $1.7 million and $3.1 million respectively (2018 – $1.3 million and $2.5 million). As at June 30, 2019, $3.0 million was included in accounts payable and accrued liabilities related to obligations for social contributions (December 31, 2018 – $2.3 million).

Marmato Project amounts payable and commitments

(i) *Mining title contracts – title transfers approved*: As at June 30, 2019, the Company has a total of COP 0.9 billion, equivalent to $0.3 million (December 31, 2018 – COP 0.9 billion, equivalent to $0.3 million), remaining to be paid under agreements to purchase additional mining titles related to the Marmato property which is included in amounts payable for acquisition of mining interests in current liabilities.

(ii) *Mining title contracts – title transfers pending approval*: The Company has three 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 no longer be required to make further payments. As at June 30, 2019, the Company has commitments under these contracts to spend an additional COP 14.9 billion ($4.7 million) (December 31, 2018 – COP 14.9 billion or $5.0 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 several agreements to compensate artisanal miners who would be required to cease mining activities at the Company's Marmato property upon commencement of the previously anticipated open pit development activities. Payments related to these agreements have been suspended since 2013 and the Company has been evaluating its options with respect to these obligations in light of the shift in its expected future development activities at Marmato toward an expansion of its underground mining operations. As at June 30, 2019, a total obligation, including interest, of COP 8.9 billion, equivalent to $2.7 million, is included in amounts payable for acquisition of mining interests (December 31, 2018 – COP 9.5 billion; $2.9 million) related to the remaining agreements for which the Company is seeking a resolution.

5. INVESTMENTS AND OTHER ASSETS

	Investment in Sandspring			Investment in Amilot (2)	Total
	Common shares (1)	Warrants	Subscription Receipts		
As at December 31, 2018	$ 5,353	$ 797	$ -	$ 18	$ 6,168
Additions	887	660	489	-	2,036
Share of loss from Sandspring	(210)	-	-	-	(210)
Fair value adjustment through profit and loss	-	(129)	-	-	(129)
Fair value adjustment through OCI	-	-	-	(3)	(3)
As at June 30, 2019	$ 6,030	$ 1,328	$ 489	$ 15	$ 7,862

(1) The investment in Sandspring is accounted for using the equity method.
(2) The investment in Amilot Capital Inc. (previously Tolima Gold Inc.) is accounted for as a financial asset and measured at fair value through other comprehensive income.

Investment in Sandspring Resources Ltd. ("Sandspring")

Sandspring is a Canadian, TSXV-listed, junior mining company currently moving toward a feasibility study for its Toroparu Project in the western Guyana gold district and also holds a 100% interest in the Chicharron silver-gold project in the Company's mining title at Segovia. In February 2019, the Company acquired an additional 2,500,000 common shares of Sandspring in a private transaction for cash consideration of CA$0.7 million (equivalent to approximately $0.5 million).

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

In June 2019, Sandspring closed a private placement transaction (the "Private Placement") for gross proceeds of CA$4.0 million. As part of the Private Placement, the Company acquired 10,800,000 units (each, a "Unit") and 5,200,000 subscription receipts (each, a "Receipt"), at a price of CA$0.125 per Unit and Receipt, for total cash consideration of CA$2.0 million (approximately $1.5 million). Each Unit issued through the Private Placement consisted of one common share and one share purchase warrant entitling the holder to purchase one additional share at CA$0.165 for a period of 60 months. Each of the Receipts, which were only issued to the Company, will automatically convert into a Unit upon Sandspring receiving shareholder approval for allowing the Company to hold greater than 20% of the voting rights of Sandspring's outstanding securities. In the event the Receipts have not converted into Units prior to December 31, 2019, the Company will be entitled to a refund in the amount of CA$650,000, along with interest at the rate of 5% per annum. Sandspring has indicated that it intends to seek such shareholder approval at its annual general meeting to be held later in 2019.

As at June 30, 2019, the Company owned a total of 48,300,000 common shares, 26,800,000 share purchase warrants (the "Sandspring Warrants), and 5,200,000 Receipts of Sandspring. The Sandspring Warrants consist of 16,000,000 share purchase warrants exercisable at CA$0.40 per share that expire on July 20, 2023 and 10,800,000 share purchase warrants exercisable at CA$0.165 per share that expire on Jun 12, 2024. The common shares controlled by the Company represent approximately 19.96% of the outstanding common shares of Sandspring.

During the three and six months ended June 30, 2019, the Company recorded losses of approximately $0.1 million and $0.2 million respectively from its share of Sandspring's results (2018 – $nil).

The Sandspring Warrants are derivative instruments and were initially recognized at their fair value with subsequent changes in fair value recorded through profit and loss. During the six months ended June 30, 2019, the Company recorded a loss of approximately $0.1 million representing the fair value adjustment for the Sandspring Warrants (2018 – $nil). The fair value of the Sandspring Warrants at June 30, 2019 was $1.3 million, determined using the Black-Scholes pricing model and level 2 fair value inputs, including expected share price volatilities of 69% and 71%, risk free interest rate of 1.52%, dividend yield of 0% and an expected lives of 2.1 and 2.9 years.

On August 6, 2019, Sandspring announced a non-brokered private placement of 25,000,000 units at a price of CA$0.20 per unit for gross proceeds of up to CA$5.0 million. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one share at CA$0.35 for a period of five years from the date of issuance. The Company will participate in the private placement in the amount of CA$1.0 million, subject to approval from the Toronto Stock Exchange ("TSX").

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2019	December 31, 2018
Trade payables related to operating, general and administrative expenses	$ 13,699	$ 14,032
Trade payables related to capital expenditures	1,734	2,771
Segovia social contributions payable (Note 4)	3,041	2,292
Withholding taxes payable	1,629	1,347
DSU and PSU liabilities (notes 10e and 10f)	701	-
Other provisions and accrued liabilities	1,725	1,230
Total accounts payable and accrued liabilities	$ 22,529	$ 21,672

7. LONG-TERM DEBT

	Maturity	Currency	Interest Rate	June 30, 2019	December 31, 2018
Gold Notes	2024	USD	8.25%	$ 74,903	$ 74,060
Convertible Debentures	2024	CA	8.00%	16,898	-
As at June 30, 2019				91,801	74,060
Less: current portion				19,500	19,500
Non-current portion				$ 72,301	$ 54,560

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

a) Gold Notes maturing 2024

	Number of Gold Notes	Amount
As at December 31,2018	88,250	$ 74,060
Change in fair value through profit and loss (Note15)	-	6,274
Change in fair value due to changes in credit risk through OCI	-	4,319
Principal repayment	(9,750)	(9,750)
As at June 30, 2019	78,500	74,903
Less: current portion	19,500	19,500
Non-current portion	59,000	$ 55,403

The Gold Notes, which mature on April 30, 2024, are a financial liability and have been designated at fair value through profit and loss. The Gold Notes were recorded at fair value at inception and are subsequently remeasured with the change in fair value being recognized in the statement of operations, except the portion of the change in fair value due to changes in the Company's credit risk, which is recognized in the statement of other comprehensive income. Fair value has been determined using Monte-Carlo simulations and level 2 fair value inputs that capture all the features of the Gold Notes, including the holders' right to receive the Gold Premium, the Company's options to early redeem the outstanding Gold Notes prior to maturity, gold price volatility of 13%, and credit spread of 14.05%. . During the six months ended June 30, 2019, the fair value of the Gold Notes increased by $10.6 million, of which $4.3 million ($3.3 million after tax) related to changes in credit risk was recognized in the statement of other comprehensive income and the balance of $6.3 million was recorded in the loss on financial instruments (Note 15) in the statement of operations.

During the six months ended June 30, 2019, the Company completed two scheduled quarterly amortizing payments of the Gold Notes. On January 31, 2019, the Company made an aggregate cash payment of approximately $5.0 million to the holders of the Gold Notes based on the January 15, 2019 London P.M. Fix of $1,294.30 per ounce of gold, of which approximately $4.9 million was applied to reduce the principal amount of the Gold Notes and the balance of $0.2 million was paid as Gold Premium (Note 14). On April 30, 2019, the Company made an aggregate cash payment of approximately $5.0 million based on the April 15, 2019 London P.M. Fix of $1,285.65 per ounce to the holders of the Gold Notes, of which approximately $4.9 million was applied to reduce the principal amount of the Gold Notes and the balance of $0.1 million was paid as Gold Premium (Note 14).

As at June 30, 2019, there were 3,900 ounces of gold held in the Gold Trust Account with a carrying value of $5.2 million, being the lower of cost and net realizable value (December 31, 2018 - $3.2 million). Subsequently, on July 31, 2019, the Company completed the next scheduled quarterly amortizing payment to the holders of the Gold Notes of approximately $5.5 million based on the July 15, 2019 London P.M. Fix of $1,412.40 per ounce of gold, of which approximately $4.9 million was applied to reduce the principal amount of the Gold Notes to approximately $73.6 million and the balance of $0.6 million was paid as Gold Premium.

As disclosed in Note 11d, on June 30, 2019 the Company had put options outstanding for 15,600 ounces of gold at $1,250 per ounce for the next four scheduled quarterly amortizing payments through April 30, 2020.

Scheduled quarterly amortizing payments of the Gold Notes outstanding as of June 30, 2019 at $1,250 per ounce are as follows:

	2019	2020	2021	2022	Thereafter	Total
Gold ounces	7,800	14,400	12,600	12,000	16,000	62,800
Principal repayments	$ 9,750	$ 18,000	$ 15,750	$ 15,000	$ 20,000	$ 78,500

b) Convertible Debentures due 2024

On April 4, 2019, the Company closed a private placement of CA$20 million in aggregate principal amount (equivalent to approximately $14.9 million) of convertible unsecured subordinated debentures at a price of CA$1,000 per CA$1,000 principal amount of debentures (the "Convertible Debentures"). After costs and expenses, the net proceeds of the private placement amounted to approximately $13.6 million. The Convertible Debentures mature on April 5, 2024 and bear interest at a rate of 8.00% per annum, payable monthly in cash in arrears. At the holders' option, the Convertible Debentures may be converted into common shares of the Company at any time and from time to time, up to the maturity date, at a conversion rate of approximately

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

210.53 common shares per CA$1,000 principal amount, subject to adjustment in certain circumstances, which equates to an initial conversion price of CA$4.75 per share.

On the first anniversary of the issuance date and on each subsequent yearly anniversary, the Company may, at its option and subject to applicable regulatory approval, on not more than one occasion during each 12-month period, redeem up to 10% of the aggregate principal amount of the Convertible Debentures then outstanding, at par plus accrued and unpaid interest, in cash on not less than 30 and not more than 60 days' prior written notice (during which period the holders of the Convertible Debentures may convert their debentures into common shares).

The Convertible Debentures are a financial liability and have been designated at fair value through profit and loss. As such, the Convertible Debentures are recorded at fair value at inception, being equal to the principal amount, and are subsequently remeasured with the change in fair value being recognized in the statement of operations, except the portion of the change in fair value due to changes in the Company's credit risk, which is recognized in the statement of other comprehensive income. The fair value of the Convertible Debentures at June 30, 2019 has been determined using the binomial pricing model and level 2 fair value inputs that capture all the features of the Convertible Debentures, including the early redemption option, share price volatility of 43%, risk free interest rate of 1.72%, dividend yield of 0%, and credit spread of 17.39%. From the date of issuance to June 30, 2019, the fair value of the Convertible Debentures increased by $1.6 million, of which $0.1 million ($0.1 million after tax) related to changes in credit risk was recognized as a gain in the statement of other comprehensive income and the balance of $1.7 million was recorded as a loss on financial instruments (Note 15) in the statement of operations. Total fees and expenses of approximately $1.3 million that were incurred by the Company in relation to issuance of the Convertible Debentures have been expensed as finance costs in the statement of operations (Note 14).

	Number of Debentures	Amount
Principal amount issued on the closing date	20,000	$ 14,918
Change in fair value through profit and loss (Note15)	-	1,659
Change in fair value due to changes in credit risk through OCI	-	(78)
Exchange difference	-	399
As at June 30, 2019, non-current	20,000	$ 16,898

8. LEASE OBLIGATIONS

	Maturity	Currency	Interest rate	June 30, 2019	December 31, 2018
Leases	2021 to 2026	COP	13.04%	$ 2,117	$ 43
Leases	2022	CAD	6.00%	137	-
Total lease obligations				2,254	43
Less: current portion				632	43
Non-current portion				$ 1,622	$ -

The Company adopted IFRS 16 on January 1, 2019 (Note 2) and recognized lease obligations for those contracts that were determined to contain leases. The Company's lease obligations are related primarily to plant and equipment used in mining operations in Colombia and office premises in Canada, with payments made on a monthly basis.

The table below summarizes the changes in lease obligations during the six months ended June 30, 2019:

	Amount
As at December 31,2018	$ 43
Contracts recognized as leases at January 1, 2019 (Note 2)	2,102
Additions	445
Accretion (Note 14)	127
Lease payments	(498)
Exchange difference	35
As at June 30, 2019	$ 2,254

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

The undiscounted and discounted future lease payments As at June 30, 2019 are as follows:

	June 30, 2019	December 31, 2018
Undiscounted contractual payments		
Within one year	$ 971	$ 43
More than one year	1,938	-
Total undiscounted lease obligations	2,909	43
Amount representing interest	(655)	-
Lease obligations - discounted	$ 2,254	$ 43

Scheduled lease payments, comprising principal and interest, are as follows:

	2019	2020	2021	2022	Thereafter	Total
Total payments	$ 455	$ 833	$ 730	$ 265	$ 626	$ 2,909

9. PROVISIONS

A summary of changes to provisions during the six months ended June 30, 2019 is as follows:

	Decommissioning and rehabilitation	Environmental fees	Health plan obligations	Total
As at December 31, 2018	$ 8,123	$ 5,860	$ 13,186	$ 27,169
Recognized in the period	-	(78)	-	(78)
Interest recognized in the period	-	21	-	21
Payments in the period	(14)	(576)	(418)	(1,008)
Accretion of discount (Note 14)	223	88	660	971
Effect of change in estimates	165	-	-	165
Exchange difference	101	88	181	370
As at June 30, 2019	8,598	5,403	13,609	27,610
Less: current portion	818	1,374	824	3,016
Non-current portion	$ 7,780	$ 4,029	$ 12,785	$ 24,594

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, in 2012, it 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 $8.4 million at the June 30, 2019 exchange rate. 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.

In addition, during 2018 the Company recorded a provision of $1.9 million associated with its estimated costs to close and rehabilitate tailings storage facilities in its Segovia Operations. The undiscounted rehabilitation costs are estimated to be $2.0 million and expected to be incurred in 2020 through 2022.

The following table summarizes the assumptions used to determine the decommissioning provision related to its mines.

	Expected date of expenditures	Inflation rate	Pre-tax risk free rate	Undiscounted cash flow
Marmato Mine	2021	4.60%	4.54%	$ 806
Segovia Operations	2020-2026	4.60%	6.43%	8,385

b) Provision for Segovia Operations environmental fees

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 assessing fees totalling COP 29.5 billion (equivalent to approximately $9.2 million at the June 30, 2019 exchange rate) for environmental discharges in 2010 and 2011 at tariff rates that significantly exceeded 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 fees. The matter is currently still in process in the judicial system. At June 30, 2019, the Company has a provision in the amount of COP 12.8 billion (approximately $4.0 million) related to the present value of its best estimate of the potential liability for these fees (December 31, 2018 – COP 12.5 billion or approximately $3.9 million).

In January 2019, the Company made the final payment of approximately COP 0.2 billion (equivalent to approximately $0.1 million) under a payment plan related to discharge fees for 2012 and 2013.

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 is being paid in 48 equal monthly payments which commenced in August 2016 and will run through July 2020. At June 30, 2019, the Company has a provision in the amount of COP 0.6 billion (approximately $0.2 million) related to the remaining balance outstanding pursuant to this payment plan obligation (December 31, 2018 – COP 1.7 billion or approximately $0.5 million).

In July 2018, Corantioquia issued a resolution assessing a fine in the amount of COP 3.7 billion (equivalent to approximately $1.2 million at the June 30, 2019 exchange rate) associated with the Company's construction of a tailings storage facility, known as "Pomarossa", on its property which operated between 2014 and 2017. Although the facility was not fully permitted at the time, it was constructed and operated in accordance with environmental norms and standards with minimal environmental impact and has since been fully rehabilitated. In August 2018, the Company filed an appeal of the assessment. At June 30, 2019 the Company has a provision in the amount of $1.2 million in connection with this assessment.

The Company's operations are monitored by Corantioquia in accordance with its environmental management plan and there can be no such assurance that ongoing or future investigations of its performance under the plan will not result in the assessment of fees and/or fines. In such cases, the Company will review the basis of the assessments and file appeals, if deemed appropriate for the circumstances, to reduce or cancel the amounts assessed.

c) Provision for health plan obligations

The Company has an obligation related to its acquisition of the Segovia Operations to fund the health plan contributions of certain participants in a Colombian pension plan. The health plan obligation of COP 42.8 billion (approximately $13 million) is based on an actuarial report prepared as at December 31, 2018, with an inflation rate of 5.09% and a discount rate of 10.13%. The Company is currently paying approximately COP 0.2 billion (approximately $0.1 million) monthly to fund the obligatory health plan contributions. At June 30, 2019, non-current cash in trust includes $0.8 million deposited in a restricted fund account as security against this obligation (December 31, 2018 - $0.7 million).

10. SHARE CAPITAL

a) ***Authorized***

Unlimited number of common shares with no par value.

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

b) Issued and fully paid

As at June 30, 2019 the Company had 48,784,971 common shares issued and outstanding (December 31, 2018 – 48,173,639 common shares). Subsequent to June 30, 2019, a total of 220,332 common shares were issued on exercise of stock options at an average exercise price of CA$2.93 per share.

On June 12, 2019, the Company commenced a normal course issuer bid ("Common Share NCIB") for its common shares. The Common Share NCIB will remain open until the earlier of June 11, 2020 or the date on which the Company has purchased the maximum number of common shares permitted under the bid of 4,589,129 common shares, representing 10% of the issued and outstanding common shares in the public float as of June 4, 2019. Management of the Company will determine the actual number of common shares that may be purchased and the timing of any such purchases, subject to compliance with applicable TSX rules. Daily purchases will be limited to 33,055 common shares, other than block purchase exceptions. Purchases made pursuant to the bid will be made on the open market through the facilities of the TSX and/or alternative Canadian trading systems, and the price that the Company will pay for any such common shares will be the market price at the time of the acquisition. To date, the Company has not made any purchases under the Common Share NCIB.

c) Share purchase warrants

On March 18, 2019, a total of 4,211,918 listed warrants (GCM.WT.A) exercisable into 280,795 common shares with an exercise price of CA$48.75 per share expired unexercised.

As at June 30, 2019, the Company had a total of 12,074,808 listed warrants (GCM.WT.B) (the "2024 Warrants") issued and outstanding. The 2024 Warrants were issued on April 30, 2018 and commenced trading on the TSX on September 6, 2018. The 2024 Warrants have an exercise price of CA$2.21 per share and entitle holders to purchase one common share of the Company for each 2024 Warrant at any time prior to their expiry on April 30, 2024. The 2024 Warrants represent a financial liability as the exercise price is denominated in Canadian dollars, different from the Company's US dollar functional currency. As such, they were recognized at fair value at inception and subsequently remeasured with the change in fair value being recognized in the statement of operations. The fair value of the 2024 Warrants as at June 30, 2019 was determined based on their last traded price, a level 1 fair value input, of CA$2.28 ($1.74) per 2024 Warrant for the period.

The table below summarizes the changes in the number of issued and outstanding 2024 Warrants and the 2024 Warrant liability during the six months ended June 30, 2019:

	Number of Warrants	Amount
As at December 31, 2018	12,151,008	$ 13,798
Repurchase of warrants	(76,100)	(143)
Exercised during the period	(100)	-
Mark-to-market loss (Note 15)	-	7,381
As at June 30, 2019	12,074,808	$ 21,036

On June 12, 2019, the Company also commenced a normal course issuer bid ("2024 Warrant NCIB") for its 2024 Warrants. The 2024 Warrant NCIB will remain open until the earlier of June 11, 2020 or the date on which the Company has purchased the maximum number of 2024 Warrants permitted under the bid of 1,109,628 warrants, representing 10% of the issued and outstanding common shares in the public float as of June 4, 2019. Management of the Company will determine the actual number of 2024 Warrants that may be purchased and the timing of any such purchases, subject to compliance with applicable TSX rules. Daily purchases will be limited to 6,328 warrants, other than block purchase exceptions. Purchases made pursuant to the bid will be made on the open market through the facilities of the TSX and/or alternative Canadian trading systems, and the price that the Company will pay for any such 2024 Warrants will be the market price at the time of the acquisition. From June 12, 2019 through June 30, 2019, the Company purchased a total of 76,100 warrants for cancellation at an average price of CA$2.46 per 2024 Warrant. Subsequent to June 30, 2019, the Company purchased an additional 61,000 warrants for cancellation at an average price of CA$2.35 per 2024 Warrant.

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

d) *Stock option plan*

The Company has a rolling Stock Option Plan (the "Option Plan") in compliance with the TSX's policy for granting stock options. Under the Option 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.

A summary of the change in the stock options outstanding during the six months ended June 30, 2019 is as follows:

	Outstanding and exercisable	Weighted average exercise price per common share (CA$)
Balance, December 31, 2018	2,694,662	$ 3.24
Exercised during the period	(611,232)	2.68
Granted during the period	855,000	3.67
Balance, June 30, 2019	2,938,430	$ 3.48

On March 27, 2019, the Board approved the grant of a total of 855,000 stock options to executive officers and management of the Company and an investor relations advisory firm, exercisable at CA$3.67 per share. These options vested immediately and have a term of five years.

During the six months ended June 30,2019, holders exercised 491,232 stock options at an exercise price of CA$2.55 per share, 110,000 stock options at an exercise price of CA$3.16, and 10,000 stock options with an exercise price of CA$3.67.

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

	Six months ended June 30, 2019	2018
Share-based compensation expense (Note 10g)	$ 767	$ 903
Per option	CA$1.19	CA$0.98
Weighted average Black-Scholes option pricing model inputs		
Market price of the shares at grant date	CA$3.67	CA$3.16
Exercise price	CA$3.67	CA$3.16
Dividends expected	Nil	Nil
Expected volatility	51%	48%
Risk-free interest rate	1.6%	1.9%
Expected life of options	2.5 years	2.5 years

The table below summarizes information about the stock options outstanding and the common shares issuable as at June 30, 2019:

Expiry date	Outstanding and exercisable options	Common shares issuable	Remaining contractual life in years	Exercise price (CA$/share)
July 21, 2019 (1)	45,000	45,000	0.1	$ 27.60
April 1, 2021	358,100	358,100	1.8	2.55
April 3, 2022	518,664	518,664	2.8	2.55
December 12, 2022	81,666	81,666	3.5	2.55
June 14, 2023	1,090,000	1,090,000	4.0	3.16
April 1, 2024	845,000	845,000	4.8	3.67
	2,938,430	2,938,430	2.8	$ 3.36

(1) Expired unexercised at maturity.
(2) Subsequent to June 30, 2019, a total of 220,332 stock options were exercised at an average exercise price of CA$2.93 per share.

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

e) ***Deferred Share Units***

As disclosed in the Company's management information circular ("MIC") dated April 30, 2019, in early 2019, the Company's Compensation, Corporate Governance & Nominating Committee ("CCGNC") completed an external review of the competitiveness and effectiveness of the compensation programs for the Company's directors. As a result of the benchmarking analysis, the Company discontinued the practice of granting stock options to non-executive directors and in its place, has adopt deferred share units ("DSU") as the equity-based instrument under the long-term incentive plan for non-executive directors. On March 27, 2019, the Company established the Directors' DSU Plan. Each DSU represents the right for a non-executive director to receive a cash payment (subject to withholdings) on ceasing to be a director of the Company equal to the product of (i) the vested number of DSUs held and (ii) the volume-weighted average market price of the Company's common shares for the five business days preceding such date.

On April 1, 2019, each of the Company's six non-executive directors received a grant of $150,000 of DSUs representing an initial two-year award under the DSU plan. As such, no DSU grant will be made to these directors in 2020 and commencing in 2021, annual DSU grants will continue at an annual rate of US$75,000. If a director ceases to be a director, other than through a change of control, prior to the first anniversary of the initial grant, then 50% of the initial grant will be forfeited and will not be paid to the director. A total of 327,702 DSUs were granted on April 1, 2019 at a price of CA$3.67 per share, of which 50% vested immediately and the other 50% will vest on April 1, 2020.

The DSUs represent a financial liability as they can only be settled in cash upon the departure of the directors. As such, the DSUs granted and vested are initially recognized at their fair value as share-based compensation with a corresponding amount recorded in accounts payable and accrued liabilities on the statement of financial position. The DSU liability is subsequently remeasured to its fair value at each period end with the change in fair value during the period recognized as share-based compensation. Unvested DSUs are recognized as share-based compensation over the vesting period using the straight-line method.

A summary of changes to the DSU liability during the six months ended June 30, 2019 is as follows:

	Amount
Balance, December 31, 2018	$ -
Share-based compensation expense (Note 10g)	
Granted and vested during the period	450
Unvested DSUs recognized in the period	126
Change in fair value	61
Foreign exchange	14
Balance, June 30, 2019	$ 651

The DSU liability as at June 30, 2019 was determined based on the Company's closing share price, a level 1 fair value input, of CA$4.17 (approximately $3.19) per share.

As at June 30, 2019, the Company had 163,851 vested DSUs and 163,851 unvested DSUs outstanding.

f) ***Performance Share Units***

In early 2019, the Company's CCGNC also completed an external benchmarking of its executive compensation program. In accordance with the recommendations resulting from the benchmarking analysis, as disclosed in the Company's MIC dated April 30, 2019, the Company refined the long-term compensation plan for its executive officers and senior management such that approximately 50% of long-term incentive plan awards would be in the form of stock options and the other 50% would be in the form of new performance share units ("PSU"). On March 27, 2019, the Company established the PSU Plan. PSUs are not convertible into common shares of the Company and simply represent a right to receive an amount of cash (subject to withholdings), on vesting, equal to the product of (i) the number of vested PSUs held, (ii) the volume-weighted average market price of the Company's common shares for the five business days preceding such date and (iii) a performance multiplier. PSUs will generally have a three-year cliff vesting under the PSU Plan. The performance multiplier date will vary from 0% to 200% depending on the relative performance of the Company's total shareholder return compared to its selected peer group.

On April 1, 2019, a total of 117,427 PSUs were granted to executive officers and senior management at a price of CA$3.67 per share and the PSUs will vest on March 31, 2022.

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

The PSUs represent a financial liability as they can only be settled in cash on vesting. The fair value of the PSUs granted is recognized as share-based compensation in the statement of operations over the vesting period with a corresponding amount recorded in accounts payable and accrued liabilities in the statement of financial position. Subsequently, at each reporting date and on settlement, the PSU liability is remeasured to its fair value with the change in fair value during the period recognized as share-based compensation.

During the six months ended June 30, 2019, the Company recorded a share-based compensation expense of less than $0.1 million related to the PSUs (Note 10g). The fair value of the PSUs as at June 30, 2019 was $5.11 per unit, determined using Monte Carlo simulations that capture all the features of the PSUs and level 2 fair value inputs.

As at June 30, 2019, the Company had 117,427 unvested PSUs outstanding.

g) Share-based compensation expense

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Stock options (Note 10d)	$ -	$ 903	$ 767	$ 903
DSUs (Note 10e)	637	-	637	-
PSUs (Note 10f)	49	-	49	-
Total share-based compensation expense	$ 686	$ 903	$ 1,453	$ 903

11. 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. The company may at times enter into risk management contracts to mitigate these risk. It is the Company's policy that no speculative trading in derivatives shall be undertaken.

a) *Credit risk*

	June 30, 2019	December 31, 2018
Trade	$ 1,082	$ 4,707
VAT recoverable	8,547	7,141
Other, net of allowance for doubtful accounts	1,249	1,647
Total accounts receivable	$ 10,878	$ 13,495

The Company has an allowance for doubtful accounts of $0.1 million (December 31, 2018 - $0.1 million) related to other receivables as at June 30, 2019.

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. From 2015 to January 2019, the Company had been obligated pursuant to a long-term supply agreement to sell all of its production to a single customer in Colombia from whom the Company received 80% of the sales proceeds upon delivery of its production and the balance within a short settlement period thereafter. In January 2019, the Company terminated this supply agreement at which point the Company received payment of $1.4 million of past due trade receivables, plus interest, from the former customer. Subsequently, the Company commenced delivery of all of its production under a new three-year refining agreement with an international customer from whom it receives 99.5% of the sales proceeds upon delivery of its production to an agreed upon transfer point in Colombia and the balance within a short settlement period thereafter. In the event that this new customer is unable to perform under the contractual arrangement, the Company does have other avenues through which it can sell its production.

b) Foreign currency risk

The Company is exposed to foreign currency fluctuations in Colombian pesos ("COP") and Canadian dollars ("CA"). Such exposure arises primarily from expenditures that are denominated in currencies other than the functional currency. The Company monitors its exposure to foreign currency risks. To reduce its foreign currency exposure associated with operating expenses incurred in COP, the Company may enter into foreign currency derivatives to manage such risks. For the six months ended June 30, 2019, the Company did not utilize derivative financial instruments to manage foreign currency risk.

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

The following table summarizes, in USD equivalents, the Company's major currency exposures as at June 30, 2019:

	CA	COP
Cash	$ 901	$ 15,993
Cash in trust	-	755
Accounts receivable	218	10,544
Accounts payable and accrued liabilities, including amounts payable related to acquisitions of mining interests	(827)	(23,910)
Convertible Debentures	(16,898)	-
2024 Warrant liability	(21,036)	-
Lease obligations, including current portion	(137)	(2,117)
Net financial (liabilities) assets	$ (37,779)	$ 1,265

Based on the net exposure at June 30, 2019, a 10% depreciation or appreciation of the CA against the USD would result in a $3.8 million increase or decrease in the Company's after-tax net income (2018 – $1.4 million) and a 10% depreciation or appreciation of the COP against the USD would result in a $ 0.1 million decrease or increase in the Company's other comprehensive income (2018 - $0.8 million increase or decrease).

c) Liquidity risk

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

- *Accounts payable and accrued liabilities*: These arise during the normal course of business and are paid from operating cash flow, and except under certain exceptions, are usually due within no later than one month. The Company from time to time may also enter 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 terminated a number of these agreements totaling COP 24.1 billion (approximately $7.6 million) in outstanding obligations during the second half of 2018. The Company is currently evaluating its options with respect to the remaining compensation agreements in light of its future underground development activities.
- *Lease obligations:* These obligations represent lease payments related to ROU assets over the life of the lease contracts (Note 8)
- *Long-term debts*: The Gold Notes are carried at fair value and are being settled by deposits of physical gold, representing less than 10% of the Company's projected gold production over the term of the Gold Notes, to the Gold Trust Account. The Convertible Debentures are also carried at fair value and no principal repayment is required until the date of maturity on April 5,2024

The carrying value of accounts payable and accrued liabilities and amounts payable for property acquisitions approximates their respective fair values as they are short-term in nature.

d) Price risk

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

The Company may enter into commodity hedging contracts from time to time to reduce its exposure to fluctuations in spot commodity prices. The Company is required under the covenants of the Gold Notes to use commercially reasonable efforts to put in place commodity hedging contracts (put options) which establish a minimum selling price of $1,250 per ounce for the physical gold being accumulated in the Gold Trust Account (Note 7) which will be sold in each of the immediately subsequent four quarters to meet the Company's financial obligations for the quarterly amortizing payments on the Gold Notes. At June 30, 2019, the Company had the following commodity hedging contracts in place:

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

Type of instrument	Maturity	Benchmark	Volume (gold ozs)	Strike price (per oz)	Fair value
Put option	July 15, 2019	London Fix PM	3,900	1,250	$ -
Put option	October 15, 2019	London Fix PM	3,900	1,250	4
Put option	January 17,2020	London Fix PM	3,900	1,250	14
Put option	April 17,2020	London Fix PM	3,900	1,250	26
			15,600		$ 44

The Company has not designated the commodity hedging contracts as accounting hedges under IFRS 9. The commodity hedging contracts are carried at their fair value at the end of each reporting period with the change in fair value during the period recorded in gain or loss on financial instruments. During the six months ended June 30, 2019, the Company recorded a loss of $0.2 million (2018 – nil) related to commodity hedging contracts in the statement of operations (Note 15). Subsequent to June 30, 2019, the July 15, 2019 put option expired unexercised.

e) Arbitration related to termination of long-term supply agreement

As described in Note 11a, in January 2019, the Company terminated its long-term supply agreement related to the sale of its gold and silver production in Colombia. On May 10, 2019, the Company received notice of a request to settle the dispute, as permitted under the supply agreement, under the Rules of Arbitration of the International Chamber of Commerce. In its notice of arbitration, the former customer has requested reinstatement of the supply agreement and damages related to the intervening period since the supply agreement was terminated. In the alternative, the former customer is claiming general damages in the amount of $50 million, or such other amount as may be determined prior to or at the arbitration, punitive and/or exemplary damages of $1 million, repayment of $0.2 million of disputed interest and reimbursement of costs and expenses related to the arbitration. The Company believes as a result of breach of performance by the former customer on numerous occasions that it had a justifiable basis for terminating the supply agreement and will vigorously defend its position in the arbitration proceedings. The Company believes that it is more likely than not that it will not have any liability from arbitration.

12. REVENUE

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Gold	$ 76,783	$ 68,249	$ 153,439	$ 132,419
Silver	827	678	1,626	1,294
	$ 77,610	$ 68,927	$ 155,065	$ 133,713

13. COST OF SALES

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Production costs	$ 36,550	$ 34,696	$ 70,895	$ 65,862
Production taxes	3,143	2,902	6,255	5,594
Provision for environmental fees (Note 9b)	(78)	827	(78)	827
Depreciation, depletion and amortization (Note 4)	7,612	6,574	16,781	12,653
	$ 47,227	$ 44,999	$ 93,853	$ 84,936

14. FINANCE COSTS

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Interest expense	$ 1,931	$ 2,672	$ 3,875	$ 4,821
Gold Premium (note 7a)	139	-	312	-
Accretion of lease obligation (note 8)	16	-	127	-
Accretion of provisions (Note 9)	492	564	971	1,445
Debt financing costs (Note 7b)	1,265	7,578	1,265	7,578
Accretion of 2018, 2020 and 2024 Debentures	-	4,841	-	10,961
	$ 3,843	$ 15,655	$ 6,550	$ 24,805

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

15. LOSS ON FINANCIAL INSTRUMENTS

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Mark-to-market loss on Gold Notes (Note 7a)	$ (4,380)	$ (165)	$ (6,274)	$ (165)
Mark-to-market loss on Convertible Debentures (Note 7b)	(1,659)	-	(1,659)	-
Fair value adjustment on Sandspring Warrants (Note 5)	(2)	-	(129)	-
(Loss) gain on gold in Gold Trust (Note 7a)	(53)	(106)	70	(106)
Mark-to-market (loss) gain on commodity hedging contracts (Note 11d)	(151)	28	(275)	28
Mark-to-market loss on 2024 Warrant liability (Note 10c)	(4,812)	(1,155)	(7,381)	(1,155)
Loss on early redemption of 2018 Debentures	-	(171)	-	(171)
Loss on extinguishment of 2020 and 2024 Debentures	-	(24,811)	-	(24,811)
	$ (11,057)	$ (26,380)	$ (15,648)	$ (26,380)

16. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	Six months ended June 30, 2019	Six months ended June 30, 2018
Accounts receivable	$ 2,885	$ 2,338
Inventories	(1,849)	(1,809)
Prepaid expenses and deposits	(650)	(662)
Accounts payable and accrued liabilities	992	(532)
	$ 1,378	$ (665)

17. DILUTED EARNINGS PER SHARE

The basic weighted earnings per share amounts are calculated by dividing the net income for the period by the weighted average number of shares outstanding during the period.

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Net income (loss)	$ 768	$ (30,742)	$ 8,671	$ (25,390)
Basic weighted average number of shares	48,337,782	28,302,393	48,287,484	24,953,899
Basic and diluted earnings (loss) per share	$ 0.02	$ (1.09)	$ 0.18	$ (1.02)

Diluted earnings per share amounts are calculated by adjusting the basic earnings per share to take into account the after-tax effect of interest and other finance costs associated with dilutive convertible debentures as if they were converted at the beginning of the period, and the effects of potentially dilutive stock options and share purchase warrants calculated using the treasury stock method. When the impact of potentially dilutive securities increases the earnings per share or decreases the loss per share, they are excluded for purposes of calculating diluted earnings per share. For the three and six months ended June 30, 2019, the Convertible Debentures, the 2024 Warrants, and certain out-of-the-money stock options were anti-dilutive (2018 – all convertible debentures, stock options, and warrants were anti-dilutive). The following table sets forth the computation of diluted earnings per share:

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Net income (loss)	$ 768	$ (30,742)	$ 8,671	$ (25,390)
Weighted average number of shares				
Basic	48,337,782	28,302,393	48,287,484	24,953,899
Increase for assumed exercise of stock options	431,726	-	439,121	-
Diluted weighted average number of shares	48,769,508	28,302,393	48,726,605	24,953,899
Diluted earnings (loss) per share	$ 0.02	$ (1.09)	$ 0.18	$ (1.02)