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RED CLOUD
Klondike Strike Inc.

April 25, 2019

Gran Colombia Gold Corp. (TSX:GCM)

Putting the Grand Back in Gran Colombia — Initial Estimates

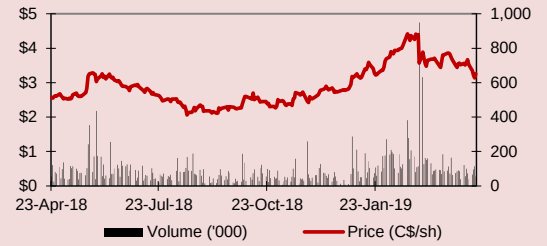
(Currency is C$ unless noted otherwise)

Closing Price (C$/sh)	$3.28
52 Week Low / High (C$/sh)	$2.03 / $4.67
Fair Value Estimate (C$/sh)	$6.00

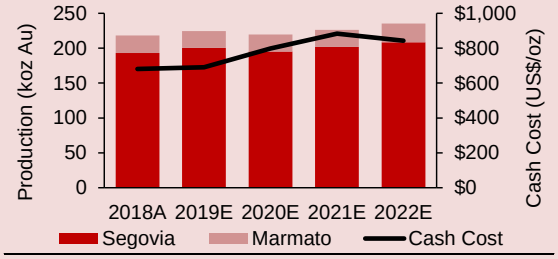
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	48.3	63.0
Market Capitalization ($M)		$158.4
Enterprise Value ($M)		$240.1
Cash ($M)		$44.5
Debt ($M)		$126.3

FYE: DEC 31	2018A	2019E	2020E
Au Produced (000's oz)	218	225	220
Cash Costs (US$/oz)	$681	$690	$799
CAPEX ($M)	$46	$63	$58
Gross Revenue ($M)	$360	$371	$364
EBITDA ($M)	$131	$154	$120
CFPS	$2.60	$2.06	$1.60
EPS	-$0.19	$1.25	$0.97

STOCK CHART



PRODUCTION FORECAST



VALUATION	(C$M)		(C$/sh)
2019 EV/EBITDA	$ 154	4.0x	$ 8.63
2020 EV/EBITDA	$ 120	4.0x	$ 6.49
1yr FWD NTM EV/EBITDA	**$ 112**	**4.0x**	**$ 5.94**
2021 EV/EBITDA	$ 100	4.0x	$ 5.20
2022 EV/EBITDA	$ 116	4.0x	$ 7.61

MAJOR SHAREHOLDERS

Management (4.99%), Milfam LLC (9.74%), 683 Capital Management, L. (1.3%), CQS Investment Management.

DISCLOSURE CODE: 1, 2, 3, 4

(Please refer to the disclosures listed on the back page)

Source: RCKS estimates, Company Information, Capital IQ

Company Description

Gran Colombia Gold Corp. engages in the acquisition, exploration, development, and operation of gold and silver properties primarily in Colombia. It holds interests in the Segovia operations comprising the El Silencio, Providencia, Sandra K, and the Carla underground mines located in Colombia; and the Marmato gold project situated in Colombia.

Gran Colombia has been steadily improving its operations and balance sheet over the last 18 months, but the market does not yet appear to fully recognize what has been accomplished. Additionally, the company can deliver game-changing catalysts with the drill bit at Segovia and a new ore-body at Marmato. **We expect Gran Colombia to progressively re-rate towards our fair value estimate of C$6.00/sh, with continued operating execution, along with near-term exploration and development catalysts that could drive our estimates higher.**

Investment Thesis:

- **Recent improvements not priced in by the market.** Improved operations and rebuilt balance sheet have converted Gran Colombia into a new company. However, the market has not fully priced in this improvement and like most turnarounds, the market is likely to progressively price this in. As a result, continued operating and financial execution should drive a progressive re-rating to peers, which trade at a substantial premium (Figure 2).
- **More high-grade at Segovia would boost our estimates.** Part of the operating improvement has been driven by high-grades at Segovia and while these have a finite life (during which the company is improving operating efficiency), the company now is funded to aggressively explore the project over the next 2 years. Which if found, when combined with the ongoing operating improvements, would materially improve our estimates. The most likely sources of additional high-grade material are El Silencio Deep or Cristales.
- **Marmato could provide a step-change in production.** The company has identified a large resource at depth which if developed with a bulk tonnage underground approach could increase production to 50-125k oz per year (currently ~24oz/year). We expect a PEA later this year to define Maramto's potential.

Valuation:

Execution key to re-rating to peers; additional upside possible. Our fair value estimate of C$6.00/sh is based on 4.0x our one-year forward, NTM EBITDA estimate of C$112M, suggesting 83% upside from current estimates. Gran Colombia trades at 1.6x 2019E EBTIDA, while peers are at 5.2x and we believe that continued operating and financial success should drive a re-rating, while the identification of a new high-grade zone at Segovia, along with the PEA at Marmato could drive our estimates materially higher. **Upcoming Catalysts** include 1) Q1/19 financial results (May 2019), 2) Exploration results (ongoing), Marmato PEA H2/19.

Priced as of prior trading day's market close, EDT (unless otherwise noted).
All values in USD unless otherwise noted.

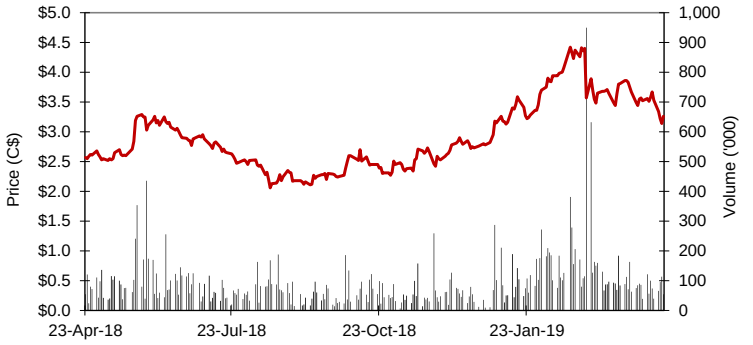
For Disclaimer and Applicable Disclosures, see the end of this report

Financial and Operating Summary: Gran Colombia Gold Corp.

FINANCIAL DATA

Ticker	**TSX:GCM**
Current Price (C$/sh)	**C$3.28**
52 Week Low / High (C$/sh)	**$2.03 / $4.67**
Fair Value Estimate (C$/sh)	**$6.00**
Shares Outstanding (M)	**48.3**
Market Capitalization (C$M)	**$158.4**
Cash & Cash Equivalents (C$M)	**$44.5**
Total Debt (C$M)	**$126.3**
Enterprise Value (C$M)	**$240.1**

STOCK CHART



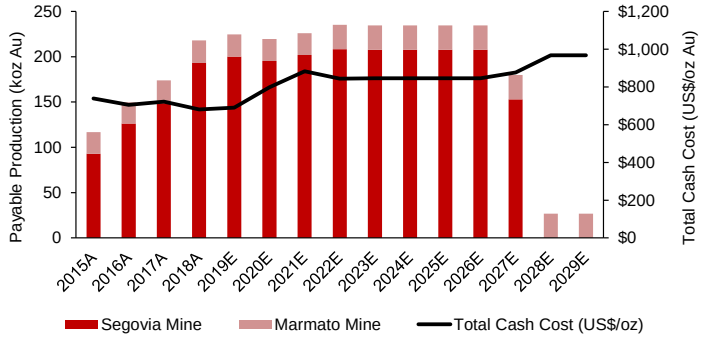
FINANCIAL DATA

Capital Structure	Shares Millions
Shares Outstanding	48.3
Options	2.6
Warrants	12.2
Fully Diluted Shares	63.0

Ownership (April 2019)	Shares O/S (M)	% O/S
Management	2.4	5.0%
Milfam LLC	4.7	9.7%
CQS Investment Management Limited	0.5	1.0%
Blue Pacific Assets Corporation	0.2	0.5%
Crider GST Trust	0.1	0.1%

Financial Summary (C$)						
Year-end December 31st	2018A	2019E	2020E	2021E	2022E	2023E
Shares Outstanding (M)	48.3	48.3	48.3	48.3	48.3	48.3
EBITDA (C$M)	$131	$154	$120	$100	$116	$115
FCF (CFO+CFI) (C$M)	$57	$36	$19	$29	$48	$51
EPS	-$0.19	$1.25	$0.97	$0.63	$0.80	$0.72
CFPS	$2.60	$2.06	$1.60	$1.43	$1.74	$1.80
EV/EBITDA	1.8x	1.6x	2.0x	2.4x	2.1x	2.1x
P/CFPS	1.3x	1.6x	2.1x	2.3x	1.9x	1.8x
Income Statement (C$M)						
Revenue	360.4	370.7	363.6	375.8	390.9	389.7
Operating Expenses	194.0	199.0	226.0	257.8	256.6	256.5
Depreciation	69.7	39.0	30.3	38.2	45.3	52.3
General & Admin	22.2	17.5	17.2	17.8	18.5	18.4
Net Income	(4.3)	60.3	46.8	30.6	38.8	34.8
Balance Sheet (C$M)						
Cash & Equivalents	45.5	56.1	52.9	62.1	91.6	126.2
Debt	106.3	101.9	80.0	60.6	41.9	25.2
Cash Flow (C$M)						
Operating CF	102.1	99.3	77.0	68.8	84.1	87.1
Financing CF	(9.6)	(24.4)	(21.9)	(19.4)	(18.8)	(16.7)
Investing CF	(45.6)	(63.4)	(58.3)	(40.3)	(35.9)	(35.9)
Change in Cash	45.6	11.6	(3.2)	9.2	29.5	34.6

PRODUCTION PROFILE



Priced as of market close on April 24, 2019.
Source: RCKS Estimates, Company Reports, Capital IQ, S&P Global Market Intelligence

TECHNICAL ASSUMPTIONS

	2018A	2019E	2020E	2021E	2022E	2023E
Gold Price (US$/oz)	$ 1,278	$ 1,300	$ 1,300	$ 1,300	$ 1,300	$ 1,300
Silver Price (US$/oz)	$ 16.53	$ 17.00	$ 17.00	$ 17.00	$ 17.00	$ 17.00
Canadian : US$ exchange rate	$ 0.78	$ 0.80	$ 0.80	$ 0.80	$ 0.80	$ 0.80

RESOURCE ESTIMATE	**Tonnes (Mt)**	**AuEq (g/t)**	**AuEq (koz)**
Segovia	7.07	10.94	2,484
Marmato	93.20	2.84	8,582
Global Resource	100.27	3.41	11,066
RESERVE ESTIMATE	**Tonnes (Mt)**	**AuEq (g/t)**	**AuEq (koz)**
Segovia	1.94	11.00	688
Marmato	-	-	-
Global Reserves	1.94	11.00	688
Segovia (RCKS Mine Model)	**5.78**	**10.69**	**1,988**
Marmato (RCKS Mine Model)	**63.00**	**2.88**	**5,829**

VALUATION

Year	**EBITDA (C$M)**	**Multiple**	**Valuation (C$/sh)**
2019 EV/EBITDA	$154	4.0x	$8.63
2020 EV/EBITDA	$120	4.0x	$6.49
1yr FWD NTM EV/EBITDA	**$112**	**4.0x**	**$5.94**
2021 EV/EBITDA	$100	4.0x	$5.20
2022 EV/EBITDA	$116	4.0x	$7.61

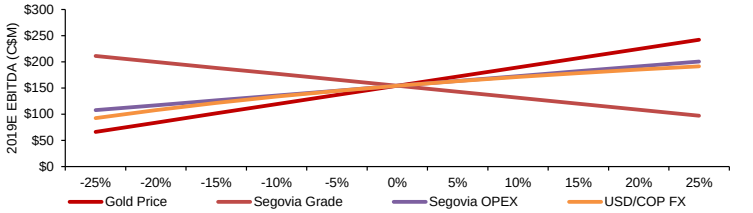
NET ASSET VALUE

	Discount Rate	(C$M)	(C$/Sh)
Segovia (100%), Colombia	5%	$ 593	$ 9.41
Marmato (100%), Colombia	5%	$ 103	$ 1.64
Taxes	5%	$ (188)	$ (2.99)
Other Assets	in-situ	$ 153	$ 2.43
Corporate Adjustments	5%	$ (271)	$ (4.31)
Total NAV		$ 390	$ 6.19

COMPARABLES

Company	Ticker	Price C$	EV/EBITDA FY2019E	EV/EBITDA FY2020E	EV/oz Prod. (US$) FY2018A	EV/oz Prod. (US$) FY2019E
Pretium Resources Inc.	TSX:PVG	$10.07	8.0x	5.5x	5,257	4,881
TMAC Resources Inc.	TSX:TMR	$3.63	4.0x	3.0x	3,703	2,417
Wesdome Gold Mines Ltd.	TSX:WDO	$4.12	8.7x	6.3x	5,805	5,471
Atlantic Gold Corporation	TSXV:AGE	$2.03	6.4x	5.6x	4,615	4,398
Guyana Goldfields Inc.	TSX:GUY	$0.92	2.0x	0.9x	504	497
Torex Gold Resources Inc	TSX:TXG	$12.81	4.5x	3.6x	2,905	2,391
Argonaut Gold Inc.	TSX:AR	$1.68	2.5x	1.8x	1,393	1,068
Average			5.2x	3.8x	3,454	3,017
Gran Colombia Gold Corp.	**TSX:GCM**	**$3.28**	**1.6x**	**2.0x**	**821**	**797**

EBITDA (2019E) SENSITIVITIES



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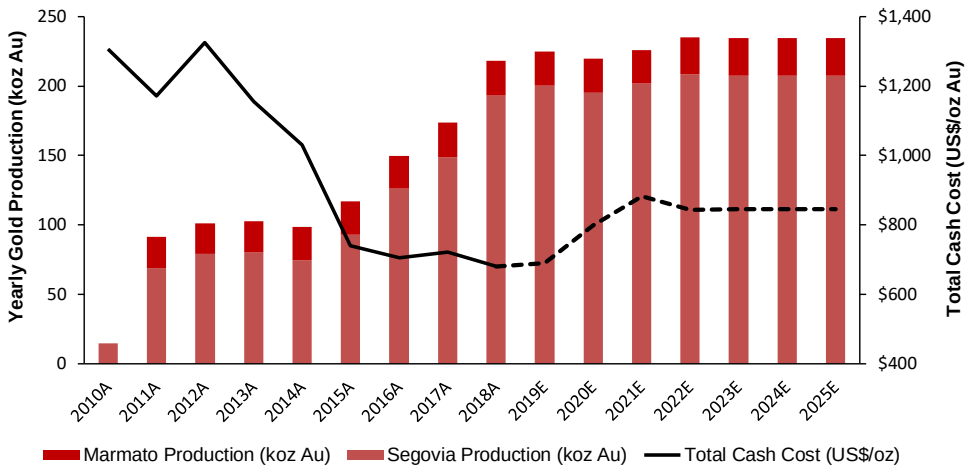
Executive Summary

We believe Gran Colombia Gold is worth C$6.00 per share representing 83% upside to the current share price. Gran Colombia is an undervalued gold producer, that is steadily improving two 150-year-old mining operations. Despite ~150 years of mining, Segovia remains underexplored and the company is embarking on an aggressive exploration program over the next two years, where the addition of one or more high-grade zones could be game-changing for the company by reducing costs and increasing production beyond our current estimates. Additionally, the company is advancing Marmato towards a PEA by year-end that is likely to suggest an increase production at that asset by 2-5x. **Based on our estimates, Gran Colombia Gold trades at 1.6x 2019E EBTIDA a discount to similar scale gold producers that trade at 5.2x EBTIDA. We believe that as the company demonstrates is ability to execute at its operations and delivers on the exploration potential of Segovia and Marmato, it should re-rate.**

Figure 1: Production and Cost Profile



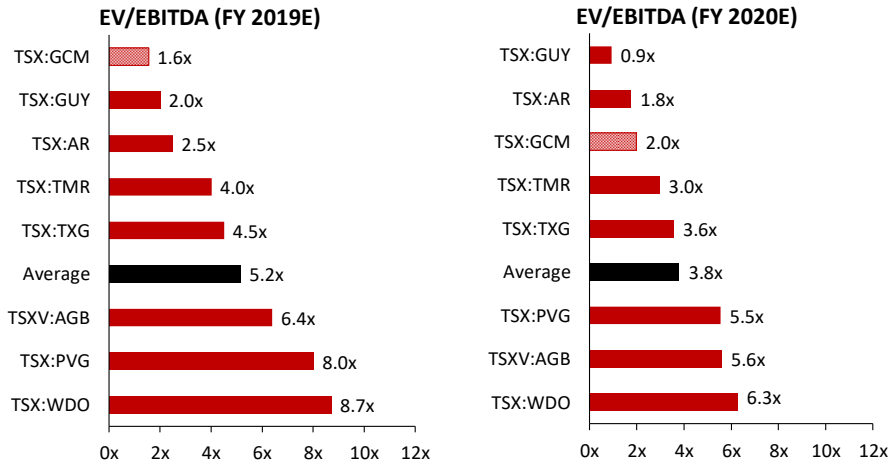
Source: Company Reports

Investment Thesis

Undervalued based on current operations, execution part of the re-rating story. We model Gran Colombia producing 225koz in 2019 at US$690/oz and 220koz in 2020 at US$799/oz. This translates to US$126M and US$96M in EBITDA in 2019 and 2020, respectively. Meaning the company is trading at 1.6x 2019E EBITDA vs. peers 5.2x (Figure 1). The company also is attractively valued on a NAVPS, EV/oz of Annual Production and EV/oz of Resources (Figure 7). In our view, continued operating execution (operating and financial results) should provide the catalyst to close the valuation gap with peers.

Continued operational success should lead to a re-rating

Figure 2: EV/EBITDA Comps



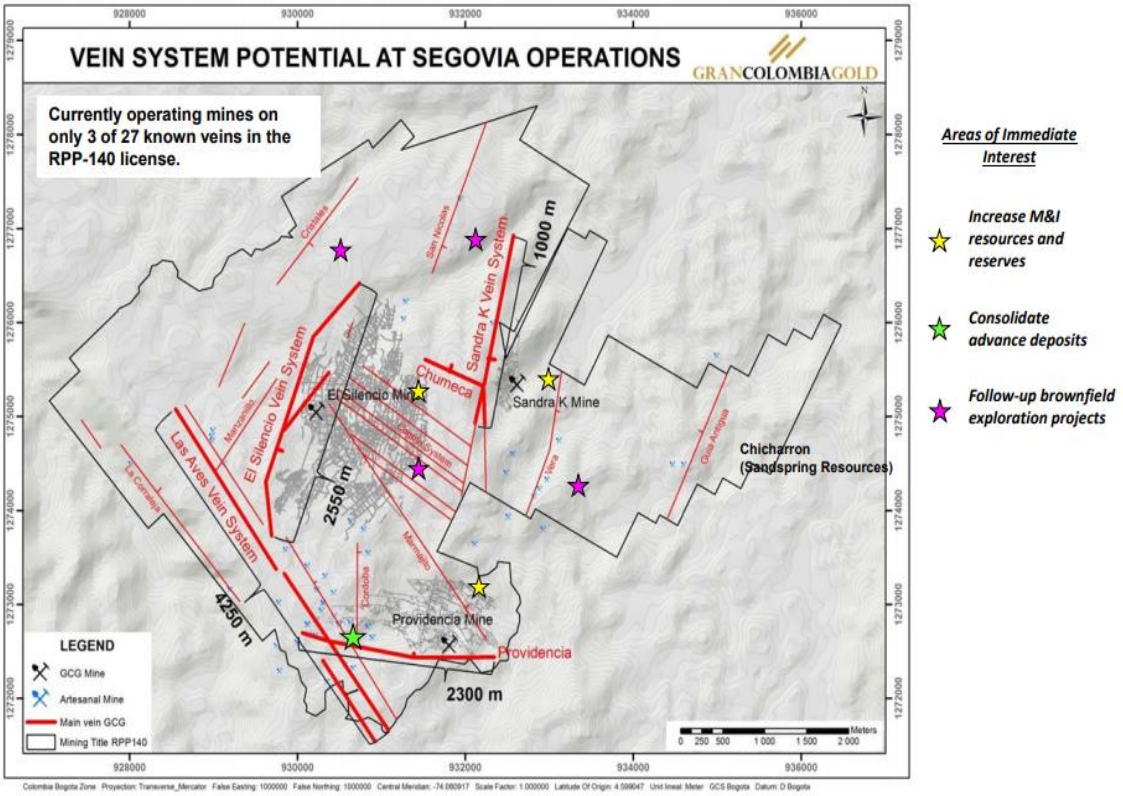
Source: RCS Estimates, Capital IQ

Progressively improving operations. Since taking over Segovia in 2010, the company has been progressively growing production and is improving operations. Since 2015, the exceptionally high-grade main zone at Providencia (17.2 g/t Au), has increased cash flow providing the capital needed to optimize operations, including planned efficiency improvements, particularly focused on reducing ore handling costs, and increasing worker availability by modernizing both El Silencio and Providencia. It is anticipated that these projects, should drive per tonne operating costs lower and increase productivity in the areas that Gran Colombia is mining. The impact being that company should remain profitable, despite grades progressively reverting to the resource/reserve grade by 2021.

Increased cash flow from high-grade zones has provided capital for operational improvements at Segovia

One drill hole could change it all. The company recently raised C$20M to increase exploration, with the objective of expanding reserves and resources at Segovia. Our estimates assume that the expected decline in grades (back to the reserve grade) are offset be efficiency improvements, including a throughput increase. However, should this exploration program define another exceptionally high-grade zone production could see a step-up in 2021 with costs declining from current levels. The most likely targets to deliver a new high-grade zone are El Silencio Deep or Cristales.

Figure 3: Exploration Targets at Segovia



Source: Company Reports

Marmato could represent significant growth, more work to do. This roughly breakeven operation has only a modest impact on our estimates in its current form (15% of our pre-tax $NAVPS_{5\%}$ est). However, recent exploration success is expected to lead to a bulk mineable underground resource (Underground Deeps Resource) the potential of which is expected to be defined in a H2/19 PEA. Depending on the size and grade of this resource, this PEA could move Marmato production from 24k oz per year (2019E) to 50-125k oz per year. While early days, this would push Gran Colombia well into mid-tier producer status. We have ascribed an in-situ value of C$63M to the in-situ resource.

Ongoing community engagement are key to Gran Colombia's success in the region

Steadily building a significant social license, critical for these operations that are integrated into the local community. Both Marmato and Segoiva are unique because the long history of mining has resulted in these communities being on-top of and around the mine operations. As a result, community relations are critical for both mines to be successful. As part of its mining title at Segovia, the company made US$4.9M in contributions to a foundation benefitting the local community in 2018. The foundation has funded improvements to the local school system, material road improvements and new recreation areas (Figure 4). This positive relationship along with the inclusion of artisanal miners (small miners) under operating contracts has led to an increase in production from small miners at Segovia. In our view maintaining community support is critical for both Segovia and Maramto to continue operating and Gran Colombia is demonstrating its ability to build them.

Figure 4: New Recreational Area

Source: RCS Site Visit (2019)

Catalysts

Executing operationally and exploration success key to re-rating. In our view, a combination of continued operating execution and exploration results are key to closing the valuation gap to peers.

Upcoming catalysts are expected to include:

1) Q1 Financial Results – May 2019
2) Marmato Resource Update and PEA – H2/19
3) Q2 Operating and Financial results – Q3/19
4) Exploration results from Segovia and Marmato- Ongoing

Valuation and Financial Analysis

We believe Gran Colombia Gold is worth C$6.00/sh using base case pricing. Our Base Case valuation of C$6.00/sh for Gran Colombia is based on 4.0x our one-year forward, NTM EBITDA estimate of C$112M, suggesting 83% upside to the current share price. Our base case estimates assume US$1,300/oz Au and US$17/oz Ag. While this is a slight discount to other producers, it reflects the current shorter mine-life at Segovia and the potential transition to lower grade material in 2020 and 2021. We would review our multiple with exploration success.

EV/EBITDA based fair value estimate suggest significant upside remains for this producer

Figure 5: EV/EBITDA Valuation

Year	EBITDA (C$M)	Multiple	Valuation (C$/sh)
2019 EV/EBITDA	$154.2M	4.0x	C$8.63
2020 EV/EBITDA	$120.4M	4.0x	C$6.49
1yr FWD NTM EV/EBITDA	**$111.8M**	**4.0x**	**C$5.94**
2021 EV/EBITDA	$100.2M	4.0x	C$5.20
2022 EV/EBITDA	$115.8M	4.0x	C$7.61
2023 EV/EBITDA	$114.7M	4.0x	C$6.91

Source: RCKS Estimates

NAVPS estimate of C$6.19/sh roughly aligns with our EBITDA based valuation (Figure 11). The DCF valuation for Segovia and Marmato account for the majority of our pre-tax Net Asset Value for the company, which has been combined with our in-situ valuation (US$30/oz AuEq) of the company's Underground Deeps resource (~2.24Moz AuEq) at Marmato (not included in mine plan or our DCF valuation) and a US$50M exploration credit for the exploration upside we see at Segovia, which could allow for a significant extension of mine life beyond the initial 10 years that have been modelled.

NAVPS estimate aligns with EBITDA based fair value

Figure 6: NAV Summary

Operating Properties	**0%**	**3%**	**5%**	**8%**	**10%**
Segovia (100%), Colombia	$730.6	$642.5	$592.7	$528.7	$492.0
Marmato (100%), Colombia	$175.6	$126.2	$103.5	$79.1	$67.3
Current Taxes	($238.7)	($205.4)	($188.2)	($167.7)	($156.6)
Total Mine Site After-Tax NPV	$667.6	$563.4	$507.9	$440.1	$402.7
Other Assets and/or Liabilities					
Marmato - Deeps	$84.0	$84.0	$84.0	$84.0	$84.0
Segovia - Exploration Potential	$62.5	$62.5	$62.5	$62.5	$62.5
Equity Investments	$6.6	$6.6	$6.6	$6.6	$6.6
Total	$153.0	$153.0	$153.0	$153.0	$153.0
Corporate adjustments					
Hedge value (mark-to-market)	$0.0	$0.0	$0.0	$0.0	$0.0
Corporate G&A	($156.4)	($137.2)	($126.3)	($112.4)	($104.5)
Working capital (less equity investments)	$6.2	$6.2	$6.2	$6.2	$6.2
Interest income net of financing expense	($29.7)	($28.1)	($27.1)	($25.7)	($24.9)
Cash Flow from Financing	($114.1)	($105.1)	($99.7)	($92.5)	($88.2)
Total net debt	($161.8)	($151.2)	($144.8)	($136.3)	($131.2)
Total Corporate Adjustments	($318.2)	($288.3)	($271.2)	($248.7)	($235.7)
Total NAV (C$M)	$502.4	$428.1	$389.8	$344.4	$320.1
Total NAVPS (C$/share)	$7.98	$6.80	$6.19	$5.47	$5.08

Source: RCKS Estimates

2018 recapitalization allows for an equity re-rate with continued operating success

Debt recapitalization in 2018 cleaned up the balance sheet. For year-end 2018, the company reported US$35.6M in cash and total debt of US$88.3M. This is the result of improved operations and a refinancing the of the convertible debentures, with US$98M in gold-linked notes (April 2018). The gold-linked notes carry an interest rate of 8.25% and are currently listed on the TSX under ticker symbol GCM.NT.U. The debt is paid quarterly with physical gold being deposited in a trust account (<10% annual production at Segovia) and subsequently sold in order to amortize the US$98M principal, which has since been reduced to US$83.4M currently outstanding.

Recent C$20M financing funds aggressive exploration at Segovia. The company also recently closed a C$20M convertible debenture financing with a maturity of 5 years and carrying an interest rate of 8% (converts at C$4.75/sh), which is to be used for accelerating exploration efforts at Segovia with the objective of increasing mineral reserves for future production growth and to extend the mine life.

Discounted valuation provides an attractive entry point

Relative Valuation

Cheap on based on cash flow and EBITDA multiples, in line NAVPS.

Based on comparable companies previously highlighted in this report, Gran Colombia Gold trades at a significant discount to peers on both an EV/EBITDA and P/CF valuation for FY2019E and FY2020E, while also trading at a significant discount on an EV per production oz basis (using 2019E guidance).

Figure 7: Comparable precious metals producers

Company	Ticker	Price (C$/sh)	EV C$M	P/NAV	EV/EBITDA		P/CF		EV/oz Production		EV/oz Resources
					FY2019	FY2020	FY2019	FY2020	FY2018A	FY2019E	
Gran Colombia Gold Corp.	**TSX:GCM**	**$3.28**	**$240**	**0.53x**	**1.6x**	**2.0x**	**1.6x**	**2.1x**	**US$821**	**US$797**	US$16
Pretium Resources Inc.	TSX:PVG	$10.07	$2,653	0.60x	8.0x	5.5x	7.1x	4.4x	US$5,257	US$4,881	US$33
TMAC Resources Inc.	TSX:TMR	$3.63	$552	0.44x	4.0x	3.0x	3.2x	2.5x	US$3,703	US$2,417	US$64
Wesdome Gold Mines Ltd.	TSX:WDO	$4.12	$558	0.84x	8.7x	6.3x	10.3x	7.7x	US$5,805	US$5,471	US$57
Atlantic Gold Corporation	TSXV:AGB	$2.03	$561	0.76x	6.4x	5.6x	6.3x	6.7x	US$4,615	US$4,398	US$220
Guyana Goldfields Inc.	TSX:GUY	$0.92	$102	0.30x	2.0x	0.9x	3.5x	2.1x	US$504	US$497	US$9
Torex Gold Resources Inc	TSX:TXG	$12.81	$1,380	0.73x	4.5x	3.6x	4.0x	3.5x	US$2,905	US$2,391	US$124
Argonaut Gold Inc.	TSX:AR	$1.68	$297	0.52x	2.5x	1.8x	3.0x	2.3x	US$1,393	US$1,068	US$15
			Median	0.60x	4.5x	3.6x	4.0x	3.5x	US$3,703	US$2,417	US$57
			Average	0.60x	5.2x	3.8x	5.3x	4.2x	US$3,454	US$3,017	US$75

Source: S&P Global Market Intelligence, RCKS Estimates, Capital IQ

Sensitivity Analysis

Long operating history reduces some operational uncertainty going forward

Significant operating history reduces execution risk going forward. A high-grade operation like Segovia provides some margin to accommodate fluctuations in the gold price and foreign exchange rate. As we have based our operating costs for Segovia on both extensive operating history and technical reports, we have confidence in our cost assumptions. However, given the high-grade nature of the company's three operating mines, we expect grade to be one of the larger risks to our estimates going forward. Therefore, we have made conservative assumptions on grade at Segovia to accommodate this uncertainty (Figure 13).

Figure 8: Sensitivity of 2019E EBITDA to changes in gold price (left) and USD/COP fx rate (right)

Change In Gold Price		Change In 2019E EBITDA	Change In USD/COP		Change In 2019E EBITDA
$1,550	$222	44%	$3,250	$169	9%
$1,500	$208	35%	$3,200	$166	8%
$1,450	$195	26%	$3,150	$163	6%
$1,400	$181	18%	$3,100	$160	4%
$1,350	$168	9%	$3,050	$157	2%
$1,300	**$154**	**0%**	**$3,000**	**$154**	**0%**
$1,250	$141	-9%	$2,950	$151	-2%
$1,200	$127	-18%	$2,900	$148	-4%
$1,150	$114	-26%	$2,850	$144	-6%
$1,100	$100	-35%	$2,800	$141	-9%
$1,050	$87	-44%	$2,750	$137	-11%

Source: RCKS Estimates

Figure 9: Sensitivity of 2019E EBITDA to changes in Segovia grade (left) and OPEX (right)

Change In Grade		Change In 2019E EBITDA	Change In OPEX		Change In 2019E EBITDA
25%	$211	37%	25%	$108	-30%
20%	$200	30%	20%	$117	-24%
15%	$189	22%	15%	$126	-18%
10%	$177	15%	10%	$136	-12%
5%	$166	7%	5%	$145	-6%
0%	**$154**	**0%**	**0%**	**$154**	**0%**
-5%	$143	-7%	-5%	$164	6%
-10%	$131	-15%	-10%	$173	12%
-15%	$120	-22%	-15%	$182	18%
-20%	$108	-30%	-20%	$191	24%
-25%	$97	-37%	-25%	$201	30%

Source: RCKS Estimates

Segovia

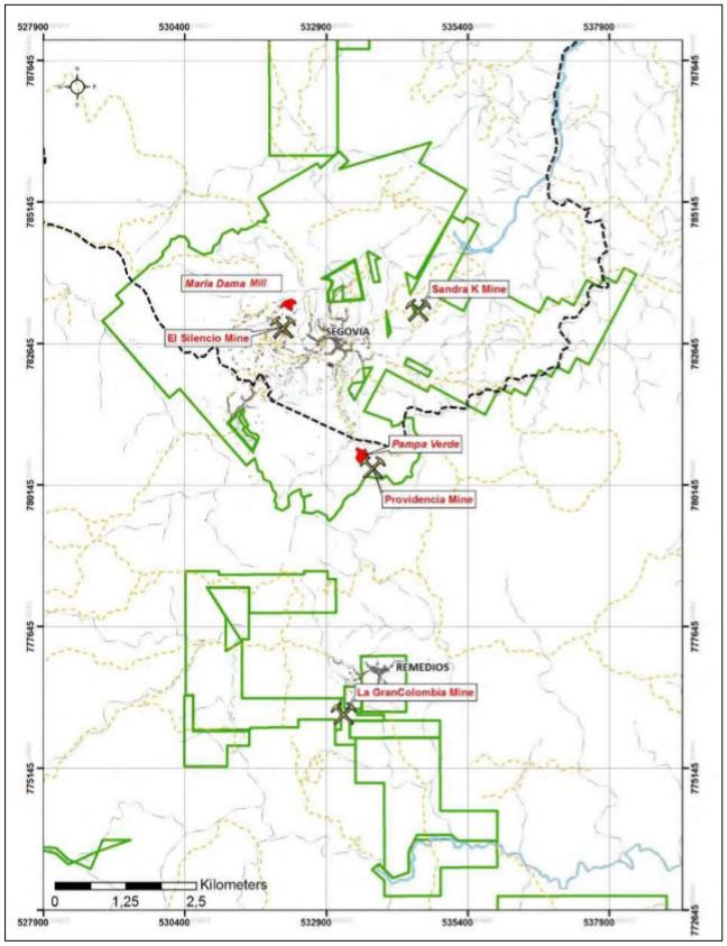
Asset Overview

Excellent infrastructure in region with a long mining history

Current Segovia operations (100% owned by Gran Colombia) include the El Silencio Mine, Providencia mine, the Sandra K mine, the future Carla mine and the Maria Dama plant. Located in north central Colombia, the site is a four-hour (200km) drive via paved highway from Medellin, although most mine employees (~1,300) live in nearby communities. Regional and international flights are available at Medellin, Manizales and Bogota.

Power supply is sourced from Empresas Publicas de Medellin E.S.P. (EPM) which supplies roughly 20% of Colombia's power as well as Proveniente de Central Dona Teresa (PCH) which supplies hydroelectric power sourced 20km from site. Both suppliers transmit through 44 kV powerlines which are subsequently rerouted to each of the mine's substations.

Figure 10: Site Map



Source: Company Reports

Project History

1896 to 2010 - Previous operator Frontino Gold Mining Co Ltd (FGM) reported historic production of more than 4.6 Moz Au throughout its period of ownership.

2010 – Gran Colombia acquired the Segovia project from FGM through its subsidiary Zandor for ~US$200M. Throughout its period of ownership, FGM did not complete regional exploration as most of the drilling was focused on near mine resources. A series of transactions occurred resulting in Gran Colombia owning 95% and Medoro Resources Ltd owning 5% with Gran Colombia acting as the operator.

2011 – Medoro and Gran Colombia merge and consolidate the ownership to 100%.

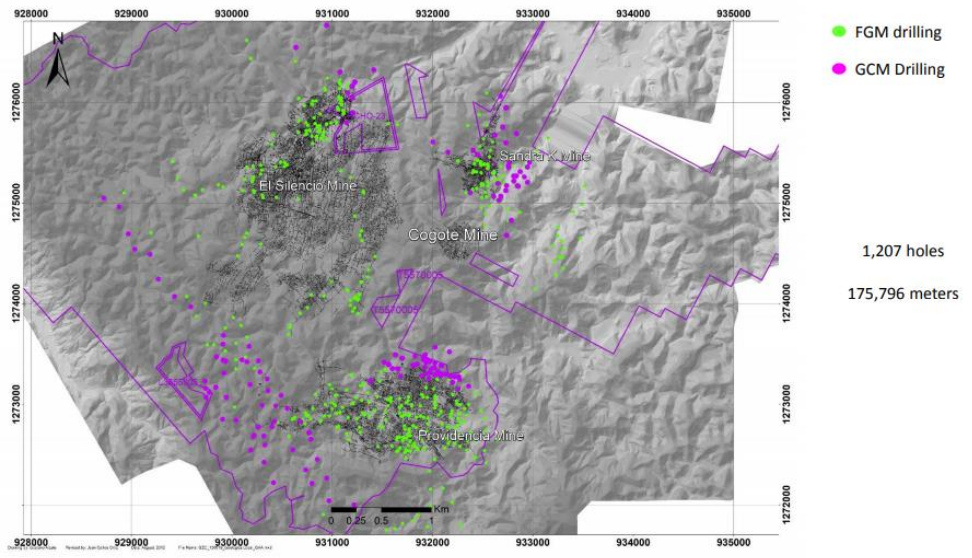
2018 – Gran Colombia issued an updated mineral resource and reserve estimate for Providencia, Sandra K, EL Silencio and Las Verticales.

Operating Assumptions

Our discounted cash flow (DCF) valuation for Segovia is based on historical results and the operating parameters defined in the company's 2018 Pre-Feasibility Study (PFS). The company has been producing high-grade gold and silver as a by-product since 2011, which has been company-operated as well as mined by contract miners and small miners.

Maria Dama process plant at Segovia fed by ore mined by Gran Colombia, contract miners and small miners

Figure 11: Historical drilling focused on three mines

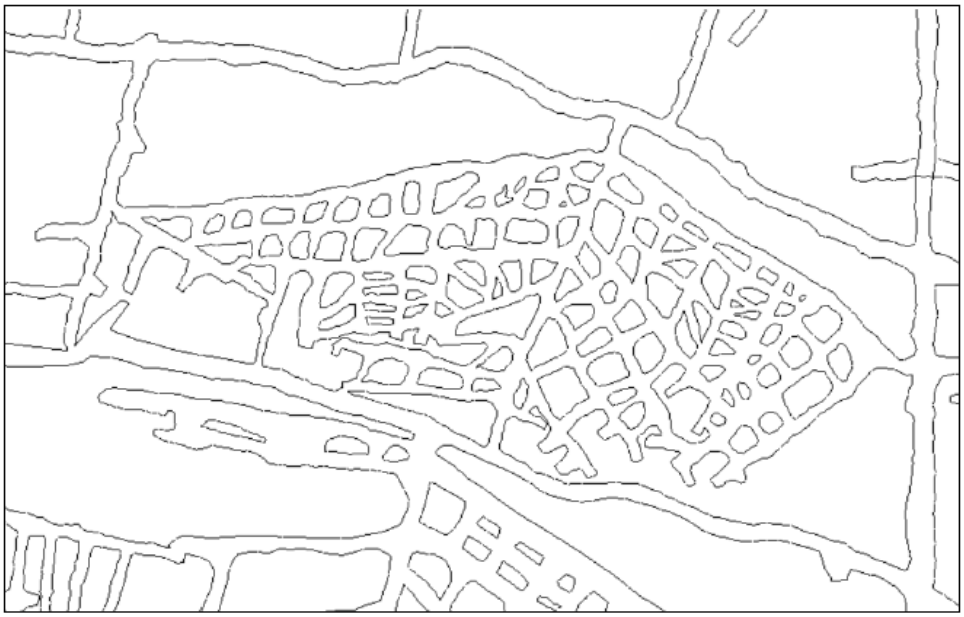


Source: RCKS Estimates

The Segovia project currently consists of three underground mines, El Silencio, Sandra K and Providencia, where aggressive brownfield exploration is currently planned for 2019. As the company mines out the high-grade zone at Providencia, as it approaches the concession boundary, we model declining grades as mill feed becomes predominantly sourced

from the lower grade El Silencio and Sandra K mines. With approximately ~US$11M budgeted for exploration this year, we expect the discovery of an additional high-grade zone could significantly enhance our mine plan. The most likely targets to deliver a new high-grade zone are El Silencio Deep or Cristales.

Figure 12: Typical Mining Block Layout at the Providencia Mine – Conventional Room & Pillar



Source: Company Reports

Ramping up room and pillar mining operations in company-operated areas

Using room and pillar and cut and fill mining methods, we assume that the company is mining at US$246/t ore in company-operated areas, which we expect is likely to average 75% of mill feed by 2021E as the company ramps up operations in these areas. Currently we estimate that 45% of ore has been mined by contract miners and 10% by small miners, where the company processes the ore at the Segovia processing facility and pays the third-party miners (contract and small miners) on a per ounce basis, which we believe averages approximately US$600-650/oz for the small miners and slightly less for the contract miners.

Figure 13: Segovia Operating Summary

	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Throughput (tpd)	763	1,014	1,153	1,500	1,938	2,000	2,000	2,000	2,000
Gold Grade (g/t)	16.7	17.1	16.7	12.5	10.0	10.0	10.0	10.0	10.0
Recovery (%)	90.5%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Gold Production (koz)	148.7	193.1	200.2	195.3	201.8	208.3	207.6	207.6	207.6
Cash Cost (US$/oz)	668	623	640	765	861	827	830	830	830
CAPEX (US$M)	26.1	31.2	47.2	44.7	30.2	26.7	26.7	26.7	26.7

Source: RCKS Estimates

US$10M in capital allocated for mill expansion at Maria Dama from 1,500tpd to 2,000tpd in 2020

Since 2017, the company has significantly ramped up operations at Segovia from averaging 763tpd in 2017 to 1114tpd in 2018 and is expected to be producing at 1,200tpd by year end. The exceptionally high-grade main zone at Providencia (17.2 g/t Au) has allowed for increased cash flow providing the capital needed to optimize operations, which includes planned efficiency improvements, particularly focused on reducing ore handling costs, and increasing worker availability. It is anticipated that these projects, should drive per tonne operating costs lower and increase productivity in the areas that Gran Colombia is mining. We have accounted for US$10M in capital expenditures in 2020E for the expansion of the mill capacity from 1,500tpd to 2,000tpd as the company ramps up mining operations in company-operated areas while continuing to feed 25% of its mill with material from contract miners and small miners. Based on the company's reserves and resources as at December 31, 2018, we model the company mining 100% of reserves and M&I resources with the addition of 50% of inferred resources included in the mine plan of 9.25 years. We note that while we have included additional inferred resources in our mine plan, 5-10% of LOM gold production is extracted by small miners mining 6-8 g/t material from areas that are not included in the current resource estimate and would therefore not deplete the resource base.

Figure 14: Segovia Resource Table

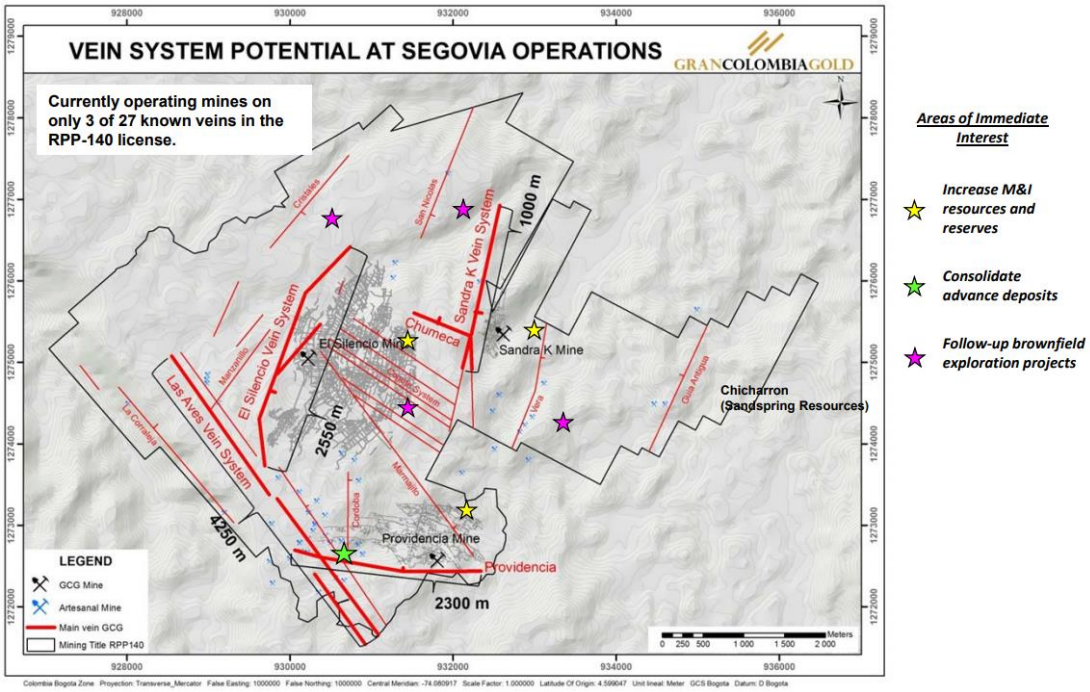
Deposit	Type	Measured & Indicated			Inferred			Total		
		Tonnes (kt)	Grade (g/t)	Metal (koz)	Tonnes (kt)	Grade (g/t)	Metal (koz)	Tonnes (kt)	Grade (g/t)	Metal (koz)
Providencia	LTR	409	16.6	218	192	10.1	63	601	14.5	281
	Pillars	215	19.7	136	380	19.9	244	595	19.8	380
Sandra K	LTR	329	9.8	103	321	7.1	73	650	8.5	176
	Pillars	105	11.5	39	-	-	-	105	11.5	39
El Silencio	LTR	853	11.1	304	1,276	9.1	374	2129	9.9	678
	Pillars	1,444	10.3	480	442	12.3	174	1886	10.8	654
Verticales	LTR	-	-	-	771	7.1	176	771	7.1	176
	LTR	**1,590**	**12.2**	**625**	**2,561**	**8.3**	**686**	**4,151**	**9.8**	**1,311**
Segovia Total	**Pillars**	**1,763**	**11.5**	**654**	**823**	**15.8**	**418**	**2,586**	**12.9**	**1,072**
	LTR & Pillars	**3,353**	**11.8**	**1,279**	**3,384**	**10.1**	**1,104**	**6,737**	**11.0**	**2,383**

Source: S&P Global Market Intelligence, RCKS Estimates, Capital IQ

Geology

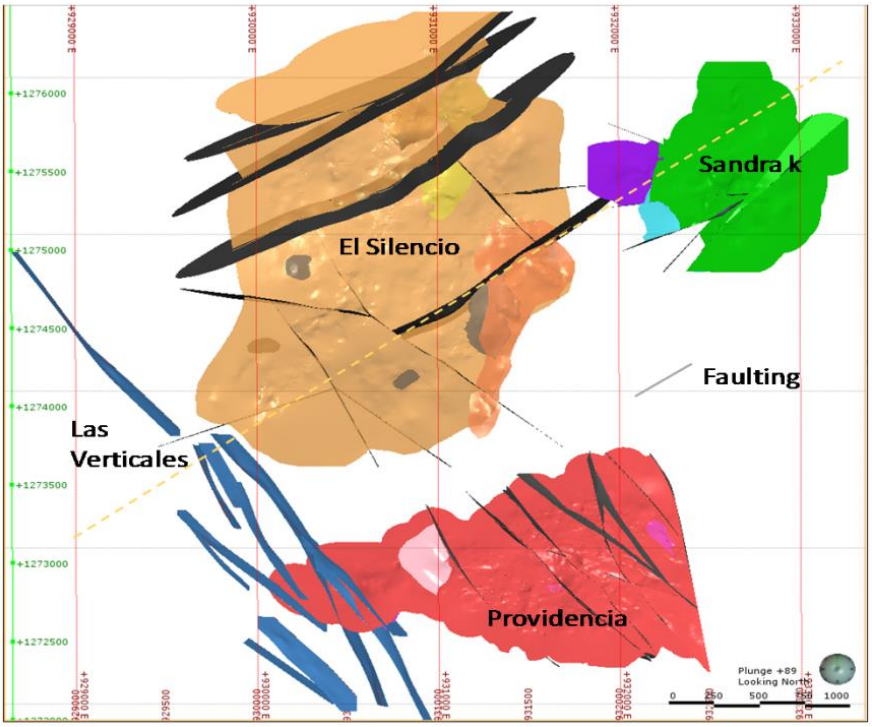
Mining is focused on vein structures. The Segovia district is hosted within a large batholith measuring roughly 10km in width. The system is oriented in a north south direction and is located within the wider region of the Colombian Central Cordillera. This batholith is structurally controlled by several north south-trending faults including the Out-Pericos, Nus and Bagre Faults. Mineralization at Segovia is controlled by the fracturing and faulting of the batholith at various angles. At each of the mines (Providencia, El Silencio, Sandra K and Las Verticales) mining has been focused mainly on the primary vein structures of each system although it has been found that splay structures exhibit promising continuity.

Figure 15: Exploration Potential at Segovia operations



Source: Company Reports

Figure 16: Three active underground mines (27 known veins)



Source: Company Reports

Significant exploration plans aimed at expanding resources at Segovia

One drill hole could change it all. The company recently raised C$20M to increase exploration, with the objective of expanding reserves and resources at Segovia. While the company is planning for lower grades, when the Providencia main zone reaches the concession boundary in 2020 or 2021, with productivity improvements. Should this exploration program define another exceptionally high-grade zone production and cash flow could step-up in 2021, versus our effectively. The most likely targets to deliver a new high-grade zone are El Silencio Deep or Cristales.

Metallurgy & Processing

Dry stack tailings planned with 7 years remaining capacity. Gran Colombia processes ore in its 1,200tpd Maria Dama process plant from the Providencia, El Silencio and Sandra K Mines. The process plant includes crushing, grinding, gravity concentration, gold flotation, cyanidation of the flotation concentrate, Merrill-Crowe precipitation and refining of both the Merrill-Crowe precipitate and gravity concentrate to produce a final doré with silver by-product credits. The tailings management program at Segovia currently involves discharging tailings to Bascula and Bolivia tailings storage facilities. In the future, the company plans to use a new permanent dry stack tailings storage facility called El Chocho (Figure 17). We expect the existing facility has ~7 years of remaining capacity.

Figure 17: El Chocho Tailings Facility

Source: RCKS Site Visit 2019

Social License

Social License key to maintain operation for the long-term

Earning the right to operate. The Segovia operation is integrated into the local community and as such community relations are critical for ongoing operations. As part of its mining title at Segovia, the company made US$4.9M in contributions to a foundation benefitting the local community in 2018. This contribution is based on production ounces and the price of gold. The company contributes US$4/oz produced at a gold price of US$700/oz plus US$2/oz produced for each US$50/oz increment in the gold price. Resulting in a US$28/oz contribution per ounce produced at a gold price of US$1300/oz. The foundation has funded improvements to the local school system, material road improvements and new recreation areas of which we were able to see on our recent visit to Segovia. Additionally, the company sets up agreements with artisanal miners (small miners) operatiing on its concessions, paying them on a per ounce delivered basis for ore brought to the mill (<10% of total production). The company has set-up 44 such agreements at Segovia and 2 at Marmato. This combination of activities is key to developing and maintaining community support for the company's operations.

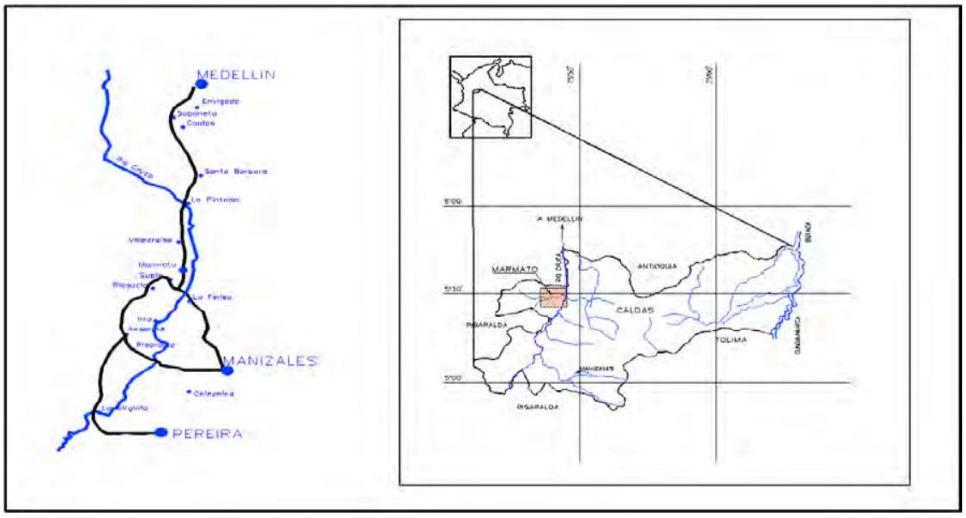
Marmato

Asset Overview

Small now but a step change in production is possible

Gran Colombia also acquired the Marmato project (100% owned) in 2011 through a merger with Medoro Resources. Mine operations are localized near the town of Marmato, which offers road access to Medellin and Manizales via the Pan American Highway. Power is supplied by the Colombian national power grid and is distributed by a 132kV substation to the local community. The majority of the mine's workforce is based out of if the town of El Llano and other peripheral communities.

Figure 18: Project Location



Source: Company Reports

Project History

2005 – Minera de Caldas began exploration of Marmato while Colombia Goldfields Ltd (CGL) began the acquisition of Zona Alta to complete 46,000m of drilling.

2010 – Medoro Resources Ltd purchased CGL's and Mineros Nacionales' interests in the Zona Baja concession consolidating the three primary gold properties at Marmato.

2011 – Gran Colombia and Medoro merge consolidating ownership of the various areas of the Marmato mountain. By 2011 year-end, ~23koz Au was produced at Marmato.

Operating Assumptions

Average throughput of 925tpd at Zona Baja with installed capacity of ~1,200tpd

Our discounted cash flow (DCF) valuation for Marmato is primarily based on historical operating results with some guidance provided by a 2011 Preliminary Economic Assessment published. The company has been mining low-grade gold ore and producing silver as a by-product since it acquired the project from Medoro Resources in 2011. Operations at Marmato consist primarily of cut and fill mining, where the company mines the Zona Baja at ~1,200tpd to feed the Marmato processing facility with installed capacity of 1,500tpd. Based on the projects resources as at June 16, 2017, we model the company mining 100% of underground vein and underground porphyry resources at 925tpd, which is in-line with recent operating results.

Figure 19: Marmato Operating Summary

	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Throughput (tpd)	1,004	932	966	925	925	925	925	925	925
Gold Grade (g/t)	2.5	2.7	2.6	2.6	2.6	2.9	2.9	2.9	2.9
Recovery (%)	86.8%	85.4%	87.0%	87.0%	87.0%	87.0%	87.0%	87.0%	87.0%
Gold Production (koz)	25.2	25.0	24.4	24.2	24.2	26.9	26.9	26.9	26.9
Cash Cost (US$/oz)	1,048	1,129	1,106	1,068	1,068	968	968	968	968
CAPEX (US$M)	1.0	3.7	3.5	2.0	2.0	2.0	2.0	2.0	2.0

Source: RCKS Estimates

Potential for adjacent low-cost bulk mineable operation of Underground Deeps resource at Marmato

While we do view the Underground Deeps ore body as a significant opportunity for the company, with the resource primarily inferred and does not have an economic study, we have given the 2.2Moz AuEq an in-situ valuation of US$67M (US$30/oz AuEq). Given the shape and size of the Underground Deeps orebody, an operation would likely be a completely different from the conventional cut and fill selective mining at Marmato. We expect that the upcoming PEA (H2/19) is likely to highlight a separate lower-cost bulk mineable operation, which we believe could utilize the company's Pampa Verde 2,500tpd CIL process plant that was acquired in 2013 but is not in use. When combined with existing infrastructure, we believe Underground Deeps has the potential to become a standalone operation.

Figure 20: Marmato Resource Table

Deposit*	Category	Tonnes (Mt)	Au (g/t)	Ag (g/t)	AuEq g/t	Au (koz)	Ag (koz)	AuEq (koz)
Vein & Porphyry	Measured	2.6	4.7	21.3	5.0	396	1,774	419
	Indicated	37.7	2.8	17.0	3.0	3,441	20,552	3,710
	M&I	40.3	2.9	17.3	3.2	3,837	22,326	4,129
	Inferred	22.7	2.8	16.8	3.0	2,052	12,377	2,214
	Total	**63.0**	**2.9**	**17.1**	**3.1**	**5,889**	**34,703**	**6,343**
Deeps	Measured	-	-	-	-	-	-	-
	Indicated	0.9	2.0	8.0	2.1	60	235	63
	M&I	0.9	2.0	8.0	2.1	60	235	63
	Inferred	29.3	2.3	2.8	2.3	2,142	2,628	2,176
	Total	**30.2**	**2.3**	**3.0**	**2.3**	**2,202**	**2,863**	**2,239**

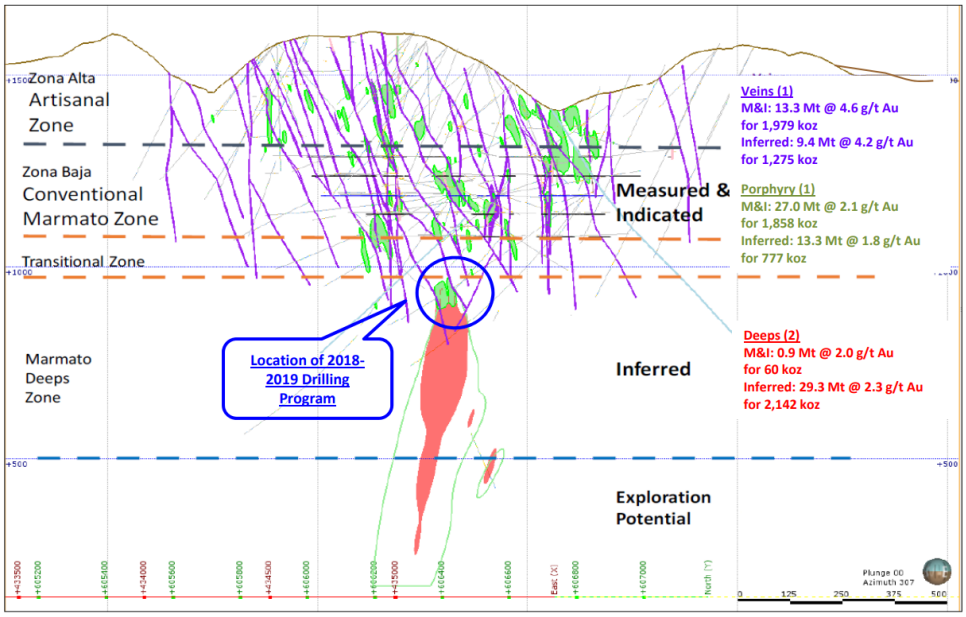
*Vein & porphyry resources included in mine model and underground deeps resource given in-situ valuation.

Source: S&P Global Market Intelligence, RCKS Estimates, Capital IQ

Geology

Marmato is situated within the eastern side of the Western Cordilerra of Colombian Andes. Marmato is bound between two fault systems, the Cauca to the east and Romeral to the west. Marmato stock lies within Romeral terrane and is crosscut by calc-alkilic subvolcanic intrusions and volcanic rocks of the Combia Formation. The Colombian Andes occur in a subduction zone of young oceanic crust beneath thin continental crust and has yielded multiple important discoveries nearby including Buritica (~4Moz AuEq P&P Reserves) and La Colosa (24 Moz Au Inferred Resources).

Figure 21: Mineral Resources and exploration potential at Marmato



Source: Company Reports

The Marmato deposit is the product of an epithermal vein system. Veins follow a dominant northwest trend and west-northwest trend with mineralization occurring in sulfide-rich veins and veinlets. Work to date suggests the Underground Deeps zone of the deposit (currently 2.14Moz Au inferred resource) could grow substantially, which is likely the focus of an upcoming PEA to assess the potential of a bulk mineable operation, adjacent to current selective mining operations at Marmato.

Metallurgy & Processing

The existing Mineros Nacionales process plant follows such a flowsheet, where flotation is used, together with an initial gravity separation stage, to produce a concentrate which is then cyanide leached. The ore fed to this plant is from Zona Baja, and while the head grade of the material is higher than the developmental target, at 3 to 4 g/t Au, the recoveries reported

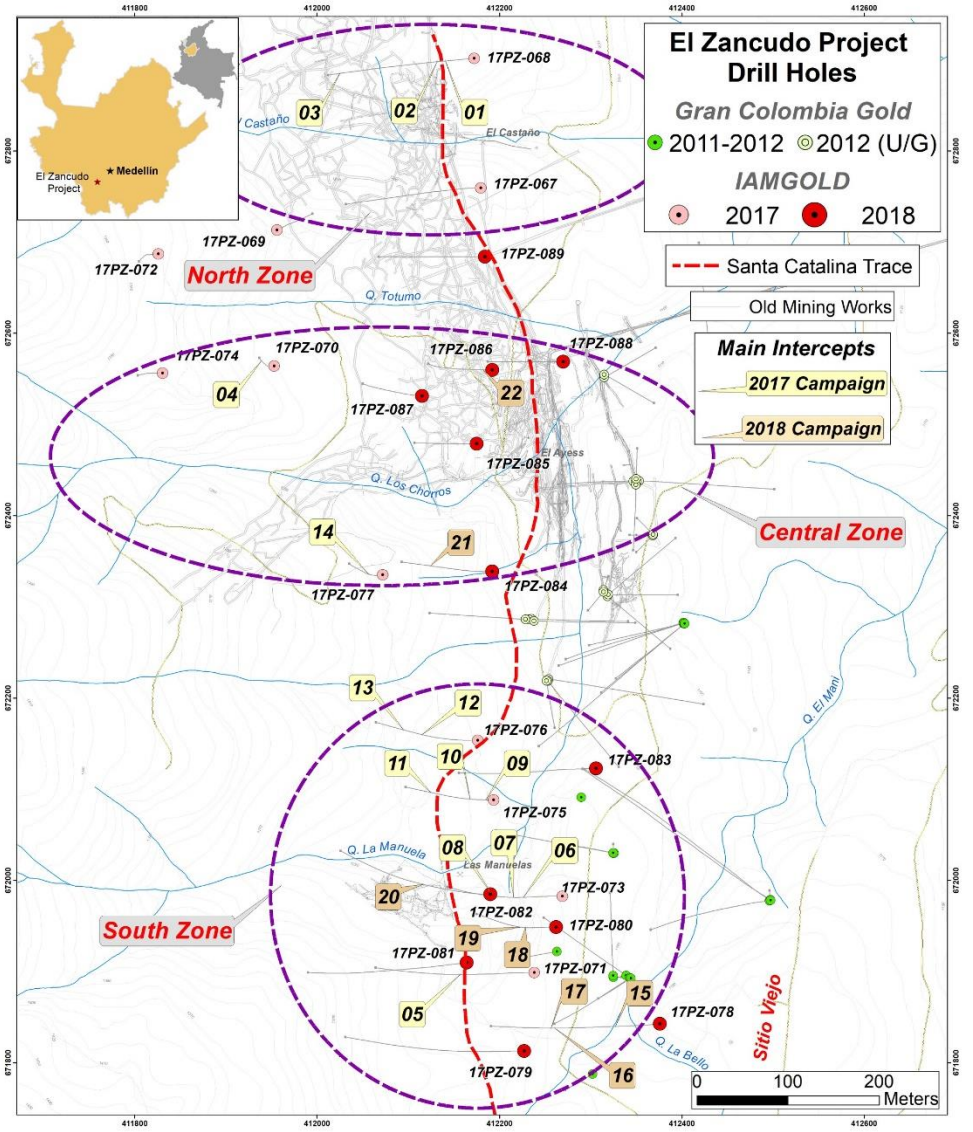
verbally – greater than 90% in flotation and of the order of 95% in cyanidation – equate to an overall recovery of the order of 85%.

Tailings are stored 2km to the southeast of the project in a tailings pond. There, the tailings are decanted and relocated to a nearby location for storage. Water is supplied from underground working and recycled from operations.

Other Assets

Developing Zancudo with IAMGOLD. The Zancudo project is located in Antioquia and hosts the historic Independencia Mine which produced 130,000 oz Au grading ~14 g/t Au and ~108 g/t Ag. Gran Colombia began exploration in 2011 and 2012 with a 14,000m focusing on the extension to the south of historic workings. In 2016, IAMGOLD signed an option agreement to acquire an initial 65% interest in the project by incurring US$10M in exploration expenditures over six years and was granted the option to earn an additional 5% by completing a feasibility study on the project. IAMGOLD commenced drilling in 2017 and has since made discoveries throughout the property that support Gran Colombia's previous work including the discovery of a new Manto structure in the North Zone, a potential ore shoot in the south zone which the company plans to follow-up with further drilling.

Figure 22: Zancudo Plan View



Source: Company Reports

A diversifying and strategic investment in Sandspring Resources Ltd (TSXV:SSP). Gran Colombia completed its first equity investment in Sandspring Resources in June 2018. The investment was a good fit offering a diversifying investment to the company's Colombian-centered portfolio and allowing it to determine if there are better development scenarios for Sandspring's Toroparu project. Additionally, Sandspring acquired 100% interest in an unincorporated JV to advance the exploration and development of a 386ha property within Gran Colombia's mining title in the Segovia-Remedios district which hosts the Guia Antigua vein which was previously identified for its similarities to Segovia. Subsequently, the

company acquired more shares in both October 2018 and February 2019 increasing its total holdings to ~17.88% of Sandspring's common stock.

Getting back in to Venezuela? With the announcement of its fourth quarter and year-end results for 2018, Gran Colombia also stated that it is ready to re-start its mining project in Venezuela when circumstances allow. While still very early days, the company intends to use a separate listed special purpose vehicle with which it plans to hold, develop and finance the Venezuelan projects that it still holds.

Risks

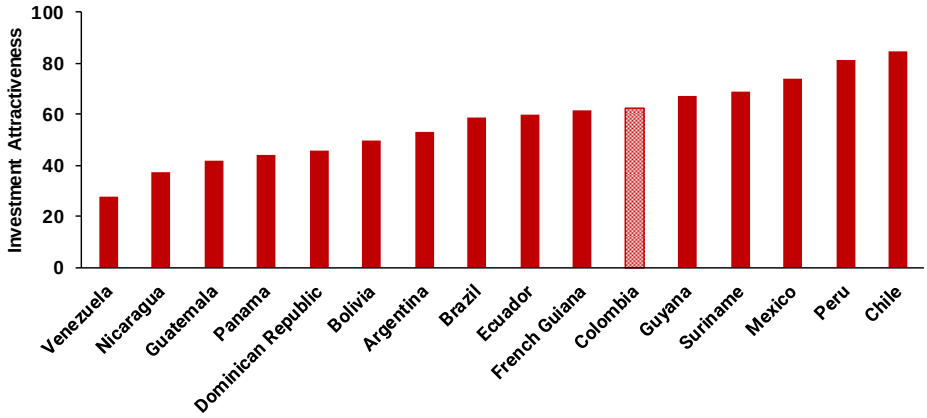
Our view is based on our recent site visit and publicly available information but note that our estimates and view are not without commodity price, political (social), technical, geologic or financing risk (capital structure) typical for mining companies. For Gran Colombia four risks are of note.

1) **Financial/Technical** – Gran Colombia's recent operating success has been driven by exceptionally high-grades. Within the current resource there is a finite amount of this material. Should the company be unable to deliver the expected efficiency improvements prior to grades reverting to the resource/reserve grades are estimates would be negatively impacted. We note that this discovery of another exceptionally high-grade zone would also mitigate this risk.
2) **Social** – Both of Gran Colombia's mining operations are situated within historic mining towns. While the company appears to have done good job developing community support for Segovia, should it lose community support, operations would be impacted, as would our estimates.
3) **Capital Structure** – Gran Colombia has done a good job in the last 18 months improving its capital structure; however, the recent addition of the convertible debenture (converts at C$4.75/sh) could provide an artificial trading cap on the share price. We highlight that our estimates point to fundamental value beyond this level (fair value estimate C$6.00/sh).
4) **Small Miners** – Uniquely, 8-10% of Gran Colombia's production comes via small miners, which we estimate deliver on average 6-8 g/t Au ore to the plant (paid for on per ounce basis). We note that should the grades delivered by these miners materially change or less material be delivered, our estimates would be impacted. We highlight that while Gran Colombia's agreements provide it some insight into these operations, it does not control them.

Appendix A: Colombia

Gran Colombia Gold is currently Colombia's largest gold producer with over 1Moz Au produced in the country since 2010. Segovia is the largest operation in the country with Minera S.A.'s Antiquia Au-Ag project coming in second place and Continental Gold's (TSX:CNL) Buritica Development Project expected to begin producing up to ~300koz Au per year once in production in 2020E.

Figure 23: Investment Attractiveness Index - Latin America and the Caribbean Basin



Source: Fraser Institute (2018)

Colombia's government is very supportive of foreign investment into the country with the best investor protection in Latin America (15th worldwide) and 3rd for ease of doing business (65th worldwide) according to the World Bank (2018). Mining represents one of the country's largest export sectors and is well-supported by the government. The Fraser Institute has ranked among the better mining jurisdictions in Latin America based on Investment Attractiveness, which is a measure constructed by combining the Best Practices Mineral Potential index, which rates regions based on their geologic attractiveness, and the Policy Perception Index, a composite index that measures the effects of government policy on attitudes toward exploration investment (Figure 23).

On December 28, 2018, Colombia enacted tax reform (Law 1943 - Tax Reform), which apply from January 1, 2019. This includes reducing the corporate income tax rate and repealing the 4% surcharge imposed on corporate income resulting in reducing the tax rate from 37% in 2018 to 33% in 2019, 32% for 2020, 31% for 2021 and 30% for 2022 and onwards.

Appendix B: Management

Lombardo Paredes Arenas - Chief Executive Officer

Mr. Paredes assumed the role of CEO effective February 1, 2014 and brings to his position over 20 years of corporate leadership and operations management experience in the resource sector in Latin America. Before becoming an independent consultant on energy and environmental project development, Mr. Paredes held several roles with within Petroleos de Venezuela (PDVSA). Mr. Paredes holds a Bachelor of Science in Mechanical Engineering and Master of Economic Analysis and Financial Economics.

Mike Davies; CPA, CA - Chief Financial Officer

Mr. Davies is a Chartered Professional Accountant (Ontario) with over 20 years of extensive international and public company experience in financial management, strategic planning and external reporting in resource and other sectors, including management positions with PetroMagdalena Energy Corp., Coalcorp Mining Inc., Medoro Resources Inc., LAC Minerals Ltd. and Pamour/Giant Yellowknife Mines. Mr. Davies also holds a Bachelor of Commerce degree from the University of Toronto.

Jose Ignacio Noguera; LLB, MBA - Vice President, Corporate Affairs

Mr. Noguera Gomez has been Vice President, Corporate Affairs for Gran Colombia Gold since June 2012. His career in the Mining and Energy sector began in 1993 when he worked with ExxonMobil, responsible for managing the company's public and government affairs strategy, becoming an effective liaison with the legal, judiciary and congressional branches of government. Mr. Noguera Gomez is an Attorney with a Masters in Insurance Law, a certified stock trader and also holds an M.B.A from INALDE.

Alessandro Cecchi; M.Sc. - Vice President, Exploration

Mr. Cecchi is an exploration geologist with over eighteen years of experience, with a focus on gold exploration and development in South America. Prior to joining Gran Colombia, Mr. Cecchi was Corporate Technical Manager at Medoro Resources, and also held senior geologist positions at Hecla Mining, Dotly Financial and Gold Mines of Sardinia. Mr. Cecchi has a Bachelor of Science degree in Geology and a Master of Science degree from University of Tierra in Pisa, Italy.

Appendix C: Directors

Serafino Iacono - Executive Chairman

Mr. Iacono has over thirty years of experience in capital markets and public companies and has raised more than four billion dollars for numerous natural resource projects internationally. He is currently a director and chairman of Western Atlas Resources Inc. and is a former Co-Chairman and an Executive Director of Pacific Exploration and Production Corporation and a former director of Petromagdalena Energy Corp.

Miguel de la Campa - Vice Chairman

Mr. de la Campa has been involved in the financing and development of mining, oil and other resource projects in the United States, Latin America, Europe and Africa for the last thirty years. Previously, Mr. de la Campa was the Executive Co-Chairman and a director of Pacific Exploration & Production Corporation, the President and co-founder of Bolivar Gold Corp. He holds a BSFS in International Economics and a Masters Degree in Political Economics from Georgetown University.

Robert J. Metcalfe - Lead Independent Director

Mr. Metcalfe has been Counsel at Metcalfe, Blainey & Burns LLP since 2001, and prior to that he was a senior partner with the law firm Lang Michener LLP, where he specialized in corporate commercial law, real estate transactions and financing. Mr. Metcalfe served as President and Chief Executive Officer of Armadale Properties.

De Lyle Bloomquist - Director

Mr. Bloomquist retired in March 2015 as the President, Global Chemicals Business for Tata Chemicals Ltd. as well as the President, CEO and Director of Tata Chemicals North America Inc. (the former General Chemical), which he was instrumental in selling to Tata Chemicals for over $1 billion in 2008.

Mónica De Greiff - Director

Ms. De Greiff is an attorney specializing in administrative law and has worked in important management positions in both the public and private sectors. She is currently the Executive President of the Bogotá Chamber of Commerce. Her past experience includes being Chief Executive Officer of Grupo Energía de Bogotá (Energy Group of Bogota) and Vice-President, Legal and Public Affairs of Shell Colombia. Ms. De Greiff has also had a distinguished political career in Colombia, having served as Minister of Justice and Secretary of Economic Development of Bogota.

Hernan Martinez - Director

Mr. Martinez served as the Colombian Minister of Mines and Energy from July 2006 to August 2010 and he has also served as President of International Colombia Resources Corporation, Chairman of the Board of

Atunec S.A., President and Chief Executive Officer of Exxon Mobil Colombia S.A., and Manager of Corporate Planning for Esso Colombiana S.A. Mr. Martinez holds a degree in Chemical Engineering from Universidad Pontificia Bolivariana, and specialized in Petroleum Management at Northwestern University.

Jaime Perez Branger - Director
Jaime Perez Branger has over 30 years of experience in finance and capital markets. He has served as Managing Director of NextVentures Corp., a financial advisory firm, since 2006 and was the Executive Chairman of PetroMagdalena Energy Corp. from June 2011 to July 2012. Mr. Perez Branger was also the President of C.A. Agropecuria from May 2003 to October 2011. Mr. Perez Branger holds a Master's Degree of Economics from the London School of Economics.

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Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
Gran Colombia Gold Corp	TSX:GCM	1,2,3,4

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