INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017

CONTINENTAL GOLD
TSX:CNL OTCQX:CGOOF

INDEX

Continental Gold Inc.

Consolidated Statements of Financial Position

As at (in thousands of U.S. Dollars)	Notes	**March 31, 2017**	December 31, 2016
		$	$
Assets			
Current assets			
Cash and cash equivalents		**22,554**	19,214
Marketable securities	6	**4,122**	2,414
Receivables and prepaid expenses	7	**4,692**	3,876
		31,368	25,504
Non-current assets			
Advances and deferred charges	8	**18,817**	1,713
Intangible assets		**257**	241
Property, plant and equipment	9	**251,491**	244,598
Exploration and evaluation assets	10	**4,711**	4,704
		275,276	251,256
		306,644	276,760
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**7,717**	7,800
Public warrant liability	11	**2,075**	3,640
		9,792	11,440
Non-current liabilities			
Loan payable	12	**22,221**	–
Production-linked liability	13	**1,984**	–
Rehabilitation provision		**4,365**	4,210
Deferred tax liability		**21,169**	23,035
		49,739	27,245
		59,531	38,685
Equity			
Share capital	16	**419,843**	419,319
Contributed surplus		**33,228**	32,575
Warrants	17	**5,710**	–
Deficit		**(211,668)**	(213,819)
		247,113	238,075
		306,644	276,760

Commitments and contingencies	22
Subsequent event	23

The accompanying notes are an integral part of these interim consolidated financial statements.

Continental Gold Inc.

Consolidated Statements of Earnings and Comprehensive Income

For three months ended (in thousands of U.S. Dollars, except share and per share amounts)	Notes	March 31, 2017	March 31, 2016
		$	$
Operating expenses:			
Corporate administration	20	**(2,940)**	(2,391)
Exploration expense		**–**	(38)
Gain (loss) on disposal or write-down of assets		**(4)**	12
		(2,944)	(2,417)
Other income (expense):			
Foreign exchange gain		**42**	383
Gain on marketable securities	6	**1,708**	1,181
Gain on financial instruments	11, 13, 14(a)	**1,533**	173
Other income (expense)		**10**	(7)
Net income (loss) before finance items and income tax		**349**	(687)
Finance income (expense):			
Interest income		**52**	42
Interest and accretion expense		**(89)**	(54)
Net income (loss) before income tax		**312**	(699)
Income tax recovery (expense):			
Current		**(32)**	(30)
Deferred		**1,871**	1,082
Total income tax recovery		**1,839**	1,052
Net income and comprehensive income for the period		**2,151**	353
Net income per common share			
Basic		**0.02**	0.003
Diluted		**0.01**	0.003
Weighted average number of common shares outstanding			
Basic		**141,817,627**	129,719,470
Diluted		**144,072,502**	129,769,734

The accompanying notes are an integral part of these interim consolidated financial statements.

Continental Gold Inc.

Consolidated Statements of Changes in Shareholders' Equity

(in thousands of U.S. Dollars)	Issued Capital				
	Share Capital (Note 16)	Contributed Surplus	Warrants	Deficit	Total
	$	$	$	$	$
Balance, December 31, 2016	**419,319**	**32,575**	**–**	**(213,819)**	**238,075**
Fair value of warrants issued (Note 17)	**–**	**–**	**5,710**	**–**	**5,710**
Share-based payments (Note 18(b))	**356**	**653**	**–**	**–**	**1,009**
Exercise of share-based payments – cash proceeds	**168**	**–**	**–**	**–**	**168**
Net loss for the period	**–**	**–**	**–**	**2,151**	**2,151**
Balance, March 31, 2017	**419,843**	**33,228**	**5,710**	**(211,668)**	**247,113**
Balance, December 31, 2015	398,419	30,722	–	(209,008)	220,133
Share-based payments (Note18(b))	240	473		–	713
Net income for the period	–	–	–	353	353
Balance, March 31, 2016	398,659	31,195	–	(208,655)	221,119

The accompanying notes are an integral part of these interim consolidated financial statements.

Continental Gold Inc.

Consolidated Statements of Cash Flows

For three months ended (in thousands of U.S. Dollars)	Notes	March 31, 2017	March 31, 2016
		$	$
Cash provided by (used in):			
Operating activities:			
Net income for the period		**2,151**	353
Items not affecting cash:			
Foreign exchange gain		**(42)**	(383)
Gain on marketable securities		**(1,708)**	(1,181)
Share-based payments		**735**	535
Deferred tax recovery		**(1,871)**	(1,082)
Gain on financial instruments		**(1,533)**	(173)
Other non-cash items	21(a)	**155**	113
Changes in non-cash operating working capital balances	21(a)	**(566)**	(433)
		(2,679)	(2,251)
Investing activities:			
Exploration and evaluation assets	21(b)	**(7)**	(6,567)
Recoveries in property from gold sales and advances		**2,351**	2,665
Receivables related to mineral properties		**(654)**	(608)
Property, plant and equipment	21(b)	**(8,255)**	(664)
Prepaids and advances		**(4,463)**	(169)
Other investing activities	21(b)	**(80)**	12
		(11,108)	(5,331)
Financing activities:			
Cash proceeds from exercise of stock options		**168**	–
Cash proceeds from credit facility draws, net of finance charges paid	21(c)	**16,747**	–
		16,915	–
Net change in cash and cash equivalents during the period		**3,128**	(7,582)
Cash and cash equivalents, beginning of period		**19,214**	28,053
Foreign exchange effect on cash balances		**212**	398
Cash and cash equivalents, end of period		**22,554**	20,869

The accompanying notes are an integral part of these interim consolidated financial statements.

Tabular dollar amounts represent thousands of United States (“U.S.”) dollars, unless otherwise shown. References to C$/CAD and COP are to Canadian dollars and Colombian pesos, respectively.

1. NATURE OF OPERATIONS

Continental Gold Inc. (the “Company) was incorporated under the Business Corporations Act (Ontario) on April 27, 2015 and is the public holding company of the wholly-owned subsidiary Continental Gold Limited (“Old Continental”), a Bermuda company incorporated under the Companies Act, 1981 (Bermuda) (the “Bermuda Act”).

The Company principally carries on business through a corporate office in Toronto and a foreign company branch office in Medellín, Colombia. In addition, wholly-owned subsidiaries, incorporated in Colombia and Bermuda, hold certain exploration properties.

The Company engages principally in the development, acquisition and exploration of its mineral properties in Colombia. The Company’s activities include a small-scale mining operation related to development and exploration work and is considered by the Company to be in the pre-production stage. Substantially all of the Company’s efforts are devoted to financing, developing and exploring these properties.

The Company’s shares are listed on the Toronto Stock Exchange (“TSX”) and also trade in the United States on the OTCQX® International, the highest tier of the U.S. Over-the-Counter market. The registered address and corporate records of the Company are located at 155 Wellington Street West, Suite 2920, Toronto, Ontario Canada M5V 3H1.

2. STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued and effective for the three months ended March 31, 2017, as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of unaudited interim consolidated financial statements, including International Accounting Standard (“IAS”) 34, Interim Financial Reporting (“IAS 34”). These unaudited interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS.

The accounting policies and the significant judgements, estimates and assumptions used in the application of the accounting policies used in the preparation of these unaudited interim consolidated financial statements are those applied in Notes 2, 3, 4 and 5 of the Company’s audited annual consolidated financial statements for the year ended December 31, 2016 and have been consistently applied throughout all periods presented as if these policies had always been in effect, except as described in Note 3 herein.

These unaudited interim consolidated financial statements were approved and authorized by the Audit Committee on May 11, 2017.

3. CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(a) New Accounting Standards and Interpretations

The following revised standards and amendments, unless otherwise stated, are effective on or after January 1, 2018, with early adoption permitted, and have not been applied in preparing these unaudited interim consolidated financial statements. The Company does not plan to adopt any of these standards early.

(i) IFRS 9, *Financial Instruments* ("IFRS 9") replaces IAS 39, *Financial Instruments – Recognition and Measurement* ("IAS 39") and some of the requirements of IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7"). The objective of IFRS 9 is to establish principles for reporting of financial assets and financial liabilities in respect of the assessment of the amounts, timing and uncertainty of an entity's future cash flows.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company is in the process of determining the impact of the adoption of this standard on the consolidated financial statements, if any.

(ii) IFRS 15, *Revenue from Contracts with Customers* ('IFRS 15") replaces IAS 11, *Construction Contracts* ("IAS 11"), IAS 18, *Revenue* ("IAS 18") and some revenue-related interpretations. The objective of IFRS 15 is to provide a single comprehensive revenue recognition model that applies to contracts with customers using two approaches to recognizing revenue – at one point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of the revenue recognized.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company expects the impact as a result of the new requirements to not be material as the Company's properties will not be in commercial production prior to the effective date. All future operating mines will adopt IFRS 15 upon achieving commercial production.

(iii) IFRS 16, *Leases* ('IFRS 16") replaces IAS 17, *Leases* ("IAS 17"). The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

As at March 31, 2017, the Company had operating lease commitments totaling $1,011,000 (see Note 21). However, the Company is in the process of determining the impact these commitments will have on the consolidated financial statements, if any.

There are no other IFRS or IFRS Interpretations Committee ("IFRIC") interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. SUBSIDIARIES

The following is a list of subsidiaries of the Company at March 31, 2017:

Name	Country of incorporation	Nature of business	Proportion of shares held directly by Company (%)	Proportion of shares held by consolidated group (%)
Continental Gold Limited	Bermuda	Development and exploration	100	–
CGL International Holdings Limited	Bermuda	Intermediate holding company	100	–
CGL Berlin Holdings Limited	Bermuda	Intermediate holding company	–	100
CGL Dominical Holdings Limited	Bermuda	Intermediate holding company	–	100
CGL Management Services Limited	Bermuda	Intermediate holding company	–	100
CGL Greater Buritica Holdings Limited	Bermuda	Intermediate holding company	–	100
CGL Dojura Holdings Limited	Bermuda	Intermediate holding company	–	100
CGL Berlin S.A.S.	Colombia	Exploration	–	100
CGL Dominical S.A.S.	Colombia	Exploration	–	100
CGL Santander S.A.S.	Colombia	Exploration	–	100
CGL Gran Buritica S.A.S.	Colombia	Exploration	–	100
CGL Dojura S.A.S.	Colombia	Exploration	–	100

The Company finances the operations of all of its subsidiaries and, thus, these companies will have unsecured borrowings from the Company that are interest-free and on demand. The ability for these controlled entities to repay debts due to the Company (and other parties) will be dependent on the commercialization of the development and exploration assets owned by the subsidiaries.

5. OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company's operations comprise a single reporting operating segment engaged in mineral development and exploration in Colombia.

Supplemental information

The Company has provided information regarding unallocated assets, liabilities and net loss as supplemental information:

March 31, 2017 (in thousands of U.S. dollars)	Corporate	Colombia	Total
	$	$	$
Cash and cash equivalents	20,620	1,934	22,554
Property, plant and equipment	277	251,214	251,491
Exploration and evaluation assets	–	4,711	4,711
Total assets	25,198	281,446	306,644
Total liabilities	2,577	56,954	59,531

Period ended March 31, 2017 (in thousands of U.S. dollars)	**Corporate**	**Colombia**	**Total**
Three months ended:	**$**	**$**	**$**
Net income (loss)	**1,484**	**667**	**2,151**
Capital expenditures	**–**	**5,518**	**5,518**

December 31, 2016 (in thousands of U.S. dollars)	Corporate	Colombia	Total
	$	$	$
Cash and cash equivalents	18,587	627	19,214
Property, plant and equipment	293	244,305	244,598
Exploration and evaluation assets	–	4,704	4,704
Total assets	22,099	254,661	276,760
Total liabilities	5,007	33,678	38,685

Period ended March 31, 2016 (in thousands of U.S. dollars)	Corporate	Colombia	Total
Three months ended:	$	$	$
Net income (loss)	708	(355)	353
Capital expenditures	46	4,598	4,644

6. MARKETABLE SECURITIES

Marketable securities consisted of the following:

As at	**March 31, 2017**		December 31, 2016	
(in thousands of U.S. Dollars)	**Cost**	**Fair Value**	Cost	Fair Value
	$	**$**	$	$
Equity securities (a)	**4,283**	**4,122**	4,283	2,412
Warrant securities (b)	**–**	**–**	279	2
	4,283	**4,122**	4,562	2,414

(a) **Equity securities**

Equity securities are classified as FVTPL and are recorded at fair value using the bid price as at March 31, 2017 and are therefore classified as level 1 within the fair value hierarchy.

(b) **Warrant securities**

Warrant securities are classified as FVTPL and are recorded at fair value using a Black-Scholes option pricing model using observable inputs and are therefore classified as level 2 within the fair value hierarchy.

As at March 31, 2017, all warrant securities have expired.

7. RECEIVABLES AND PREPAID EXPENSES

As at (in thousands of U.S. dollars)	**March 31, 2017**	December 31, 2016
	$	$
Accounts receivable (a)	**4,550**	3,759
Prepaid expenses	**142**	117
	4,692	3,876

(a) **Accounts receivable**

Accounts receivable as at March 31, 2017 includes a total of $4,485,000 (December 31, 2016 - $3,696,000) of refundable sales taxes made up of $4,448,000 (December 31, 2016 - $3,641,000) of Colombia value-added-tax refund receivable and $37,000 (December 31, 2016 - $55,000) of Canadian harmonized sales tax refund receivable.

8. ADVANCES AND DEFERRED CHARGES

As at (in thousands of U.S. dollars)	**March 31, 2017**	December 31, 2016
	$	$
Prepaid construction costs (a)	**5,804**	544
Deferred finance charges (b)	**12,567**	–
Other prepaids and deferred charges	**446**	1,169
	18,817	1,713

Prepaids and advances represent advances for costs that will be capitalized when incurred.

(a) **Prepaid construction costs**

Prepaid construction costs represent advances to contractors for development costs that will be capitalized according to the Company's accounting policy for property, plant and equipment.

(b) **Deferred finance charges**

Effective January 10, 2017, the Company entered into a credit facility with a third party (the "Lender") for a total of $250,000,000 for the construction of the Buriticá mine (the "Credit Facility") (see Note 12). The following represents deferred finance charges incurred in respect of the Credit Facility:

As at (in thousands of U.S. dollars)	**Note**	**March 31, 2017**
		$
Arrangement fee	**12**	**7,500**
Fair value of warrants issued	**17**	**5,710**
Fair value of production-linked payments	**13**	**1,952**
Other transaction costs		**753**
		15,915
Transaction costs attributable to draws		**(3,348)**
		12,567

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

(in thousands of U.S. dollars)	Land and Buildings	Vehicles, Mining and Exploration Equipment	Leasehold Improvements, Office and Computer Equipment	Construction in Progress	Total
	$	$	$	$	$
Opening net book value, January 1, 2017	5,609	4,410	1,263	233,316	244,598
Additions	188	361	80	6,566	7,195
Disposals and write-downs	–	(1)	–	–	(1)
Depreciation	(45)	(173)	(83)	–	(301)
Closing net book value, March 31, 2017	5,752	4,597	1,260	239,882	251,491

(in thousands of U.S. dollars)	Land and Buildings	Vehicles, Mining and Exploration Equipment	Leasehold Improvements, Office and Computer Equipment	Construction in Progress	Total
	$	$	$	$	$
Balance, March 31, 2017					
Cost	6,287	7,730	3,906	239,882	258,805
Accumulated depreciation	(535)	(3,133)	(2,646)	–	(6,314)
Net book value	5,752	4,597	1,260	239,882	251,491
Opening net book value, January 1, 2016	5,237	4,606	1,259	–	11,102
Additions	564	436	389	–	1,389
Transfer from exploration and evaluation assets	–	–	–	233,316	233,316
Disposals and write-downs	(7)	(1)	(1)	–	(9)
Depreciation	(185)	(631)	(384)	–	(1,200)
Closing net book value, December 31, 2016	5,609	4,410	1,263	233,316	244,598
Balance, December 31, 2016					
Cost	6,099	7,373	3,826	233,316	250,614
Accumulated depreciation	(490)	(2,963)	(2,563)	–	(6,016)
Net book value	5,609	4,410	1,263	233,316	244,598

Depreciation for the three months ended March 31, 2017 of $55,000 (three months ended March 31, 2016 - $93,000) is included in depreciation and amortization in the interim consolidated statement of earnings and comprehensive income for the three months ended March 31, 2017 and depreciation for the three months ended March 31, 2017 of $245,000 is capitalized in construction in progress (three months ended March 31, 2016 - $221,000 was capitalized in exploration and evaluation assets, which was subsequently reclassified to construction in progress).

As at December 31, 2016, the Company determined that the Buriticá project had demonstrated technical feasibility and commercial viability as the Company issued a positive feasibility study earlier in 2016, had received the approval of both the Environmental Impact Assessment (“EIA”) (the final major permit required to build and operate a large-scale underground mine at Buriticá) earlier in December 2016 and was in the final stages of closing a credit facility arrangement. As a result, exploration and evaluation assets of $233,316,000 were transferred to construction in progress within property, plant and equipment in the annual consolidated statement of financial position at December 31, 2016. In addition, management assessed the asset for impairment and determined that no impairment exists.

For the three months ended March 31, 2017, borrowing costs (see Note 12) of $569,000 (three months ended March 31, 2016 - $nil) were capitalized as part of construction in progress. All costs capitalized as part of construction in progress will be amortized upon commencement of commercial production.

The Buriticá project includes the Yaraguá mine that is currently utilized for underground development, exploration and as a testing operation. Activities are considered integral to the construction and development of the Buriticá mine and, as a result, related pre-production gold sales and costs are capitalized as part of construction in progress.

Gold sales from pre-production revenues for the three months ended March 31, 2017 of $2,351,000 (three months ended March 31, 2016 – $2,665,000), net of advances received in prior periods of $nil (three months ended March 31, 2016 – $2,845,000), were credited against the capitalized expenditures.

Inventory is recorded at cost and is included within construction in progress in respect of the Buriticá project as the Company capitalizes its pre-production revenues and costs. The following represents inventory included in property, plant and equipment as part of the Buriticá project:

As at (in thousands of U.S. dollars)	**March 31, 2017**	December 31, 2016
	$	$
Gold doré (i)	**811**	1,280
Stockpile	**143**	271
Supplies	**909**	970
	1,863	2,521

(i) As at March 31, 2017, the Company held 602 ounces of gold (December 31, 2016 – 1,014 ounces), having a net realizable value of $749,000 based on a closing gold price of $1,245 per ounce (December 31, 2016 - $1,162,000 based on a closing gold price of $1,146 per ounce).

10. EXPLORATION AND EVALUATION ASSETS

(in thousands of U.S. dollars)	**Balance December 31, 2016**	**Additions**	**Gold Sales and Recoveries**	**Transfers, Disposals or Write-downs**	**Balance March 31, 2017**
	$	**$**	**$**	**$**	**$**
Gran Buriticá (a)	**4,704**	**7**	**–**	**–**	**4,711**
Total	**4,704**	**7**	–	–	**4,711**

(in thousands of U.S. dollars)	Balance December 31, 2015	Additions	Gold Sales and Recoveries	Transfers, Disposals or Write-downs	Balance December 31, 2016
	$	$	$	$	$
Buriticá (b)	212,723	29,759	(9,166)	(233,316)	–
Gran Buriticá (a)	4,593	111	–	–	4,704
Total	217,316	29,870	(9,166)	(233,316)	4,704

(a) **Gran Buriticá Project**

The Company maintains exploration licenses surrounding the main Buriticá project representing properties that are in early stage exploration.

(b) **Buriticá Project**

In December 2016, the Company determined that the Buriticá project demonstrated technical feasibility and commercial viability and, as a result, transferred the balance of the exploration and evaluation assets relating to the project to construction in progress (see Note 9).

(b) **Berlin, Dominical and Dojura Projects**

The Company also maintains exploration licenses for the Berlin, Dominical and Dojura projects in Colombia. These projects were written down to $nil in prior years due to uncertainty in the Company's ability to recover its costs in respect of these projects.

All expenditures incurred in respect of these projects are expensed.

11. PUBLIC WARRANT LIABILITY

The following represents Common Share purchase warrants denominated in Canadian dollars (the "Public Warrants") and classified as derivative financial liabilities:

	March 31, 2017		December 31, 2016	
	Number of Public Warrants	**Fair Value**	Number of Public Warrants	Fair Value
		$(000's)		$(000's)
Balance, January 1	**5,750,000**	**3,640**	–	–
Issued	**–**	**–**	5,750,000	659
Fair value revaluation of liability	**–**	**(1,565)**	–	2,981
Balance, end of period	**5,750,000**	**2,075**	5,750,000	3,640

On May 25, 2016, 5,750,000 Public Warrants were issued upon completion of an equity financing (Note 16(b)(i)). Each Public Warrant has an exercise price of C$4.75 and an expiry date of November 25, 2017. In the event that the closing share price of the Company's common shares on the TSX is greater than C$6.00 per share for a period of 20 consecutive days at any time after May 25, 2016, the Company may accelerate the expiry date of the Public Warrants by giving notice to the warrant holders and, in such case, the Share Warrants will expire on the 30th day after the date on which such notice is given by the Company. As of March 31, 2017, no such notice had been given by the Company. The Public Warrants are traded on the TSX under the symbol "CNL.WT.A". As a result, fair value estimates are determined based on quoted market prices and are therefore classified as level 1 within the fair value hierarchy.

The issue date fair value of the Public Warrants was estimated at $659,000. The fair value of the outstanding Public Warrants on March 31, 2017 was $2,075,000 (December 31, 2016 - $3,640,000), resulting in a derivative gain recognized in the statement of earnings and comprehensive income for the three months ended March 31, 2017 of $1,565,000 (three months ended March 31, 2016 - $nil).

12. LOAN PAYABLE

As at (in thousands of U.S. dollars)	**Note**	**March 31, 2017**
		$
Total draws from Credit Facility		**25,000**
Transaction costs attributable to draws	8(b)	**(3,348)**
Total loan payable, net of attributable transaction costs		**21,652**
Accrued interest		**569**
Loan payable balance end of period		**22,221**

Effective January 10, 2017, the Company entered into a credit facility arrangement with a third party (the "Lender") for a total of $250,000,000 for the construction of the Buriticá mine (the "Credit Facility").

The Credit Facility is structured in three tranches:

(i) First tranche of $100,000,000 – Available on satisfaction of certain customary conditions precedent;

(ii) Second tranche of $100,000,000 – Available upon satisfaction of other customary conditions precedent and completion of additional equity financings with net proceeds totaling a minimum of $100,000,000 (the "Equity Financing Condition") from third parties. The Lender has committed to an investment of up to $25,000,0000 in addition to the Equity Financing Condition; and

(iii) Third tranche of $50,000,000 – Available when the project is at least 65% complete and the Company has sufficient capital (including the final tranche of $50,000,000) to complete the project.

The final draw is the earlier of commencement of commercial production or 30 months after the first draw (July 10, 2019).

The Credit Facility was subject to a 3% arrangement fee and bears interest at the 3-month LIBOR rate plus 8%, with a minimum 1% LIBOR rate. Interest is capitalized until the end of the 39th month after the first draw from the Credit Facility (April 30, 2020). Total principal and capitalized interest ("Fully Advanced Principal") are payable quarterly over sixteen consecutive quarters and interest on the Fully Advanced Principal is payable quarterly, both commencing at the end of the 42nd month after the first draw (July 31, 2020). The required quarterly repayments range from 4% to 10% of the Fully Advanced Principal. Additional or early repayments of the outstanding principal balance, in whole or in part, are subject to early repayment fees if paid prior to the fifth year.

In connection with the Credit Facility, the Company also issued Common Share purchase warrants denominated in U.S. dollars (the "Private Warrants") to the Lender (see Note 17) and will incur production-linked liabilities based on amounts advanced under the Credit Facility (see Note 13), both of which are considered as transaction costs for the Credit Facility.

Upon closing, the Company received net proceeds of $17,019,000 from the first draw from the Credit Facility, net of the arrangement fee of $7,500,000 and Lender's costs of $481,000. Additional transaction costs of $272,000 were also incurred. Total transaction costs (see Note 8(b)) of $15,915,000, including the issued Private Warrants valued at $5,710,000 and production-linked liabilities relating to the draw valued at $1,952,000, are treated as deferred finance charges. The portion of the transaction costs attributable to each draw are transferred as a reduction to loan payable upon receipt of each draw. During the three months ended March 31, 2017, $3,348,000 of transaction costs were attributable to the draw received under the Credit Facility during the period and were transferred as a reduction to loan payable.

As at March 31, 2017, accrued interest of $569,000, calculated using the effective interest method, was capitalized as borrowing costs in construction in progress within property, plant and equipment.

The Company is subject to a debt covenant requiring the Company to maintain a minimum working capital balance of $15,000,000 at all times. As at March 31, 2017, the Company's working capital is $21,576,000.

On April 24, 2017, the Company received an additional draw of $25,000,000 and recognized an additional production-linked liability for 125,000 ounces, valued at $1,922,000, as part of deferred finance charges. Attributable transaction costs in respect of the draw were $3,318,000, resulting in a net increase to loan payable of $21,682,000 upon receipt of the draw.

The Credit Facility is considered to be a hybrid financial instrument, containing liability components, derivative components and an equity component. The liability components are made up of the loan payable and the production-linked liability (see Note 13). The derivative components are made up of the early repayment fees and the interest minimum 1% LIBOR rate (see Note 14(b)). The equity component is represented by the Private Warrants (see Note 17).

The loan payable is measured at amortized cost, net of attributable transaction costs, and is accreted over the expected term to maturity using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts the estimated future cash payments through the expected life of the liability.

13. PRODUCTION-LINKED LIABILITY

	Number of Ounces	Fair Value
	000s	$(000s)
Balance, January 1, 2017	–	–
Issued	125	1,952
Fair value revaluation of liability	–	32
Balance, March 31, 2017	125	1,984

In connection with the Credit Facility (see Note 12), production-linked payments of $20 per ounce is payable, in cash, on the production of the first 1,250,000 ounces of production at the Buriticá mine or such lesser amount determined on a pro-rated basis based on amounts advanced under the Credit Facility.

Draws from the Credit Facility for the three months ended March 31, 2017 resulted in production-linked liabilities for 125,000 ounces of production, having a fair value of $1,952,000 on the date of the draw. The fair value of the production-linked liability on March 31, 2017 was $1,984,000, resulting in a derivative loss recognized in the consolidated statement of earnings and comprehensive income for the three months ended March 31, 2017 of $32,000.

On April 24, 2017, the receipt of an additional draw from the Credit Facility resulted in a production-linked liability for an additional 125,000 ounces of production having a fair value of $1,922,000.

The production-linked liability is measured at fair value on the date of the draw from the Credit Facility. Fair value is determined as the present value of the relevant production using the discount rate of 7.5%, as defined in the Credit Facility in respect of the production-linked payments. Subsequently, the production-linked liability is remeasured at each reporting date with changes in fair value recognized in the consolidated statement of earnings and comprehensive income.

14. FINANCIAL INSTRUMENTS

(a) **Financial Instruments Disclosures**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 3.

Financial assets and financial liabilities as at March 31, 2017 and December 31, 2016 were as follows:

As at March 31, 2017 (in thousands of U.S. Dollars)	Fair Value through profit and loss	Loans and receivables	Other financial assets (liabilities)	Total
	$	$	$	$
Cash and cash equivalents	–	22,554	–	22,554
Marketable securities	4,122	–	–	4,122
Receivables	–	65	–	65
Accounts payable and accrued liabilities	–	–	(6,732)	(6,732)
Public warrant liability	(2,075)	–	–	(2,075)
Loan payable	–	–	(22,221)	(22,221)
Production-linked liability	(1,984)	–	–	(1,984)
Total	63	22,619	(28,953)	(6,271)

As at December 31, 2016 (in thousands of U.S. Dollars)	Fair Value through profit and loss	Loans and receivables	Other financial assets (liabilities)	Total
	$	$	$	$
Cash and cash equivalents	–	19,214	–	19,214
Marketable securities	2,414	–	–	2,414
Receivables	–	63	–	63
Accounts payable and accrued liabilities	–	–	(6,251)	(6,251)
Public warrant liability	(3,640)	–	–	(3,640)
Total	(1,226)	19,277	(6,251)	11,800

The carrying value of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate fair value because of the limited term of these instruments.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(b) **Derivatives**

As part of the Credit Facility, embedded derivatives relating to the early repayment fees and the interest minimum 1% LIBOR rate exist within the agreement. On receipt of each draw from the Credit Facility, the fair value of the derivatives are measured. Subsequently, the derivatives are remeasured at each reporting date with changes recognized in the statement of earnings and comprehensive income.

Fair value of the derivatives were determined to be insignificant on the date of the draw from the Credit Facility and on March 31, 2017 and as a result, were not recognized.

The fair values for both the early repayment fees and the interest minimum 1% LIBOR rate in respect of draws from the Credit Facility during the three months ended March 31, 2017 were determined to be $nil. On March 31, 2017, the fair values of these derivatives were also determined to be $nil.

On April 24, 2017, the fair values for both the early repayment fees and the interest minimum 1% LIBOR rate in respect of the additional draw from the Credit Facility were determined to be $nil.

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15. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, which is comprised of share capital, contributed surplus, warrants and deficit which at March 31, 2017 totalled $247,113,000 (December 31, 2016 - $238,075,000). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on activities related to its mineral properties. Selected information is frequently provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended March 31, 2017. The Company is subject to a minimum working capital balance of $15,000,000 required by the lender of the Credit Facility. As at March 31, 2017, the Company's working capital is $21,576,000. The Company is not subject to any further capital requirements imposed by a regulator or lending institution.

16. SHARE CAPITAL

(a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares ("Common Shares") without par value. All issued shares are fully paid. No dividends have been paid or declared by the Company since inception.

Upon completion of the Scheme (see Note 1), the balance of the share premium reserve was transferred to the authorized share capital.

(b) Issued

As of March 31, 2017, the issued share capital was 141,885,295. The change in issued share capital for the three months ended March 31, 2017 and 2016 were as follows:

	Number of Shares	
	2017	2016
Balance, January 1	**141,629,345**	129,549,628
Shares issued on vesting of RSUs (Note 18)	**105,579**	179,717
Exercise of stock options (Note 18)	**150,371**	–
Balance, March 31	**141,885,295**	129,729,345

(i) On May 25, 2016, the Company completed an equity financing, on a bought deal basis, for gross proceeds of C$28,750,000 ($21,962,000) and resulting in the issuance of 11,500,000 Common Shares and 5,750,000 Public Warrants. Under IFRS, the Public Warrants are classified as Public Warrant Liability (Note 11).

Total share issue costs were $1,448,000, including a 5% commission of gross proceeds to the underwriters of $1,098,000. $1,403,000 of the share issue costs are recognized as a reduction to equity and the remaining $45,000, representing the portion of the issue costs allocated to the Public Warrants, was recognized in the statement of operations and comprehensive loss for the year ended December 31, 2016.

17. WARRANTS

	2017	
	Number of Warrants	**Black-Scholes Value**
		$(000's)
Balance, January 1	**–**	**–**
Issued	**3,000,000**	**5,710**
Balance, March 31	**3,000,000**	**5,710**

In connection with the Credit Facility (see Note 12), the Company issued 3,000,000 Private Warrants, denominated in U.S. dollars, to the lender at an exercise price of $3.67 per share. The Private Warrants have an expiry date of January 10, 2021. In the event that the closing share price of the Common Shares on the TSX, calculated in U.S. dollars, is greater than $11.01 per share on each day for a period of 40 consecutive days, the Company may accelerate the expiry date of the Private Warrants by giving notice to the warrant holders and, in such case, the Private Warrants will expire on the 30th day after the date on which such notice is given by the Company. As of March 31, 2017, no such notice had been given by the Company.

The Company's Private Warrants are classified as equity and measured at fair value on the date of issue. The fair value of the Private Warrants of $5,710,000 was calculated using the Black-Scholes option pricing model and are therefore classified as level 2 within the fair value hierarchy. Subsequently, the Private Warrants are not revalued.

18. SHARE-BASED PAYMENTS

The Company has a stock option plan (the "Option Plan"), a deferred share unit plan (the "DSU Plan") and a restricted share unit plan (the "RSU Plan") in place. The maximum number of Common Shares issuable under all share-based compensation arrangements of the Company is equal to 10% of the issued and outstanding Common Shares of the Company from time to time. The maximum number of Common Shares issuable to any one person, within any one- year period, pursuant to the security-based compensation arrangements of the Company is 5% of the total number of Common Shares then outstanding.

The Option Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. The maximum number of Common Shares to be reserved for issuance under the DSU Plan and RSU plan is set at 250,000 and 750,000, respectively. The Option Plan and the DSU Plan contain provisions that limits the aggregate number of securities granted, excluding initial securities granted, under all security-based compensation arrangements of the Company to any one non-employee director within any one-year period.

Under the Option Plan, the Company may grant to directors, officers, employees and consultants stock options to purchase Common Shares of the Company. Stock options granted under the Option Plan will be for a term not to exceed 10 years.

The DSU Plan provides that employees and directors of the Company may elect to receive up to 100% of their annual compensation in DSUs. In addition, the Board, or a Committee which administers the DSU Plan, may award such number of DSUs to an employee or director as deemed appropriate. As of March 31, 2017, and 2016, there were no DSUs outstanding.

The RSU Plan provides that RSUs may be granted by the Board, or a Committee which administers the RSU Plan, to employees and consultants of the Company as a discretionary payment in consideration of past or future services to the Company. Non-employee directors are not eligible to receive RSUs. As of March 31, 2017, and 2016, there were no RSUs outstanding.

Movements in stock options during the period were as follows:

	2017		2016	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		C$		C$
Balance, January 1	**8,066,093**	**4.24**	8,695,293	5.40
Granted (*)(a)	**1,565,500**	**4.34**	1,215,000	1.59
Exercised	**(150,371)**	**1.23**	–	–
Expired or Forfeited	**(1,080,688)**	**7.78**	(932,500)	7.82
Balance, March 31	**8,400,534**	**3.86**	8,977,793	4.64

(*) The weighted average grant date fair value of stock option grants during the three months ended March 31, 2017 and 2016 were $1.57 and $0.53, respectively.

The following table shows the stock options outstanding and exercisable at March 31, 2017:

	Options Outstanding			Options Exercisable		
Range of Price (C$)	Number of Options Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C$)	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (C$)
$1.32 - $2.00	1,679,234	3.32	1.62	1,105,067	3.13	1.63
$2.01 – $4.00	3,607,500	2.83	3.01	3,086,250	2.68	3.06
$4.01 - $6.00	1,868,800	4.19	4.41	310,800	1.21	4.74
$6.01 - $8.00	300,000	0.18	7.31	300,000	0.18	7.31
$8.01 – $8.89	945,000	0.81	8.89	945,000	0.81	8.89
	8,400,534	2.91	3.86	5,747,117	2.25	4.05

(a) The following is a summary of the stock options granted, the fair values and the assumptions used in the Black-Scholes option pricing formula:

For the three months ended	**2017**	2016
Number of options granted	**1,565,500**	1,215,000
Weighted average exercise price (C$)	**4.34**	1.59
Weighted average market price ($)	**3.29**	1.14
Expected dividend yield	**Nil**	nil
Expected volatility (%)	**71%**	71%
Weighted average risk-free interest rate (%)	**0.84**	0.47%
Forfeiture rate (%)	**10.0%**	11.0%
Weighted expected life (years)	**3.12**	3.05
Weighted average grant date fair value per share ($)	**1.57**	0.53

The majority of stock options granted have vesting terms of 25% every six months from the date of grant and a five-year term.

For the three months ended March 31, 2017, 105,579 (March 31, 2016 – 179,717) RSUs were issued and vested.

(b) The Company recorded share-based payments as follows:

For the three months ended (in thousands of U.S. Dollars)	**March 31, 2017**	March 31, 2016
	$	$
Share-based payments, included in corporate administration expenses	**735**	535
Share-based payments capitalized to exploration and evaluation assets	**274**	178
	1,009	713

19. RELATED PARTY TRANSACTIONS

Related parties include management, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The following related party transactions were conducted in the normal course of operations and are measured at the exchange value (the amount established and agreed to by the related parties):

(a) During the three months ended March 31, 2017 (three months ended March 31, 2016 - $nil), legal fees relating to the closure of the Credit Facility of $13,000 were charged from a law firm in which a director of the Company is a partner and are included in transaction costs for the Credit Facility.

20. CORPORATE ADMINISTRATION EXPENSES

For the three months ended (in thousands of U.S. Dollars)	**Note**	**March 31, 2017**	March 31, 2016
		$	$
Salaries		**816**	415
Share-based payments	**18(b)**	**735**	535
Wealth tax		**398**	876
General office and administration expense		**330**	187
Professional fees		**217**	101
Directors fees and expenses		**150**	66
Investor relations		**119**	26
Travel expenses		**89**	31
Depreciation and amortization	**9**	**55**	93
Regulatory fees		**31**	61
		2,940	2,391

21. CASH FLOW – OTHER ITEMS

(a) **Other Operating Activities**

For the three months ended (in thousands of U.S. Dollars)	**March 31, 2017**	March 31, 2016
	$	$
Other non-cash items:		
Interest and accretion expense	**76**	32
Depreciation and amortization	**55**	93
Inventory write-downs	**20**	–
Loss (gain) on disposal of assets	**4**	(12)
	155	113

For the three months ended (in thousands of U.S. Dollars)	**March 31, 2017**	March 31, 2016
	$	$
Net changes in non-cash operating working capital balances:		
Receivables and prepaid expenses	**(6)**	–
Accounts payable and accrued liabilities	**(560)**	(433)
	(566)	(433)

(b) **Other Investing Activities**

For the three months ended (in thousands of U.S. Dollars)	**March 31, 2017**	March 31, 2016
	$	$
Exploration and evaluation assets:		
Accounts payable and accrued liabilities attributable to exploration and evaluation assets	**–**	78
Exploration expenditures	**(7)**	(6,645)
	(7)	(6,567)
Property, plant and equipment:		
Accounts payable and accrued liabilities attributable to property, plant and equipment	**156**	–
Equipment	**(629)**	(664)
Construction in progress expenditures	**(7,782)**	–
	(8,255)	(664)
Other items:		
Proceeds from sale of assets	**–**	12
Intangible assets	**(80)**	–
	(80)	12

(c) **Other Financing Activities**

For the three months ended (in thousands of U.S. Dollars)	**Note**	**March 31, 2017**	March 31, 2016
		$	$
Credit facility:			
Draws received	**12**	**25,000**	–
Transaction costs paid:	**8(b), 12**		–
Arrangement fee		**(7,500)**	–
Lenders' costs		**(481)**	–
Other transaction costs		**(272)**	–
		(8,253)	–
		16,747	–

22. COMMITMENTS AND CONTINGENCIES

Commitments

As at March 31, 2017, the Company had the following contractual commitments and obligations:

(in thousands of U.S. Dollars)	**Total**	**Less than 1 Year**	**Years 2 – 5**	**After 5 Years**
	$	**$**	**$**	**$**
Operating leases (a)	**1,011**	**488**	**523**	**–**
Capital commitments (b)	**45,233**	**37,561**	**7,672**	**–**
Credit Facility principal and interest payments (c)	**25,504**	**–**	**12,497**	**13,007**
Gold production payments (d)	**2,500**	**–**	**2,500**	**–**
	74,248	**38,049**	**23,192**	**13,007**

(a) Non-cancellable operating lease payments in respect of the Company's office, warehouse and housing facilities in Toronto and Colombia.

(b) Capital commitments relate to construction activities at the Buriticá project. All costs will be capitalized to property, plant and equipment when incurred.

(c) Credit Facility principal and interest payments represent total draws received and capitalized interest.

(d) Gold production payments represent required payments of $20 per ounce of production, resulting from draws received from the Credit Facility.

Environmental Contingencies
The Company's mining and exploration activities are subject to Colombian laws and regulations governing the protection of the environment. These laws and regulations are subject to change and may generally become more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

23. SUBSEQUENT EVENT

On May 11, 2017, the Company has entered into a binding agreement with a third party investor (the "Investor") to sell 37,383,844 Common Shares in a non-brokered private placement at a price of C$4.00 per share, for total gross proceeds of approximately $108,800,000. Concurrently, the Lender has also agreed to purchase 8,589,375 Common Shares of the Company on a private placement basis at a price of C$4.00 per share for total gross proceeds of $25,000,000, as contemplated in the Credit Facility (collectively, the "Private Placement"). Transaction costs in respect of the Private Placement are estimated to be $1,300,000. The Private Placement is expected to close on or about May 18, 2017 post receipt of regulatory approvals. The closing of the Private Placement will satisfy the Equity Financing Condition, one of the conditions precedent to accessing the second tranche of financing under the Credit Facility (see note 12).