AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

CONTINENTAL GOLD
TSX:CNL OTCQX:CGOOF

INDEX

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying annual consolidated financial statements of Continental Gold Inc. (the “Company”) were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the annual consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company’s circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors of the Company is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the annual consolidated financial statements together with other financial information. An Audit Committee, composed entirely of independent directors of the Company, assists the Board of Directors in fulfilling this responsibility. The Audit Committee, on behalf of the Board of Directors, meets with management to review the internal controls over the financial reporting process, the annual consolidated financial statements together with other financial information of the Company, and the auditor’s report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the annual consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) Ari Sussman

Ari Sussman
Chief Executive Officer

(signed) Paul Begin

Paul Begin
Chief Financial Officer

March 8, 2018

March 8, 2018

Independent Auditor's Report

To the Shareholders of
Continental Gold Inc.

We have audited the accompanying consolidated financial statements of Continental Gold Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

PricewaterhouseCoopers LLP
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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Continental Gold Inc. and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Continental Gold Inc.

Consolidated Statements of Financial Position

As at (in thousands of U.S. Dollars)	Notes	**December 31, 2017**	December 31, 2016
		$	$
Assets			
Current assets			
Cash and cash equivalents		**91,382**	19,214
Marketable securities	8	**1,559**	2,414
Receivables and prepaid expenses	9	**3,318**	3,876
		96,259	25,504
Non-current assets			
Advances and deferred charges	10	**27,186**	1,713
Intangible assets		**304**	241
Property, plant and equipment	11	**359,981**	244,598
Exploration and evaluation assets	12	**4,917**	4,704
		392,388	251,256
		488,647	276,760
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**27,420**	7,800
Public warrant liability	13	**–**	3,640
		27,420	11,440
Non-current liabilities			
Loans payable	14	**47,917**	–
Production-linked liability	15	**4,118**	–
Other long-term payables	16	**1,541**	–
Rehabilitation provision	17	**14,531**	4,210
Deferred tax liability	20	**21,194**	23,035
		89,301	27,245
		116,721	38,685
Equity			
Share capital	21	**552,953**	419,319
Warrants	22	**5,710**	–
Contributed surplus		**34,925**	32,575
Deficit		**(221,662)**	(213,819)
		371,926	238,075
		488,647	276,760
Commitments and contingencies	28		
Subsequent events	14, 18(b)		

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

(signed) Ari Sussman

Director

(signed) Paul Murphy

Director

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

Continental Gold Inc.

Consolidated Statements of Operations and Comprehensive Loss

For the years ended (in thousands of U.S. Dollars, except share and per share amounts)	Notes	**December 31, 2017**	December 31, 2016
		$	$
Operating expenses:			
Corporate administration	26	**(11,597)**	(7,345)
Exploration expense		**(298)**	(159)
(Loss) gain on disposal	11	**(5)**	15
		(11,900)	(7,489)
Other income (expense):			
Foreign exchange loss		**(303)**	(192)
(Loss) gain on marketable securities		**(855)**	1,860
Gain (loss) on derivative financial instruments	13, 18	**3,640**	(2,765)
Other expense		**(18)**	(41)
Net loss before finance items and income tax		**(9,436)**	(8,627)
Finance income (expense):			
Interest income		**1,038**	183
Interest and accretion expense		**(1,099)**	(369)
Net loss before income tax		**(9,497)**	(8,813)
Income tax recovery (expense):			
Current	20	**(187)**	(142)
Deferred	20	**1,841**	4,144
Total income tax recovery		**1,654**	4,002
Net loss and comprehensive loss for the year		**(7,843)**	(4,811)
Net loss per common share			
Basic and diluted		**(0.05)**	(0.04)
Weighted average number of common shares outstanding			
Basic and diluted	23	**170,727,858**	136,849,116

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

Continental Gold Inc.

Consolidated Statements of Changes in Shareholders' Equity

(in thousands of U.S. Dollars)	Issued Capital				
	Share Capital (Note 21)	Contributed Surplus	Warrants	Deficit	Total
	$	$	$	$	$
Balance, December 31, 2016	**419,319**	**32,575**	**–**	**(213,819)**	**238,075**
Issue of shares (Note 21(b))	**133,927**	**–**	**–**	**–**	**133,927**
Cost of issue (Note 21(b))	**(1,458)**	**–**	**–**	**–**	**(1,458)**
Fair value of warrants issued (Note 22)	**–**	**–**	**5,710**	**–**	**5,710**
Share-based payments (Note 24(c))	**356**	**2,350**	**–**	**–**	**2,706**
Exercise of share-based payments – cash proceeds	**809**	**–**	**–**	**–**	**809**
Net loss for the period	**–**	**–**	**–**	**(7,843)**	**(7,843)**
Balance, December 31, 2017	**552,953**	**34,925**	**5,710**	**(221,662)**	**371,926**
Balance, December 31, 2015	398,419	30,722	–	(209,008)	220,133
Issue of shares (Note 21(b))	21,962	–	–	–	21,962
Cost of issue (Note 21(b))	(1,403)	–	–	–	(1,403)
Fair value of public warrants issued (Note 13)	(659)	–	–	–	(659)
Share-based payments (Note 24(c))	240	1,853	–	–	2,093
Exercise of share-based payments – cash proceeds	760	–	–	–	760
Net loss for the period	–	–	–	(4,811)	(4,811)
Balance, December 31, 2016	419,319	32,575	–	(213,819)	238,075

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

Continental Gold Inc.

Consolidated Statements of Cash Flows

For the years ended (in thousands of U.S. Dollars)	Notes	December 31, 2017	December 31, 2016
		$	**$**
Cash provided by (used in):			
Operating activities:			
Net loss for the year		**(7,843)**	(4,811)
Items not affecting cash:			
Foreign exchange loss		**303**	192
Loss (gain)on marketable securities		**855**	(1,860)
Gain (loss) on derivative financial instruments	13, 18	**(3,640)**	2,765
Share-based payments	24(c)	**2,000**	1,345
Deferred tax recovery	20	**(1,841)**	(4,144)
Other non-cash items	27(a)	**1,049**	694
Changes in non-cash operating working capital balances	27(a)	**(891)**	793
		(10,008)	(5,026)
Investing activities:			
Property, plant and equipment	27(b)	**(84,934)**	(1,389)
Advances and deferred charges		**(13,667)**	(1,111)
Exploration and evaluation assets	27(b)	**(213)**	(29,778)
Recoveries in property from gold sales		**6,684**	9,166
Receivables related to mineral properties		**384**	(1,780)
Other investing activities	27(b)	**(606)**	(147)
		(92,352)	(25,039)
Financing activities:			
Cash proceeds from exercise of stock options		**809**	760
Cash proceeds from issuance of shares, net of issue costs	21(b)	**132,469**	20,559
Cash proceeds from Credit Facility draws, net of deferred finance charges paid	14, 27(c)	**41,083**	–
Cash proceeds from settlement of derivatives	18(b)	**–**	82
		174,361	21,401
Net change in cash and cash equivalents during the year		**72,001**	(8,664)
Cash and cash equivalents, beginning of year		**19,214**	28,053
Foreign exchange effect on cash balances		**167**	(175)
Cash and cash equivalents, end of year		**91,382**	19,214

The accompanying notes are an integral part of these 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. BASIS OF PREPARATION

Statement of Compliance

The annual consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and have been consistently applied to all the years presented unless otherwise indicated.

These annual consolidated financial statements were approved and authorized by the Board of Directors on March 8, 2018.

Basis of Measurement

These annual consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities, which are measured at fair value.

The Company's assets are located in Colombia and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current development and exploration programs will result in profitable mining operations. The recoverability of the carrying value of property, plant and equipment and mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the continued discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise financing or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values of the mineral properties.

Although the Company has taken steps to verify title to the properties on which it is conducting development and exploration activities and in which it has an interest, in accordance with industry standards for the current stage of development and exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements.

Basis of Consolidation

Subsidiaries
Subsidiaries are entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are included in the annual consolidated financial statements from the date that control commences until the date the control ceases. Any remaining interest in the entity is re-measured to fair value on the date when control is lost, with the change in carrying amount recognized in profit or loss.

Functional and Reporting Currency

Items included in the annual consolidated financial statements of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the U.S. dollar, which is also the reporting currency of the Company. All financial information has been presented in U.S. dollars in these annual consolidated financial statements, except when otherwise indicated.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the chief executive officer of the Company that makes strategic decisions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of annual consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the annual consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions, which by their nature are uncertain, affect the carrying value of assets, impact decisions as to when exploration and evaluation ("Exploration") costs should be capitalized or expensed, and affect estimates for rehabilitation provisions. Other significant estimates made by the Company include factors affecting valuations of share-based compensation, investments in warrant securities and income tax accounts. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(a) the assumptions used in estimating the Company's reserves and resources that can be extracted from the Company's properties;

(b) judgements used in the determining when an exploration asset demonstrates technical feasibility and commercial viability and transitions to the development stage, requiring reclassification to construction in progress within property, plant and equipment;

(c) judgements used in determining when commencement of commercial production has occurred, being that the mine is in the condition necessary for it to be capable of operating in a manner intended by management and requiring the commencement of amortization and cessation of the capitalization of certain costs;

(d) judgements used in the assessment of whether an asset or a cash-generating unit ("CGU") is impaired;

(e) the assumptions used in the measurement of the rehabilitation provision included in the annual consolidated statement of financial position;

(f) the assumptions used in determining the likelihood and magnitude of an outflow of resources for commitments and contingencies accrued in the annual consolidated statement of financial position; and

(g) the inputs used in estimating the fair value of share-based payment transactions.

4. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities are translated at the exchange rate when the assets were acquired or the liabilities incurred. Revenue, expense items and capitalized exploration expenditures are translated using the rate at the date of the transaction, except for depreciation and amortization, which are translated at historic rates.

Foreign exchange gains and losses resulting from the translation of transactions and balances denominated in foreign currencies are included in the consolidated statement of operations and comprehensive loss as follows:

Marketable securities	Gain (loss) on marketable securities
Derivative financial instruments	Gain (loss) on derivative financial instruments
Deferred tax liability	Deferred tax recovery (expense)
Rehabilitation provision	Mine development costs or exploration and evaluation assets
All other	Foreign exchange gain (loss)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments and certificates of deposit with maturities of less than 90 days. The majority of the Company's cash and cash equivalents are held in banks in Canada and Colombia.

Financial instruments

Financial assets and liabilities recognition
Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Non-derivative financial assets are classified into the following categories based on the purpose for which the financial assets were acquired: fair value through profit or loss ("FVTPL"), held-to-maturity, loans and receivables and available-for-sale. Non-derivative financial liabilities are classified into the other financial liabilities category. All financial instruments and derivatives are measured on the consolidated statement of financial position date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument.

Financial assets measurement

Financial assets are recognized and classified as FVTPL on the settlement date if they are acquired principally for the purpose of selling or repurchasing in the short-term or are designated as such on initial recognition and are measured at fair value with unrealized gains and losses recognized through the consolidated statement of operations and loss. The Company's marketable securities are classified as FVTPL.

Financial assets are recognized and classified as held-to-maturity or loans-and-receivables on the trade date if they are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially measured at the amount expected to be received, less a discount, when material, to reduce the loans and receivables to fair value. Subsequently, the assets are measured at amortized cost using the effective interest method less a provision for impairment. The Company's cash and cash equivalents and trade and other receivables are classified as loans-and receivables.

Financial assets are classified as available-for-sale if they are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value and are subsequently measured at fair value with unrealized gains and losses from re-measurement recognized in other comprehensive income ("OCI") except for impairment losses and foreign currency gains and losses on translation of debt securities. When an available-for-sale asset is de-recognized, the accumulated gains or losses are transferred from OCI to net income (loss) within the consolidated statement of operations and comprehensive loss. As at December 31, 2017 and 2016, the Company has not classified any financial assets as available-for-sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities measurement

Financial liabilities are classified as other financial liabilities and are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these liabilities are measured either fair value or at amortized cost using the effective interest method. The Company's accounts payable and accrued liabilities and the loans payable are classified as other financial liabilities and measured at amortized cost. The production-linked liability is classified as other financial liabilities and is measured at fair value.

Derivatives

Derivative assets and liabilities include derivative financial instruments that do not qualify as hedges, or are not designated as hedges and are classified as FVTPL. The Company's public warrant liability and the derivative components of the Credit Facility, being the early repayment fees and the interest minimum 1% LIBOR rate, are classified as derivatives. In addition, any foreign currency contracts in which the Company may enter are also classified as derivatives.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired.

The criteria used to determine if objective evidence of impairment exists include:

(i) significant financial difficulty of a debtor;
(ii) delinquencies in interest or principal payments;
(iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization; and
(iv) a significant decline or prolonged loss in value.

If such evidence exists, the Company recognizes an impairment loss as follows:

1. Assets carried at amortized cost

   The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment either directly or indirectly through the use of an allowance account. The amount of the loss is recognized in the consolidated statement of operations and comprehensive loss.

   If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously-recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of operations and comprehensive loss.

   In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in the consolidated statement of operations and comprehensive loss when there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

2. Available-for-sale

   An amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in the consolidated statement of operations and comprehensive loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the consolidated statement of operations and comprehensive loss.

De-recognition of financial assets and liabilities

Financial assets are de-recognized when the contractual rights to receive cash flows from the assets expire or when the Company no longer retains substantially all of the risks and rewards of ownership and does not retain control over the financial asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in the consolidated statement of operations and comprehensive loss.

For financial liabilities, de-recognition occurs when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in the consolidated statement of operations and comprehensive loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Intangible assets

Intangible assets are comprised of computer software acquired separately and are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Following initial recognition, intangible assets are carried at cost less any accumulated amortization on a straight-line basis over their useful lives of three years and any accumulated impairment losses.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of operations and comprehensive loss when the asset is de-recognized.

Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use along with the future cost of dismantling and removing the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of major overhauls of property, plant and equipment is recognized in the carrying amount of the asset if the overhaul provides future economic benefits to the Company, and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the consolidated statement of operations and comprehensive loss as incurred.

Mine development costs
Mine development costs include costs related to the assessment and development of the ore body for future years' production and construction in progress.

Construction in progress includes costs transferred from exploration and evaluation assets for projects that have demonstrated technical feasibility and commercial viability, costs relating to the design and construction of the mine, borrowing costs relating to the construction, depreciation of related equipment and other costs that can be attributed to bringing the mine to commercial production. This includes costs associated with the commissioning period before the mine has reached commercial production where it is capable of operating at levels intended by management. Pre-production revenues relating to gold sales from the Yaraguá mine are credited against the capitalized expenditures.

Upon the commencement of commercial production, capitalized costs will be transferred to the relevant asset classes within property, plant and equipment and charged to operations on a unit-of-production basis. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. The recoverability of amounts shown for development and exploration assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, future production or proceeds of disposition.

Upon reaching commercial production, capitalization of mine construction costs ceases and assets are reclassified to the related asset classes within property, plant equipment.

Commencement of commercial production is assessed by management based on, but not limited to, the following criteria:

- All major expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed.
- The capability to sustain the ongoing production and processing of ore.
- The processing plant has reached a pre-determined acceptable level of design capacity.
- The completion of a reasonable period of time for commissioning.
- The responsibility for the mine has been transferred to the operating department.
- All significant safety, labour and environmental compliance matters have been resolved.

Depreciation

Property, plant and equipment are depreciated over the estimated useful lives of the assets using the straight-line or units-of-production method, as appropriate, as follows:

Office equipment	5 to 10 years
Computer equipment	5 years
Vehicles	5 years
Buildings	20 years or units-of-production when in commercial production
Mining and plant equipment	10 years or units-of-production when in commercial production
Mine development costs	Units-of-production when available for use
Leasehold improvements	Lease term
Land	Not depreciated

Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Impairment of property, plant, equipment and intangible assets

Property, plant and equipment and finite life intangible assets are reviewed for impairment at the end of each reporting period or when events or circumstances indicate that their carrying value may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in operations. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. Any subsequent reversal of an impairment loss is recognized in operations.

Exploration and evaluation (“Exploration”) costs

Recognition and measurement
Exploration costs are those costs required to find a mineral property and determine technical feasibility and commercial viability. Exploration costs include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources and whether measured and indicated mineral resources are commercially viable. Costs incurred before the Company has obtained the legal right to explore an area are recognized in the consolidated statement of operations and comprehensive loss.

Exploration costs relating to the acquisition of, exploration for and development of mineral properties are capitalized and include, but are not restricted to: drilling, trenching, sampling, surveying and gathering exploration data; tunnelling and development, calculation and definition of mineral resource; test work on geology, metallurgy, mining, geotechnical and geophysical; and conducting geological, geophysical, engineering, environmental, marketing and financial studies.

Option payments received are credited to the related exploration and evaluation asset. Option payments received in excess of amounts capitalized are recognized in the consolidated statement of operations and comprehensive loss.

Administration costs that do not relate directly to specific exploration activity for capitalized projects are expensed as incurred.

Impairment
All capitalized exploration expenditures are monitored for indications of impairment. Indicators of impairment include, but are not limited to:

(a) the period for which the right to explore is less than one year;
(b) further exploration expenditures are not anticipated;
(c) a decision to discontinue activities in a specific area; and
(d) the existence of sufficient data indicating that the carrying amount of an exploration and evaluation asset is unlikely to be recovered from the development or sale of the asset.

Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration and evaluation assets are not expected to be recovered, they are charged to operations.

Reclassification to property, plant and equipment
Capitalized exploration costs for a project are classified as such until the project demonstrates technical feasibility and commercial viability. Upon demonstrating technical feasibility and commercial viability, and subject to an impairment analysis, capitalized exploration costs are transferred to mine development costs or construction in progress within property, plant and equipment.

Demonstration of technical feasibility and commercial viability generally coincide with the establishment of proven and probable reserves as well as a decision and approval to commence construction of a mine. The assessment also includes the estimation of projected future operating future cash flows based on the extraction and production of established proven and probable reserves and an estimate of mineral resources expected to be converted into reserves in the future and includes initial construction and sustaining capital expenditures. However, this determination may be impacted by management’s assessment of certain modifying factors including legal, environmental, social and governmental factors. All subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized within construction in progress. Upon completion of construction, costs are further reclassified to relevant asset categories, including mine development costs.

Business combinations and asset purchases
The Company also recognizes exploration costs as assets when acquired as part of a business combination, or asset purchase. These assets are recognized at fair value.

Provisions

General
Provisions are recognized when:

(a) the Company has a present obligation (legal or constructive) as a result of a past event; and
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of operations and comprehensive loss. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Rehabilitation provision
The Company records the present value of estimated costs of legal and constructive obligations required to restore operating, development and exploration locations in the period in which the obligation is incurred. The nature of these restoration activities includes study and analyses of known and potentially affected areas, dismantling and removing infrastructures and operating facilities, rehabilitating mines, tailings dams and waste dumps, closure of tunnel entry points, plant and waste sites, management and adequate disposal of underground waters from the tunnels, restoration, reclamation and re-vegetation of affected areas and post-closure monitoring.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production, development or exploration location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining or exploration assets to the extent that it was incurred prior to the production. Over time, the discounted liability is increased for the change in present value based on the risk-free pre-tax discount rate in Colombia. The periodic unwinding of the discount is recognized in finance costs in the consolidated statement of operations and comprehensive loss. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of operations and comprehensive loss.

Public warrant liability

The Company's public warrant liability represents share warrants that have exercise prices denominated in Canadian dollars and are classified as derivative financial liabilities and measured at fair value until the instrument is extinguished or exercised (Note 13). Fair value estimates are determined based on quoted market prices for the warrants. Any gain or loss arising from the revaluation of the share warrant liability is recognized in the consolidated statement of operations and comprehensive loss.

Debt

Recognition and measurement
Debt is initially recognized at fair value, net of transaction costs incurred. Debt is subsequently measured at amortized cost using the effective interest method. Transaction costs incurred on the establishment of debt facilities are recognized as deferred charges and transferred as a reduction to debt in proportion to the drawdown of the debt facility. Transaction costs classified as a reduction to debt are amortized over the life of the debt facility using the effective interest method. When it is determined that it is probable that some or all of the debt facility will not be drawn down, the related transaction costs are amortized over the remaining debt facility period.

Borrowing costts

General and specific borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are considered to be those assets that necessarily take a substantial period of time to get ready for their intended use.

Investment or interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

Tax receivables and payables

Amounts receivable and payable relating to all forms of taxes are considered non-financial instruments. Amounts due greater than one year are presented in the consolidated statement of financial position on an undiscounted basis.

Income tax

Income tax is comprised of current and deferred tax. Income tax is recognized in the consolidated statement of operations and comprehensive loss except to the extent that it relates to items recognized directly in OCI or directly in equity, in which case the income tax is recognized directly in OCI or equity, respectively.

Current tax

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

Deferred tax

In general, deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred income tax assets and liabilities are presented as non-current.

Share-based payments

Equity-settled share-based payments to employees, directors and others providing similar services are made up of stock options, restricted share units ("RSUs") and deferred share units ("DSUs") and are measured at the fair value of the equity instruments at the grant date. Details regarding the various equity-settled share-based payments are set out in Note 24.

The fair value determined at the grant date of stock options granted to employees or directors are determined using the Black-Scholes option pricing model and recognized on a graded vesting method of amortization over the period during which the employee becomes unconditionally entitled to exercise these equity instruments, based on the Company's estimate of equity instruments that will eventually vest. The fair value of stock options is not remeasured subsequent to the grant date. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized such that the cumulative expense reflects the revised estimate.

Stock options granted to parties other than employees or directors are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The fair value of other equity-settled share-based payments are determined based on the market price of the shares on the date of grant and are recognized over the vesting period.

The amount recognized for equity-settled share-based payments is expensed or capitalized consistent to the category as the recipient's remuneration costs with a corresponding adjustment to contributed surplus or share capital, as appropriate. Consideration received on the exercise of stock options is recorded as share capital.

Share capital

Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Revenue recognition

Revenue from gold bullion sales, including pre-production revenues, is recognized when the significant risks and rewards of ownership have been transferred to the counterparty and the selling prices have been agreed or can be reasonably estimated.

Pre-production revenues relating to gold sales from the Yaraguá mine are recorded as a credit to construction in progress in respect of the Buriticá Project.

Interest revenue

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of operations and comprehensive loss over the period of the lease.

Comprehensive income (loss)

Comprehensive income (loss) includes both net earnings (loss) and OCI. OCI includes holding gains and losses on available-for-sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to foreign operations, all of which are not included in the calculation of net earnings until the period that the related asset or liability affects income. Cumulative changes in OCI are included in accumulated OCI which is presented as a category in shareholders' equity. For the years ended December 31, 2017 and 2016, the comprehensive loss equals net loss.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to the equity holders of the Company by the weighted-average number of common shares outstanding during the period.

Diluted earnings (loss) per share is calculated by adjusting the weighted-average number of common shares outstanding for dilutive instruments. The number of shares with respect to options, share warrants and similar instruments is computed using the treasury stock method under which deemed proceeds on the exercise of stock options and other dilutive instruments are considered to be used to reacquire common shares at the average share price for the period with the incremental number of shares being included in the denominator of the diluted income (loss) per share calculation. The Company's potential dilutive common shares is comprised of stock options. The diluted earnings (loss) per share calculation excludes any potential conversion of options and share warrants that would increase earnings per share or decrease loss per share.

5. 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 consolidated financial statements. The Company does not plan to adopt any of these standards before they become effective.

(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 and applied retrospectively.

In respect of the Company's financial assets, the Company expects the impact of the adoption of this standard on the consolidated financial statements to not be material. As at December 31, 2017, the Company's financial assets are made up of cash and cash equivalents, marketable securities and receivables. The Company's marketable securities are currently recognized and classified as fair value through profit or loss ("FVTPL"). The Company does not intend to invoke the election to present marketable securities in other comprehensive income ("OCI"). The Company's receivables, excluding refundable sales taxes, represent short-term receivables and are not material. Any changes to the Company's financial assets prior to adoption will require additional assessment of the impact on adoption.

As at December 31, 2017, the Company's financial liabilities are made up of accounts payable, the loans payable and the production-linked liability. In respect of the loans payable, IFRS 9 requires that when a financial liability measured at amortized cost is modified without resulting in de-recognition, a gain or loss should be recognized in respect of the difference in the original contractual cash flows and the modified contractual cash flows, discounted using the original effective interest rate. The adoption of this standard does not require an adjustment in respect of the Credit Facility Amendment (see Note 14) to opening retained earnings on January 1, 2018 as cash flows did not change significantly on the date of the amendment. In respect of the Company's remaining financial liabilities, the Company does not expect adoption of this standard to have an impact on the consolidated financial statements.

(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.

In respect of gold sales for the Yaraguá mine, which are capitalized in construction in progress as part of the Buriticá Project, the adoption of this standard will not have an impact. Under IFRS 15, the date on which control of the asset is considered to have been transferred is the same as the date on which the transfer of risk and rewards have occurred under IAS 11.

(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 December 31, 2017, the Company had operating lease commitments totaling $1,190,000 (see Note 28). The Company does not expect that the adoption of this standard to have a significant impact on its consolidated financial statements as preliminary analysis indicates that the Company does not currently have any significant contracts that are both subject to this standard and greater than one year, other than its lease contract for its office premises. Any new lease contracts entered into in 2018 will require additional assessment of the impact on adoption.

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.

6. SUBSIDIARIES

The following is a list of wholly-owned subsidiaries of the Company at December 31, 2017 and 2016:

Name	Country of incorporation	Nature of business
Continental Gold Limited	Bermuda	Development and exploration
CGL International Holdings Limited	Bermuda	Intermediate holding company
2610756 Ontario Inc.[(a)]	Canada	Intermediate holding company
CGL Berlin Holdings Limited	Bermuda	Intermediate holding company
CGL Dominical Holdings Limited	Bermuda	Intermediate holding company
CGL Management Services Limited	Bermuda	Intermediate holding company
CGL Greater Buritica Holdings Limited	Bermuda	Intermediate holding company
CGL Dojura Limited[(a)]	Bermuda	Intermediate holding company
CGL Dojura Holdings Limited	Bermuda	Intermediate holding company
CGL Berlin S.A.S.	Colombia	Exploration
CGL Dominical S.A.S.	Colombia	Exploration
CGL Santander S.A.S.	Colombia	Exploration
CGL Gran Buritica S.A.S.	Colombia	Exploration
CGL Dojura S.A.S. [(b)]	Colombia	Exploration

(a) Incorporated in December 2017.
(b) Name changed to Minerales Suramerica S.A.S., effective February 2018.

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.

7. 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:

December 31, 2017 (in thousands of U.S. dollars)	**Corporate**	**Colombia**	**Total**
	$	**$**	**$**
Cash and cash equivalents	**89,538**	**1,844**	**91,382**
Property, plant and equipment	**231**	**359,750**	**359,981**
Total assets	**103,260**	**385,387**	**488,647**
Loans payable	**–**	**47,917**	**47,917**
Total liabilities	**1,282**	**115,439**	**116,721**

For the year ended December 31, 2017 (in thousands of U.S. dollars)	**Corporate**	**Colombia**	**Total**
	$	**$**	**$**
Net loss	**(3,336)**	**(4,507)**	**(7,843)**
Capital expenditures	**–**	**97,989**	**97,989**

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
Total assets	22,099	254,661	276,760
Total liabilities	5,007	33,678	38,685

For the year ended December 31, 2016 (in thousands of U.S. dollars)	Corporate	Colombia	Total
	$	$	$
Net loss	(4,348)	(463)	(4,811)
Capital expenditures	56	21,995	22,051

8. MARKETABLE SECURITIES

Marketable securities consisted of the following:

As at	**December 31, 2017**		December 31, 2016	
(in thousands of U.S. Dollars)	**Cost**	**Fair Value**	Cost	Fair Value
	$	**$**	$	$
Equity securities (a)	**4,283**	**1,559**	4,283	2,412
Warrant securities (b)	**–**	**–**	279	2
	4,283	**1,559**	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 December 31, 2017 and are therefore classified as level 1 within the fair value hierarchy.

(b) Warrant securities

As at December 31, 2017, all investments in warrant securities have expired.

9. RECEIVABLES AND PREPAID EXPENSES

As at (in thousands of U.S. dollars)	**December 31, 2017**	December 31, 2016
	$	$
Accounts receivable (a)	**3,244**	3,759
Prepaid expenses	**74**	117
	3,318	3,876

(a) Accounts receivable

Accounts receivable as at December 31, 2017 includes a total of $3,146,000 (December 31, 2016 - $3,696,000) of refundable sales taxes made up of $3,118,000 (December 31, 2016 - $3,641,000) of Colombia value-added-tax refund receivable and $28,000 (December 31, 2016 - $55,000) of Canadian harmonized sales tax refund receivable.

10. ADVANCES AND DEFERRED CHARGES

As at (in thousands of U.S. dollars)	**December 31, 2017**	December 31, 2016
	$	$
Construction and equipment advances (a)	**14,702**	544
Deferred finance charges (b)	**11,830**	–
Other prepaids and deferred charges	**654**	1,169
	27,186	1,713

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

(a) Construction and equipment advances

Prepaid construction costs represent advances on equipment and 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

The following represents deferred finance charges as at December 31, 2017 (December 31, 2016 - $nil) in respect of loans payable (See Note 14):

As at (in thousands of U.S. dollars)	**Note**	**December 31, 2017**
		$
Lender's fees	**14**	**8,125**
Fair value of warrants issued	**22**	**5,710**
Fair value of production-linked liability	**15**	**3,874**
Other finance charges		**792**
Total transaction costs		**18,501**
Transaction costs attributable to draws		**(6,671)**
		11,830

11. 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	**354**	**207**	**869**	**122,098**	**123,528**
Gold sales credits	**–**	**–**	**–**	**(6,684)**	**(6,684)**
Disposals	**–**	**(3)**	**(2)**	**–**	**(5)**
Depreciation	**(186)**	**(713)**	**(557)**	**–**	**(1,456)**
Closing net book value, December 31, 2017	**5,777**	**3,901**	**1,573**	**348,730**	**359,981**
Balance, December 31, 2017					
Cost	**6,453**	**7,536**	**4,683**	**348,730**	**367,402**
Accumulated depreciation	**(676)**	**(3,635)**	**(3,110)**	**–**	**(7,421)**
Net book value	**5,777**	**3,901**	**1,573**	**348,730**	**359,981**

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	(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 of $341,000 (December 31, 2016 - $268,000) is included in depreciation and amortization in the annual consolidated statement of operations and comprehensive loss for the year ended December 31, 2017 and depreciation of $1,115,000 (December 31, 2016 - $932,000) is capitalized in construction in progress.

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 12(b)).

For the year ended December 31, 2017, borrowing costs (see Note 14) of $4,588,000 (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 received from pre-production revenues for the year ended December 31, 2017 of $6,684,000 (2016 - $9,166,000) 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)	**December 31, 2017**	December 31, 2016
	$	$
Gold doré (i)	**1,423**	1,280
Stockpile	**485**	271
Supplies	**1,883**	970
	3,791	2,521

(i) As at December 31, 2017, the Company held 503 ounces of gold (December 31, 2016 – 1,014 ounces), having a net realizable value of $650,000 based on a closing gold price of $1,291 per ounce (December 31, 2016 - $1,162,000 based on a closing gold price of $1,146 per ounce).

12. 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 December 31, 2017**
	$	**$**	**$**	**$**	**$**
Gran Buriticá (a)	**4,704**	**213**	**–**	**–**	**4,917**
Total	**4,704**	**213**	**–**	**–**	**4,917**

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

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.

(c) 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.

On December 29, 2017, the Company completed an option agreement with a third party (the "Optionor") to acquire a mining title for approximately 3,795 hectares within the Berlin Project for a total of $5,000,000 (the "Option Agreement") on January 20, 2021, or earlier. The significant terms and conditions of the Option Agreement are:

(i) $50,000 payable to the Optionor on closing of agreement;

(ii) $450,000 payable to the Optionor in 2018 upon satisfaction of conditions precedent by the Optionor relating to approval and registry of the assignment of the license and filing of relevant environmental license;

(iii) $500,000 payable to the Optionor on each of January 20, 2019 and January 20, 2020;

(iv) $3,500,000 payable to the Optionor on January 20, 2021 or upon completion of title assignment and registration to the Company;

(v) The Company may withdraw from the Option Agreement at any time.

13. PUBLIC WARRANT LIABILITY

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

	December 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
Expired	**(5,750,000)**	**(3,640)**	–	–
Fair value revaluation of liability	**–**	**–**	–	2,981
Balance, end of period	**–**	**–**	5,750,000	3,640

On May 25, 2016, 5,750,000 Public Warrants were issued upon completion of an equity financing (Note 21(b)(ii)). Each Public Warrant had an exercise price of C$4.75 and expired on November 25, 2017. The Public Warrants traded on the TSX under the symbol "CNL.WT.A". As a result, fair value estimates were determined based on quoted market prices and were 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 December 31, 2017 was $nil as the warrants expired in 2017 (December 31, 2016 - $3,640,000), resulting in a derivative gain recognized in the statement of earnings and comprehensive income for the year ended December 31, 2017 of $3,640,000 (year ended December 31, 2016 - $2,981,000).

14. LOANS PAYABLE

As at (in thousands of U.S. dollars)	**Note**	**December 31, 2017**
		$
Total draws from Credit Facility		**50,000**
Transaction costs attributable to draws	**10(b)**	**(6,671)**
Total loan payable, net of attributable transaction costs		**43,329**
Accrued interest		**4,588**
Loan payable balance end of period		**47,917**

Credit Facility

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 "Initial Credit Facility") and on October 16, 2017, the Company and the Lender completed an amendment to the Initial Credit Facility, providing an additional $25,000,000 (the "Credit Facility Amendment") and resulting in a revised total available credit facility of $275,000,000 (the "Credit Facility").

The Initial 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 $25,000,000 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 Credit Facility bears interest at 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 Initial 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 Initial Credit Facility, the Company also issued Common Share purchase warrants denominated in U.S. dollars (the "Private Warrants") to the Lender (see Note 22) and will incur production-linked liabilities based on amounts advanced under the Initial Credit Facility (see Note 15), both of which are considered as transaction costs for the Credit Facility.

The Company paid Lender's fees of $8,125,000 as at December 31, 2017. An additional $625,000 is payable upon the draw of the Credit Facility Amendment. The noted fees are considered transaction costs for the Credit Facility.

Conditions precedents for the second and third tranches in respect of the Initial Credit Facility, the production-linked liability and the Private Warrants do not apply to the Credit Facility Amendment. Otherwise, all other terms and conditions within the Initial Credit Facility applies to the Credit Facility Amendment.

The final draw for the Initial Credit Facility is the earlier of commencement of commercial production or 30 months after the first draw (July 10, 2019). The Credit Facility Amendment is available for drawdown until July 13, 2018.

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 December 31, 2017, the Company's working capital is $68,839,000.

The Initial Credit Facility is considered a hybrid financial instrument, containing liability components, derivative components and an equity component. The liability components are made up of the loans payable and the production-linked liability (see Note 15). The derivative components are made up of the early repayment fees and the interest minimum 1% LIBOR rate (see Note 18(b)). The equity component is represented by the Private Warrants (see Note 22).

The loans payable is measured at amortized cost, net of attributable financing charges, 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.

The Credit Facility Amendment was accounted for as an amendment to the Initial Credit Facility as there have been no changes to significant terms and conditions and the present value of expected cash flows have not been significantly impacted.

During the year ended December 31, 2017, the Company received net proceeds relating to draws from the Initial Credit Facility of $42,019,000, respectively, net of Lender's fee of $7,500,000 and Lender's costs of $481,000. Additional transaction costs and Lender's fees of $311,000 and $625,000, respectively, were also incurred for the year ended December 31, 2017. Total transaction costs (see Note 10(b)) of $18,501,000, including the issued Private Warrants, valued at $5,710,000, and production-linked liabilities relating to the draws, valued at $3,874,000, respectively, are treated as deferred finance charges. The portion of the transaction costs attributable to each draw are transferred as a reduction to loans payable upon receipt of each draw. During the year ended December 31, 2017, $6,671,000 of financing charges were attributable to the draws received under the Initial Credit Facility during the year and were transferred from deferred financing charges as a reduction to loans payable.

The balance of deferred finance charges of $11,830,000 as at December 31, 2017 and future transaction costs incurred upon receipt of future draws will be allocated proportionately over the remaining balance of the undrawn Credit Facility.

For the year ended December 31, 2017, accrued interest of $4,588,000, calculated using the effective interest method, was capitalized as borrowing costs in construction in progress within property, plant and equipment.

Subsequent to year-end, the Company received the $25,000,000 draw from the Credit Facility Amendment. Finance charges attributable to the draw of $1,384,000 was transferred from deferred financing charges as a reduction to loans payable. An additional production-linked liability did not apply to the draw.

15. PRODUCTION-LINKED LIABILITY

	Number of Ounces	
	000s	$(000s)
Balance, January 1, 2017	–	–
Issued	250	3,874
Revaluation of liability	–	244
Balance, December 31, 2017	250	4,118

In connection with the Initial Credit Facility (see Note 14), 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 Initial Credit Facility.

The production-linked liability is measured at fair value on the date of each draw from the Initial 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 Initial 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 operations and comprehensive loss.

Draws from the Initial Credit Facility for the year ended December 31, 2017 resulted in production-linked liabilities for 250,000 ounces of production, having a total fair value of $3,874,000, determined on the date of each draw. The fair value of the production-linked liability on December 31, 2017 was $4,118,000, resulting in accretion expense recognized in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2017 of $244,000.

16. OTHER LONG-TERM PAYABLES

As at December 31, 2017, the Company has obligations to pay value added taxes on the import of major capital equipment with payments required to be made between 2022 to 2024. Upon payment, amounts are recoverable as income tax credits to be used to reduce income taxes payable for the taxation year in which the payment was made or in subsequent years.

17. REHABILITATION PROVISION

The Company's rehabilitation provision is based on management's best estimate of costs to abandon and reclaim mineral properties and facilities as well as an estimate of the future timing of the costs to be incurred.

(in thousands of U.S. dollars)	**2017**	2016
	$	$
Balance, January 1	**5,759**	6,853
Change in provision	**11,605**	(1,413)
Payments	**(218)**	–
Accretion expense	**315**	319
Balance, December 31	**17,461**	5,759
Current portion, included in accounts payable and accrued liabilities	**2,930**	1,549
Long-term portion	**14,531**	4,210

The Company has estimated its total rehabilitation provision at December 31, 2017 based on an undiscounted future liability of approximately $28,921,000 (2016 – $11,025,000), including an inflation rate of 4.12% (2016 – 5.75%) and a risk-free rate of 4.75% (2016 – 7.5%). Reclamation is expected to occur between 2018 and 2035.

18. 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 4.

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

As at December 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	**–**	**91,382**	**–**	**91,382**
Marketable securities	**1,559**	**–**	**–**	**1,559**
Receivables	**–**	**98**	**–**	**98**
Accounts payable and accrued liabilities	**–**	**–**	**(22,573)**	**(22,573)**
Loans payable	**–**	**–**	**(47,917)**	**(47,917)**
Production-linked liability	**(4,118)**	**–**	**–**	**(4,118)**
Total	**(2,559)**	**91,480**	**(70,490)**	**18,431**

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.

Financial risk factors

Credit risk
Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from its properties. The Company's cash and cash equivalents are held with banks in Colombia and Canada. The Company limits material counterparty credit risk on these assets by dealing with financial institutions with credit ratings of at least "A" or equivalent, or those which have been otherwise approved. Amounts receivable mainly consist of receivables for refundable commodity taxes. As a result, management believes that the credit risk concentration with respect to remaining amounts receivable is minimal based on the Company's history with these unrelated parties.

Liquidity risk
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company has treasury policies designed to support managing of liquidity risk by proactively mitigating exposure through cash management, including forecasting its liquidity requirements with available funds and anticipated cash flows.

As at December 31, 2017, the Company had cash and cash equivalents of $91,382,000 (2016 – $19,214,000) to settle current financial liabilities of $27,420,000 (2016 - $11,440,000). The Company also has various commitments detailed in Note 28.

For the year ended December 31, 2017, the Company recorded a net loss of $7,843,000 (year ended December 31, 2016 – $4,811,000) and reported an accumulated deficit as at December 31, 2017 of $221,662,000 (2016 - $213,819,000).

The Company has a need for equity capital and other financing to fund working capital in the exploration and development of its properties. The Company's ability to continue as an active mineral property explorer and developer is dependent upon its ability to obtain adequate financing, to reach profitable levels of operation and to effectively preserve and deploy cash. It is not possible to predict whether financing efforts will be successful or sufficient, or if the Company will attain profitable levels of operation.

During 2017, the Company completed the Credit Facility (see Note 14) to finance a portion of the construction for the Buriticá Project. As at December 31, 2017, $50,000,000 of the total $275,000,000 available Credit Facility has been drawn. Subsequent to year-end, an additional $25,000,000 was drawn.

The Company continues to examine it options to secure additional sources of funds, including public issuances.

Market risk

Interest rate risk

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. The Company's cash balances are not subject to significant interest rate risk as balances are current. The Credit Facility is subject to a variable LIBOR rate. Significant changes in the LIBOR rate could have a significant impact on the Company's loans payable balance in the consolidated statement of financial position or interest expense in the consolidated statement of operations and comprehensive loss.

Foreign currency risk

Foreign currency risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. The Company's functional currency is the U.S. dollar. The Company conducts some of its operating and investing activities in currencies other than the U.S. dollar. The Company is therefore subject to gains or losses due to fluctuations in these currencies relative to the U.S. dollar.

The Company had the following foreign currency balances:

As at December 31, 2017	**Foreign Currency**	**Foreign Balance $(000's)**	**$(000's)**
Cash and cash equivalents	COP	**5,501,059**	**1,844**
Cash and cash equivalents	CAD	**3,637**	**2,899**
Marketable securities	CAD	**1,811**	**1,559**
Receivables	COP	**10,123,487**	**3,393**
Receivables	CAD	**36**	**29**
Accounts payable and accrued liabilities	COP	**57,730,151**	**19,347**
Accounts payable and accrued liabilities	CAD	**1,478**	**1,131**

As at December 31, 2016	Foreign Currency	Foreign Balance $(000's)	$(000's)
Cash and cash equivalents	COP	1,876,557	626
Cash and cash equivalents	CAD	14,516	10,812
Marketable securities	CAD	3,241	2,414
Receivables	COP	11,104,667	3,705
Receivables	CAD	74	55
Accounts payable and accrued liabilities	COP	13,933,395	4,649
Accounts payable and accrued liabilities	CAD	449	334

Commodity price risk

The Company is exposed to price risk with respect to commodity price. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious minerals to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

Based on management's knowledge of and experience with the financial markets, the Company believes the following movements are "reasonably possible" over a year:

(i) The Company is exposed to foreign currency risk on fluctuations of financial instruments primarily relating to cash and cash equivalents that are denominated in Canadian dollars and Colombian pesos. As at December 31, 2017, had both the Canadian dollar and the Colombian peso strengthened/weakened by 20% against the U.S. dollar with all other variables held constant, the Company's reported net loss for the year ended December 31, 2017 would have been approximately $3,700,000 million lower/higher.

Commodity price risk could affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market of precious metals. As of December 31, 2017, the Company was not a commercial producing entity. As a result, commodity price risk could affect the completion of future equity transactions such as equity offerings and the exercise of stock options and share warrants. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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). There have been no changes in the risk management department or in any risk management policies since year end.

Fair value:

Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

The following tables illustrate the classification of the Company's financial instruments within the fair value hierarchy, representing all recurring financial assets. The levels in the hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As at December 31, 2017 (in thousands of U.S. dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Marketable securities	**1,559**	**–**	**–**	**1,559**
Production-linked liability	**–**	**(4,118)**	**–**	**(4,118)**

As at December 31, 2016 (in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Total
	$	$	$	$
Marketable securities	2,365	49	–	2,414
Public warrant liability	(3,640)	–	–	(3,640)

As at December 31, 2017, there were no non-recurring financial assets or liabilities that were valued at fair value.

There were no transfers between levels 1 and 2 and there were no changes in valuation techniques during 2017.

(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 is 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 was determined to be insignificant on the date of each draw from the Credit Facility and on December 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 year ended December 31, 2017 were determined to be $nil. On December 31, 2017, the fair values of these derivatives were also determined to be $nil.

The Company uses foreign currency derivatives as part of its risk management program to mitigate the variability associated with the changing foreign currency rates relative to the U.S dollar. The derivative instruments are not formally recognized as hedging instruments and are accordingly classified as financial instruments. The mark-to-market fair values of all contracts are provided by a third party using inputs that are observable and determined using standard valuation techniques. Derivative instruments are classified within Level 2 of the fair value hierarchy.

For the year ended December 31, 2017, the Company recognized realized gains of $nil (year ended December 31, 2016 - $82,000) for the settlement of non-deliverable forward currency contracts and also recognized a gain of $nil (year ended December 31, 2016 – $135,000) for the revaluation of non-deliverable forward currency contracts in the consolidated statement of operations and comprehensive loss.

For the year ended and as at December 31, 2017, the Company held no foreign currency contracts. Subsequent to year-end, the Company entered into simultaneous non-deliverable put and call option currency contracts totaling $21,000,000 with expiry dates in July to December 2018 and a COP:USD collar range of 2,725:1 to 3,000:1. The non-deliverable currency contracts are documented in the form on an ISDA master agreement, requiring a collateral payment of $4,800,000 into restricted bank accounts and released upon expiry of the contracts. Changes in fair value in respect of the foreign currency contracts will be recognized in the consolidated statement of operations and comprehensive loss.

19. 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 December 31, 2017 totalled $371,926,000 (December 31, 2016 - $238,075,000) and debt, which is comprised of loans payable of $47,917,000 as at December 31, 2017 (December 31, 2016 - $nil). 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 year ended December 31, 2017. The Company is subject to a minimum working capital balance of $15,000,000 required by the lender of the Initial Credit Facility. As at December 31, 2017, the Company's working capital was $68,839,000. The Company is not subject to any further capital requirements imposed by a regulator or lending institution.

20. INCOME TAXES

Income taxes are comprised of:

For the years ended (in thousands of U.S. dollars)	**December 31, 2017**	December 31, 2016
	$	$
Current tax (recovery) expense:		
Current minimum tax	**187**	142
Deferred tax (recovery) expense:		
Origination and reversal of temporary differences	**(1,841)**	(4,144)
Income tax (recovery) expense	**(1,654)**	(4,002)

The Company is incorporated in Ontario, Canada and is subject to income taxes at a combined federal and provincial statutory tax rate as at December 31, 2017 and 2016 of 26.5%. The tax on the Company's net income (loss) before tax differs from the amount that would arise using the tax rate applicable to the Company as follows:

For the years ended (in thousands of U.S. dollars)	**December 31, 2017**	December 31, 2016
	$	$
Net loss before taxes	**(9,497)**	(8,813)
Expected income tax recovery	**(2,516)**	(2,336)
Foreign tax rate differences	**268**	(1,268)
Non-deductible expenses	**(1,022)**	1,635
Change in future tax rates	–	(779)
Foreign exchange impact on deferred tax liability	**155**	(2,677)
Adjustment in respect of prior years	**725**	(444)
Change in unrecognized deferred tax assets	**966**	1,972
Other	**(230)**	(105)
Net income tax (recovery) expense	**(1,654)**	(4,002)

All deferred tax assets and liabilities are expected to be settled after 12 months. The tax effect of temporary differences that give rise to deferred tax assets and liabilities are as follows:

For the year ended December 31, 2017 (in thousands of U.S. dollars)	**Property, plant and equipment**	**Exploration and evaluation assets**	**Other**	**Net deferred income tax (asset) liability**
	$	**$**	**$**	**$**
Balance, January 1	**22,833**	**205**	**(3)**	**23,035**
Recognized in profit or loss	**(1,840)**	**(6)**	**5**	**(1,841)**
Balance, December 31	**20,993**	**199**	**2**	**21,194**

For the year ended December 31, 2016 (in thousands of U.S. dollars)	Property, plant and equipment	Exploration and evaluation assets	Other	Net deferred income tax (asset) liability
	$	$	$	$
Balance, January 1	935	26.223	21	27,179
Transfers between classes	22,095	(22,095)	–	–
Recognized in profit or loss	(197)	(3,923)	(24)	(4,144)
Balance, December 31	22,833	205	(3)	23,035

The above deferred tax assets and liabilities include the effect of tax losses available in Colombia of COP 108,221,000,000 (2016 – COP 68,355,000,000) to reduce income taxes payable in Colombia in the future. These tax losses have no expiry date. In addition, the effect of tax assets relating to exploration and evaluation assets of COP 11,782,000,000 (2016 – COP 11,818,000,000) and unused tax losses available for carryforward in Canada of $6,096,000 (2016 - $3,727,000), expiring in 2037, have not been included in the above deferred tax assets and liabilities as the probability of them being utilized is low.

As at December 31, 2017 and 2016, the Company had not recognized the following deferred tax balances that are available for utilization against taxable income:

As at (in thousands of U.S. dollars)	**December 31, 2017**	December 31, 2016
	$	$
Tax losses carried forward utilizable against taxable income	**1,615**	988
Financing fees	**539**	297
Property, plant and equipment	**41**	59
	2,195	1,344

21. 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.

(b) Issued

As of December 31, 2017, the issued share capital was 188,218,514. The change in issued share capital for 2017 and 2016 were as follows:

	Number of Shares	
	2017	2016
Balance, January 1	**141,629,345**	129,549,628
Exercise of stock options (Note 24(a))	**510,371**	400,000
Shares issued on vesting of RSUs (Note 24(b))	**105,579**	179,717
Shares issued		
– private placement (i)	**45,973,219**	–
– bought deal (ii)	**–**	11,500,000
Balance, December 31	**188,218,514**	141,629,345

(i) On May 18, 2017, the Company completed the issuance of 37,383,844 Common Shares to a third-party investor (the "Investor") in a non-brokered private placement at a price of C$4.00 per share, for total gross proceeds of $108,927,000. Concurrently, the Lender also purchased 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 Initial Credit Facility (collectively, the "Private Placement"). Transaction costs in respect of the Private Placement were $1,458,000. The closing of the Private Placement satisfies the Equity Financing Condition, one of the conditions precedent to accessing the second tranche of financing under the Initial Credit Facility (see Note 14).

(ii) 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 were classified as Public Warrant Liability (Note 13).

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.

22. WARRANTS

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

In connection with the Initial Credit Facility (see Note 14), 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 $7.34 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 holder 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 December 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. Subsequently, the Private Warrants are not revalued.

23. EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the net income (loss) attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year:

For the years ended	December 31, 2017	December 31, 2016
Net loss (in thousands of U.S. Dollars)	$ (7,843)	$ (4,811)
Weighted average number of common shares outstanding (in thousands)	170,728	136,849
Basic net loss per common share	**$ (0.05)**	$ (0.04)

(b) Diluted

The Company incurred net losses for each of the years ended December 31, 2017 and 2016; therefore, all outstanding stock options, RSUs, DSUs and share warrants have been excluded from the calculation of diluted loss per share since the effect would be anti-dilutive.

24. 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.

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.

(a) Stock options:

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)	**1,855,500**	**4.20**	1,750,800	2.00
Exercised	**(510,371)**	**2.07**	(400,000)	2.45
Expired or Forfeited	**(1,488,188)**	**7.61**	(1,980,000)	7.73
Balance, December 31	**7,923,034**	**3.74**	8,066,093	4.24

[(*)] The weighted average grant date fair value of stock option grants during the years ended December 31, 2017 and December 31, 2016 was $1.53 and $0.72, respectively).

The following table shows the stock options outstanding and exercisable at December 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$)
$1.23 – $2.00	1,544,234	2.67	1.64	1,277,984	2.60	1.65
$2.01 – $4.00	3,632,500	2.33	3.05	3,286,250	2.12	3.02
$4.01 – $6.00	1,863,800	3.44	4.41	699,050	2.44	4.52
$8.01 – $8.89	882,500	0.06	8.89	882,500	0.06	8.89
	7,923,034	2.40	3.74	6,145,784	1.96	3.75

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 years ended	**2017**	2016
Number of options granted	**1,855,500**	1,750,800
Weighted average exercise price (C$)	**4.20**	2.00
Weighted average market price ($)	**3.22**	1.51
Expected dividend yield	**Nil**	Nil
Expected volatility (%)	**71%**	71%
Weighted average risk-free interest rate (%)	**0.86%**	0.50%
Forfeiture rate (%)	**9.95%**	10.93%
Weighted expected life (years)	**3.12**	2.81
Weighted average grant date fair value per share ($)	**1.53**	0.72

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

(b) RSUs and DSUs:

Movements in RSUs during the period were as follows:

	2017		2016	
	Number of RSUs	**Average Grant Date Market Price**	Number of RSUs	Average Grant Date Market Price
		C$		C$
Balance, January 1	**–**	**–**	–	–
Granted (**)	**118,579**	**4.31**	179,717	1.61
Vested	**(105,579)**	**4.44**	(179,717)	1.61
Balance, December 31 (**)	**13,000**	**3.26**	–	–

(**) Outstanding RSUs have performance conditions with an estimated vesting date of December 31, 2019.

Subsequent to December 31, 2017, 88,307 (December 31, 2016 – 105,579) RSUs were granted, which have also vested, to employees in respect of services provided for the year ended December 31, 2017 and 250,000 (December 31, 2016 – nil) RSUs, with a vesting date of July 15, 2020, were granted to employees as part of the Company's long-term incentive program.

As of December 31, 2017 and 2016, there were no DSUs outstanding. Subsequent to December 31, 2017, 90,000 DSUs were granted to directors.

(c) Share-based payments:

The Company recorded share-based payments as follows:

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2017**	December 31, 2016
		$	$
Share-based payments, included in corporate administration expenses	26	**2,000**	1,345
Share-based payments capitalized to construction in progress		**952**	748
		2,952	2,093

25. 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:

(a) During the year ended December 31, 2017, legal fees relating to the closure of the Initial Credit Facility of $13,000 (year ended December 31, 2016, - $nil) was charged from a law firm in which a director of the Company is a partner and are included in deferred financing charges for the Initial Credit Facility.

(b) During the year ended December 31, 2017, $73,000 (year ended December 31, 2016, - $nil) was paid to a non-profit organization responsible for community programs in Colombia in which an officer of the Company is related and is included in corporate administration expenses on the consolidated statement of operations and comprehensive loss.

(c) During the year ended December 31, 2017, $582,000 (year ended December 31, 2016 - $352,000) was paid to a public utility company in which a director of the Company is also a director and are included in capitalized expenditures in construction in progress.

(d) **Compensation of key management personnel**

The remuneration of directors and other members of key management personnel were as follows:

For the years ended (in thousands of U.S. dollars)	**December 31, 2017**	December 31, 2016
	$	$
Management salaries, benefits and bonuses	**2,649**	1,768
Director fees	**756**	309
Share-based payments	**1,617**	1,250
	5,022	3,327

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee of the Board having regard to the performance of individuals and market trends.

During the year ended December 31, 2017, total management salaries, benefits, bonuses and share-based payments of $1,143,000 (year ended December 31, 2016 - $877,000) that were included above were capitalized to construction in progress.

26. CORPORATE ADMINISTRATION EXPENSES

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2017**	December 31, 2016
		$	$
General office and administration		**3,294**	887
Salaries		**3,121**	2,004
Share-based payments	24(c)	**2,000**	1,345
Professional fees		**814**	892
Directors fees and expenses		**791**	332
Wealth tax		**398**	876
Depreciation and amortization		**341**	268
Investor relations		**315**	347
Travel expenses		**261**	243
Regulatory fees		**138**	110
Bad debts		**124**	41
		11,597	7,345

27. CASH FLOW INFORMATION

(a) Other Operating Activities

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2017**	December 31, 2016
		$	$
Other non-cash items:			
Interest and accretion expense		**559**	319
Depreciation and amortization		**341**	268
Bad debt expense		**124**	41
Inventory write-downs		**20**	81
Loss (gain) on disposal		**5**	(15)
		1,049	694

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2017**	December 31, 2016
		$	$
Net changes in non-cash operating working capital balances:			
Receivables and prepaid expenses		**73**	(44)
Accounts payable and accrued liabilities		**(964)**	837
		(891)	793

(b) Other Investing Activities

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2017**	December 31, 2016
		$	$
Property, plant and equipment:			
Construction in progress expenditures		**(104,072)**	–
Equipment		**(781)**	(1,389)
Accounts payable and accrued liabilities attributable to property, plant and equipment		**19,919**	–
		(84,934)	(1,389)

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2017**	December 31, 2016
		$	$
Exploration and evaluation assets:			
Exploration expenditures		**(213)**	(29,661)
Accounts payable and accrued liabilities attributable to exploration and evaluation assets		**–**	(117)
		(213)	(29,778)
		$	$
Other items:			
Intangible assets		**(388)**	(167)
Rehabilitation payments		**(218)**	–
Proceeds from sale of assets		**–**	20
		(606)	(147)

(c) Other Financing Activities

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2017**	December 31, 2016
		$	$
Credit facility:			
Draws received	14	**50,000**	–
Transaction costs paid:	10(b), 14		
Lender's fees		**(8,125)**	–
Lenders' costs		**(481)**	–
Other transaction costs		**(311)**	–
		(8,917)	–
		41,083	–

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities

(in thousands of U.S. Dollars)	Loans Payable (Note 14)	Production-linked Liability (Note 13)	Warrants (Note 22)	Deferred Finance Charges (Note 10(b))	Total
	$	$		$	$
Balance, January 1, 2017	–	–	–	–	–
Changes from financing cash flows:					
Proceeds from Credit Facility draws	50,000	–	–	–	50,000
Transaction costs paid	–	–	–	(8,917)	(8,917)
	50,000	–	–	(8,917)	41,083
Other changes:					
Non-cash transaction costs	–	3,874	5,710	(9,584)	–
Finance charges attributable to draws	(6,671)	–	–	6,671	–
Capitalized interest	4,588	–	–	–	4,588
Revaluation of liability	–	244	–	–	244
Balance, December 31, 2017	47,917	4,118	5,710	(11,830)	45,915

28. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 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)	1,190	410	780	–
Capital commitments (b)	79,297	64,404	14,893	–
Credit Facility principal and interest payments (c)	81,511	–	54,895	26,616
Production-linked payments (d)	5,000	–	5,000	–
Value added tax on major equipment (e)	1,541	–	769	772
	168,539	64,814	76,337	27,388

(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 and development activities relating to 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, capitalized interest to December 31, 2017 and contractual interest payable over future periods based on the LIBOR rate in effect on December 31, 2017.

(d) Production-linked payments represent required payments, resulting from draws received from the Initial Credit Facility, of $20 per ounce of gold production.

(e) Value added tax payments relating to the purchase of major equipment payable five to seven years after the importation of the equipment.

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 has made, and expects to make in the future, expenditures to comply with such laws and regulations.