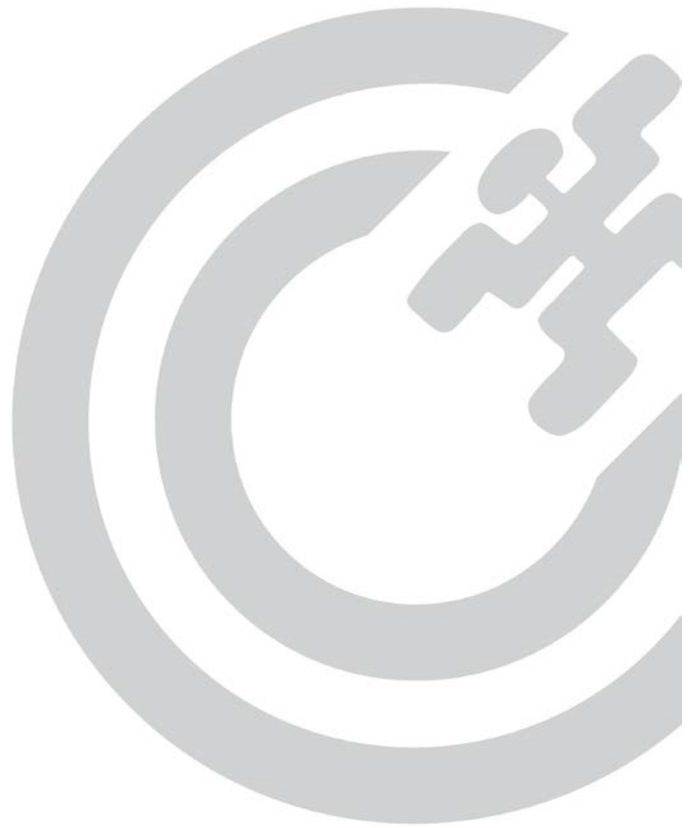

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018

CONTINENTAL GOLD
TSX:CNL OTCQX:CGOOF

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Continental Gold Inc.

Interim Consolidated Statements of Financial Position (unaudited)

As at (in thousands of U.S. Dollars)	Notes	June 30, 2018	December 31, 2017
		$	$
Assets			
Current assets			
Cash and cash equivalents	14(b)	**57,790**	91,382
Marketable securities	6, 14(a)	**571**	1,559
Receivables and prepaid expenses	7, 14(b)	**5,703**	3,318
		64,064	96,259
Non-current assets			
Advances and deferred charges	8	**25,911**	27,186
Intangible assets		**96**	304
Property, plant and equipment	9	**459,564**	359,981
Exploration and evaluation assets	10	**5,822**	4,917
		489,828	392,388
		555,457	488,647
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		**23,344**	27,420
Non-current liabilities			
Loans payable	11	**120,148**	47,917
Production-linked liability	12	**8,311**	4,118
Other long-term payables	13	**2,531**	1,541
Rehabilitation provision		**16,115**	14,531
Deferred tax liability		**18,922**	21,194
		166,027	89,301
		189,371	116,721
Equity			
Share capital	16	**553,195**	552,953
Warrants	17	**5,710**	5,710
Contributed surplus		**37,232**	34,925
Accumulated other comprehensive income		**(3,712)**	–
Deficit		**(226,339)**	(221,662)
		366,086	371,926
		555,457	488,647

Commitments and contingencies	22		
Subsequent events	10(c), 11		

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

Continental Gold Inc.

Interim Consolidated Statements of Operations and Comprehensive Loss (unaudited)

(in thousands of U.S. Dollars, except share and per share amounts)	Notes	Three months ended June 30		Six months ended June 30	
		2018	2017	**2018**	2017
		$	$	**$**	$
Operating expenses:					
Corporate administration	20	**(3,550)**	(2,436)	**(6,610)**	(5,376)
Exploration expense		**(629)**	(2)	**(1,592)**	(2)
Loss on disposal or write-down of assets		**–**	(2)	**–**	(6)
		(4,179)	(2,440)	**(8,202)**	(5,384)
Other income (expense):					
Foreign exchange loss		**(177)**	(148)	**(854)**	(106)
(Loss) gain on marketable securities	14(a)	**–**	(1,561)	**–**	147
(Loss) gain on derivative financial instruments	14(b)	**(279)**	867	**(347)**	2,400
Other income (expense)		**38**	(95)	**(4)**	(85)
Net loss before finance items and income tax		**(4,597)**	(3,377)	**(9,407)**	(3,028)
Finance income (expense):					
Interest income		**173**	243	**380**	295
Interest and accretion expense		**(341)**	(244)	**(484)**	(333)
Net loss before income tax		**(4,765)**	(3,378)	**(9,511)**	(3,066)
Income tax recovery (expense):					
Current		**(83)**	(320)	**(162)**	(352)
Deferred		**(4,670)**	(1,617)	**2,272**	254
Total income tax recovery (expense)		**(4,753)**	(1,937)	**2,110**	(98)
Net loss for the period		**(9,518)**	(5,315)	**(7,401)**	(3,164)
Other comprehensive loss, net of taxes					
Items that will not be reclassified to earnings					
Unrealized loss on marketable securities[a]		**(101)**	–	**(988)**	–
Other comprehensive loss for the period		**(101)**	–	**(988)**	–
Total comprehensive loss for the period		**(9,619)**	(5,315)	**(8,389)**	(3,164)

(a) Net of taxes of $nil

Net loss per common share				
Basic and diluted	**(0.05)**	(0.03)	**(0.04)**	(0.02)
Weighted average number of common shares outstanding				
Basic	**188,405,448**	164,114,104	**188,263,434**	153,027,458
Diluted	**189,824,853**	165,530,644	**189,743,244**	154,850,268

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

Continental Gold Inc.

Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)

(in thousands of U.S. Dollars)	Issued Capital					
	Share Capital (Note 16)	Contributed Surplus	Warrants (Note 17)	Accumulated Other Comprehensive Income	Deficit	Total
	$	$	$	$	$	$
Balance, December 31, 2017	**552,953**	**34,925**	**5,710**	–	**(221,662)**	**371,926**
IFRS 9 transition adjustment (Note 14(a))	**–**	**–**	**–**	**(2,724)**	**2,724**	**–**
Share-based payments (Note 18)	**–**	**2,307**	**–**	**–**	**–**	**2,307**
Exercise of share-based payments – cash proceeds	**242**	**–**	**–**	**–**	**–**	**242**
Net loss for the period	**–**	**–**	**–**	**–**	**(7,401)**	**(7,401)**
Other comprehensive loss for the period	**–**	**–**	**–**	**(988)**	**–**	**(988)**
Balance, June 30, 2018	**553,195**	**37,232**	**5,710**	**(3,712)**	**(226,339)**	**366,086**
Balance, December 31, 2016	419,319	32,575	–	–	(213,819)	238,075
Issue of shares (Note 16(b))	133,927	–	–	–	–	133,927
Fair value of warrants issued (Note 17)	–	–	5,710	–	–	5,710
Share-based payments (Note 18(b))	356	1,389	–	–	–	1,745
Exercise of share-based payments – cash proceeds	168	–	–	–	–	168
Cost of issue (Note 16(b))	(1,458)	–	–	–	–	(1,458)
Net loss for the period	–	–	–	–	(3,164)	(3,164)
Balance, June 30, 2017	552,312	33,964	5,710	–	(216,983)	375,003

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

Continental Gold Inc.

Interim Consolidated Statements of Cash Flows (unaudited)

(in thousands of U.S. Dollars)	Notes	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
		$	$	**$**	$
Cash provided by (used in):					
Operating activities:					
Net loss for the period		**(9,518)**	(5,315)	**(7,401)**	(3,164)
Items not affecting cash:					
Foreign exchange loss		**177**	148	**854**	106
Loss (gain) on marketable securities		**–**	1,561	**–**	(147)
Loss (gain) on derivative financial instruments	14(b)	**279**	(867)	**347**	(2,400)
Share-based payments		**690**	423	**1,221**	1,158
Deferred tax expense (recovery)		**4,670**	1,617	**(2,272)**	(254)
Other non-cash items	21(a)	**370**	275	**570**	430
Changes in non-cash operating working capital balances	21(a)	**1,018**	(108)	**633**	(674)
		(2,314)	(2,266)	**(6,048)**	(4,945)
Investing activities:					
Recoveries in property from gold sales		**676**	1,473	**1,584**	3,824
Receivables related to mineral properties		**(1,470)**	1,548	**(2,142)**	894
Property, plant and equipment	21(b)	**(52,575)**	(12,259)	**(96,786)**	(20,514)
Prepaids and advances		**3,234**	(18,079)	**(2,488)**	(22,542)
Other investing activities	21(b)	**(1,172)**	(177)	**(1,679)**	(264)
		(51,307)	(27,494)	**(101,511)**	(38,602)
Financing activities:					
Cash proceeds from exercise of stock options		**242**	–	**242**	168
Cash proceeds from issuance of shares, net of issue costs	16(b)	**–**	132,469	**–**	132,469
Cash proceeds from credit facility draws, net of finance charges paid	21(c)	**50,000**	24,976	**74,375**	41,723
		50,242	157,445	**74,617**	174,360
Net change in cash and cash equivalents during the period		**(3,379)**	127,685	**(32,942)**	130,813
Cash and cash equivalents, beginning of period		**61,534**	22,554	**91,382**	19,214
Foreign exchange effect on cash balances		**(365)**	(73)	**(650)**	139
Cash and cash equivalents, end of period		**57,790**	150,166	**57,790**	150,166

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

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

1. NATURE OF OPERATIONS

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

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

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

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

2. STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued and effective for the three and six months ended June 30, 2018, as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of unaudited interim consolidated financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting ("IAS 34"). These unaudited interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS.

The accounting policies and the significant judgements, estimates and assumptions used in the application of the accounting policies used in the preparation of these unaudited interim consolidated financial statements are those applied in Notes 2, 3, 4 and 5 of the Company's audited annual consolidated financial statements for the year ended December 31, 2017 and have been consistently applied throughout all periods presented as if these policies had always been in effect, except as described in Note 3 herein.

These unaudited interim consolidated financial statements were approved and authorized by the Audit Committee on August 8, 2018.

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

(a) New Accounting Standards and Interpretations adopted

(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. 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.

The Company adopted IFRS 9 in its consolidated financial statements on January 1, 2018 on a retrospective basis and was not required to restate prior periods.

As part of the adoption of IFRS 9, the Company has elected to present marketable securities in other comprehensive income ("OCI"). The adoption has been applied on a retrospective basis, without having to restate prior periods.

Accounting Policy: Financial Instruments

Classification of Financial Instruments

Financial assets

In accordance with IFRS 9, the Company's financial assets are classified as either financial assets at fair value through profit/(loss) ("FVTPL"), amortized cost, or fair value through other comprehensive income ("FVOCI"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Classification is determined upon initial recognition.

Financial assets recorded at FVTPL – Financial assets that do not have contractual cash flow characteristics that are solely payments of principal and interest will be measured at FVTPL. Financial assets are also classified at FVTPL if they are acquired for the purpose of selling in the near-term. These financial assets are initially recognized at their fair value with changes to fair values recognized in the consolidated statement of operations.

The Company's cash and cash equivalents are classified as financial assets measured at FVTPL.

Financial assets recorded at FVOCI – Financial assets held within a business model where assets are both held for the purpose of collecting contractual cash flows or sold prior to maturity and the contractual cash flows represent solely payments of principal and interest are measured at FVOCI. Investments in equity instruments that are not held for trading which fail to meet the above criteria may, upon initial recognition, be irrevocably elected by the Company to be presented in OCI. This election may be made on an instrument-by-instrument basis. For equity instruments designated at FVOCI, only dividend income is recognized in profit or loss, all other gains and losses are recognized in OCI without reclassification on derecognition.

The Company has elected to change the classification of its marketable securities from FVTPL to FVOCI upon adoption of IFRS 9 and has applied the change on a retrospective basis, without restating prior periods. Designation within FVOCI was based on facts and circumstances that existed at the date of initial application of IFRS 9. It is not the intention of the Company to hold these instruments for trading or speculative purposes and, therefore, designation of these investments at FVOCI is more closely aligned with the manner in which these investments are managed and the Company's business model.

Financial assets recorded at amortized cost – Financial assets are recorded at amortized cost if both of the following criteria are met: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent solely payments of principal and interest. Receivables and prepaid expenses are hence recorded at amortized cost. The amortized cost is reduced by impairment losses. The Company recognizes a loss allowance for expected credit losses on these financial assets measured at amortized cost. Interest income, foreign exchange gains and losses, impairment losses and any gain or loss on derecognition are recognized in the consolidated statement of operations.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or amortized cost. Classification is determined upon initial recognition.

Financial liabilities recorded at FVTPL – Financial liabilities measured at FVTPL are either held for trading or designated as such. The production-linked liability is designated at FVTPL, as such measurement significantly reduces any accounting mismatch. These financial liabilities are initially recognized at fair value with transaction costs and changes to fair values recognized in the consolidated statement of operations.

Financial liabilities recorded at amortized cost – Accounts payable and accrued liabilities, loans payable (excluding derivative component) and other long-term payables are accounted for at amortized cost. These financial liabilities are measured at amortized cost using the effective interest method. They are initially recognized at fair value, net of any transaction costs, and subsequently at amortized cost using the effective interest method.

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 derivative components of the Credit Facility, being the early repayment fees and the interest minimum 1% LIBOR rate, are classified as derivatives. In addition, the Company's foreign currency put and call option contracts are also classified as derivatives.

Derecognition of financial assets and liabilities

Financial assets are derecognized 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 derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of operations, with the exception of gains and losses on equity instruments designated at FVOCI, which are not reclassified to the consolidated statement of operations upon derecognition.

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

Impairment of financial assets

The Company applies the expected credit loss ("ECL") approach as required under IFRS 9 to its financial assets measured at amortized cost. The ECL approach requires expected lifetime losses to be recognized upon initial recognition of the receivables; the Company further assesses at each reporting date whether there has been a significant change in the credit risk. Significant changes are reflected as increases or decreases in the loss allowance which is recognized as an impairment gain or loss in the consolidated statement of operations.

Receivables are presented net of the loss allowance in the consolidated statement of financial position.

(ii) IFRS 15, *Revenue from Contracts with Customers* ('IFRS 15") replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue* 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 recognize 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.

The Company adopted IFRS 15 on a prospective basis in its consolidated financial statements on January 1, 2018. The adoption of this standard did not have a material impact on the Company's consolidated financial statements as the Company's properties have not yet achieved commercial production.

(b) New Accounting Standards and Interpretations not yet adopted

The following revised standards and amendments, unless otherwise stated, are effective on or after January 1, 2019, with early adoption permitted, and have not been applied in preparing these unaudited interim consolidated financial statements. The Company does not plan to adopt any of these standards before they become effective.

(i) IFRS 16, Leases ('IFRS 16") replaces IAS 17, Leases. 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 June 30, 2018, the Company had operating lease commitments totaling $564,000 (see Note 22). The Company is in the process of completing the analysis of the impact of the current standard. However, the Company does not expect 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.

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

4. SUBSIDIARIES

The following is a list of wholly-owned subsidiaries of the Company at June 30, 2018:

Name	Country of incorporation	Nature of business
Continental Gold Limited	Bermuda	Development and exploration
CGL International Holdings Limited	Bermuda	Intermediate holding company
CGL Berlin Holdings Limited	Bermuda	Intermediate holding company
CGL Dominical Holdings Limited	Bermuda	Intermediate holding company
CGL Greater Buritica Holdings Limited	Bermuda	Intermediate holding company
2610756 Ontario Inc.	Canada	Intermediate holding company
South America Holdings Limited (a)	Bermuda	Intermediate holding company
Dojura Holdings Limited (b)	Bermuda	Intermediate holding company
Minerales Suramerica Holdings Limited (c)	Bermuda	Intermediate holding company
Minerales Suramerica Holdings Limited II (d)	Bermuda	Intermediate holding company
Minerales Suramerica Holdings Limited III (d)	Bermuda	Intermediate holding company
CGL Berlin S.A.S.	Colombia	Exploration
CGL Dominical S.A.S.	Colombia	Exploration
CGL Gran Buriticá S.A.S.	Colombia	Exploration
Dojura S.A.S. (e)	Colombia	Exploration
Minerales Suramerica S.A.S. (f)	Colombia	Exploration
Minerales Suramerica S.A.S. II (d)	Colombia	Exploration
Minerales Suramerica S.A.S. III (d)	Colombia	Exploration

(a) Previously CGL Dojura Limited; name change effective May 2018
(b) Previously CGL Dojura Holdings Limited; name change effective May 2018
(c) Previously CGL Management Services Limited; name change effective May 2018
(d) Incorporated May 2018
(e) Previously CGL Dojura S.A.S.; name change effective June 2018
(f) Previously CGL Santander S.A.S.; name change 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.

5. OPERATING SEGMENTS

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

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

Supplemental information

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

June 30, 2018 (in thousands of U.S. dollars)	**Corporate**	**Colombia**	**Total**
	$	**$**	**$**
Cash and cash equivalents	**53,275**	**4,515**	**57,790**
Property, plant and equipment	**216**	**459,348**	**459,564**
Total assets	**62,742**	**492,715**	**555,457**
Loans payable	**–**	**120,148**	**120,148**
Total liabilities	**1,021**	**188,350**	**189,371**

Period ended June 30, 2018 (in thousands of U.S. dollars)	**Corporate**	**Colombia**	**Total**
	$	**$**	**$**
Three months ended:			
Net loss	**(3,072)**	**(6,446)**	**(9,518)**
Capital expenditures	**–**	**55,226**	**55,226**
Six months ended:			
Net loss	**(3,887)**	**(3,514)**	**(7,401)**
Capital expenditures	**–**	**94,126**	**94,126**

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

Period ended June 30, 2017 (in thousands of U.S. dollars)	Corporate	Colombia	Total
	$	$	$
Three months ended:			
Net income (loss)	(2,607)	(2,708)	(5,315)
Capital expenditures	–	13,788	13,788
Six months ended:			
Net income (loss)	(1,110)	(2,054)	(3,164)
Capital expenditures	–	19,306	19,306

6. MARKETABLE SECURITIES

Marketable securities consisted of the following:

As at	**June 30, 2018**		December 31, 2017	
(in thousands of U.S. Dollars)	**Cost**	**Fair Value**	Cost	Fair Value
	$	**$**	$	$
Equity securities (a)	**4,283**	**571**	4,283	1,559
	4,283	**571**	4,283	1,559

(a) Equity securities

Equity securities are classified as FVOCI and are recorded at fair value using the bid price as at June 30, 2018 and are therefore classified as level 1 within the fair value hierarchy. The Company elected to change its accounting policy on the presentation of marketable securities from FVTPL to FVOCI, as part of the IFRS 9 adoption on January 1, 2018 (see Note 14(a)).

7. RECEIVABLES AND PREPAID EXPENSES

As at (in thousands of U.S. dollars)	**Note**	**June 30, 2018**	December 31, 2017
		$	$
Accounts receivable (a)		**5,460**	3,244
Prepaid expenses		**243**	74
		5,703	3,318

(a) Accounts receivable

Accounts receivable as at June 30, 2018 includes a total of $5,235,000 (December 31, 2017 – $3,146,000) of refundable sales taxes made up of $5,191,000 (December 31, 2017 – $3,118,000) of Colombia value-added-tax refund receivable and $44,000 (December 31, 2017 – $28,000) of Canadian harmonized sales tax refund receivable.

8. ADVANCES AND DEFERRED CHARGES

As at (in thousands of U.S. dollars)	**June 30, 2018**	December 31, 2017
		$
Construction and equipment advances (a)	**17,145**	14,702
Deferred finance charges (b)	**8,303**	11,830
Other prepaids and deferred charges	**463**	654
	25,911	27,186

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 and construction 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 in respect of loans payable (see Note 11):

As at (in thousands of U.S. dollars)	**Note**	**June 30, 2018**	December 31, 2017
			$
Lender's fees		**8,750**	8,125
Fair value of warrants on issuance	**17**	**5,710**	5,710
Fair value of production-linked liability	**12**	**7,887**	3,874
Other finance charges		**792**	792
Total transaction costs		**23,139**	18,501
Transaction costs attributable to draws		**(14,836)**	(6,671)
		8,303	11,830

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

(in thousands of U.S. dollars)	**Land and Buildings**	**Vehicles, Mining and Exploration Equipment**	**Leasehold Improvements, Office and Computer Equipment**	**Construction in Progress**	**Total**
	$	**$**	**$**	**$**	**$**
Opening net book value, January 1, 2018	**5,777**	**3,901**	**1,573**	**348,730**	**359,981**
Additions	**24**	**110**	**300**	**102,134**	**102,568**
Gold sales credits	**–**	**–**	**–**	**(1,584)**	**(1,584)**
Disposals	**–**	**–**	**–**	**–**	**–**
Depreciation	**(107)**	**(1,078)**	**(216)**	**–**	**(1,401)**
Closing net book value, June 30, 2018	**5,694**	**2,933**	**1,657**	**449,280**	**459,564**

(in thousands of U.S. dollars)	Land and Buildings	Vehicles, Mining and Exploration Equipment	Leasehold Improvements, Office and Computer Equipment	Construction in Progress	Total
	$	$	$	$	$
Balance, June 30, 2018					
Cost	**6,477**	**7,646**	**4,983**	**449,280**	**468,386**
Accumulated depreciation	**(783)**	**(4,713)**	**(3,326)**	**–**	**(8,822)**
Net book value	**5,694**	**2,933**	**1,657**	**449,280**	**459,564**
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

Depreciation for the three and six months ended June 30, 2018 of $58,000 and $117,000, respectively (three and six months ended June 30, 2017 – $99,000 and $154,000, respectively) is included in depreciation and amortization in the unaudited interim consolidated statement of operations and comprehensive income (loss) for the three and six months ended June 30, 2018 and depreciation for the three and six months ended June 30, 2018 of $712,000 and $1,284,000, respectively, is capitalized in construction in progress (three and six months ended June 30, 2017 – $298,000 and $544,000, respectively).

For the six months ended June 30, 2018, borrowing costs (see Note 11) of $3,623,000 and $5,396,000, respectively (three and six months ended June 30, 2017 – $1,165,000 and $1,734,000, respectively) 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 three and six months ended June 30, 2018 of $676,000 and $1,584,000, respectively (three and six months ended June 30, 2017 – $1,473,000 and $3,824,000, respectively) 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)	**June 30, 2018**	December 31, 2017
	$	$
Gold doré (i)	**1,285**	1,423
Stockpile	**242**	485
Supplies	**3,715**	1,883
	5,242	3,791

(i) As at June 30, 2018, the Company held 310 ounces of gold (December 31, 2017 – 503 ounces), having a net realizable value of $388,000 based on a closing gold price of $1,252 per ounce (December 31, 2017 – $650,000 based on a closing gold price of $1,291per ounce).

10. EXPLORATION AND EVALUATION ASSETS

(in thousands of U.S. dollars)	**Balance December 31, 2017**	**Additions**	**Transfers, Disposals or Write-downs**	**Balance June 30, 2018**
	$	**$**	**$**	**$**
Gran Buriticá (a)	**4,917**	**905**	**–**	**5,822**
Total	**4,917**	**905**	**–**	**5,822**

(in thousands of U.S. dollars)	Balance December 31, 2016	Additions	Transfers, Disposals or Write-downs	Balance December 31, 2017
	$	$	$	$
Gran Buriticá (a)	4,704	213	–	4,917
Total	4,704	213	–	4,917

(a) Gran Buriticá Project

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

(b) Berlin, Dominical and Dojura Projects

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

On December 29, 2017, the Company completed an option agreement with a third party (the "Berlin Optionor") to acquire by January 21, 2021, or earlier, a mining title for approximately 3,795 hectares within the Berlin Project area for a total of $5,000,000 (the "Berlin Option Agreement"). The significant terms and conditions of the Berlin Option Agreement are:

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

(ii) $450,000 paid to the Berlin Optionor in 2018 during the six months ended June 30, 2018 upon satisfaction of conditions precedent by the Berlin Optionor relating to approval and registry of the assignment of the license and filing of relevant environmental license;

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

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

(v) All canon payments required to maintain the licenses in good standing. For the six months ended June 30, 2018, the Company paid $375,000 in respect of canon payments for the related mining title; and

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

All expenditures incurred in respect of the Berlin, Dominical and Dojura projects are expensed, including the payments totaling $500,000 in respect of the Berlin Option Agreement during the six months ended June 30, 2018.

(c) Southern Colombia Projects – Option Agreement

In July 2018, the Company entered into an option agreement with a third party (the "South Optionor") for the sole and exclusive right to evaluate certain properties located in the Nariño and Cauca Provinces of Colombia (the "South Option Properties") and to acquire up to a 75% interest in those properties selected by the Company (the "South Option Agreement"). The terms of the South Option Agreement are as follows:

(i) Phase I Option – A minimum of $1,000,000 of exploration and evaluation expenditures is required to be incurred prior to January 4, 2020 in respect of the South Option Properties.

(ii) Phase II Option – Upon satisfaction of the Phase I Option and written notice to the South Optionor, the Company has the option to acquire a 51% interest in any or all of the South Option Properties as selected by the Company (the "Selected South Properties") by incurring an additional $1,000,000 of exploration and evaluation expenditures on each Selected South Property prior to the earlier of July 4, 2021 or 18 months after the Phase I Option was satisfied.

(iii) Phase III Option – Upon satisfaction of the Phase II Option and written notice to the South Optionor, the Company has the option to acquire an additional 24% interest (for a total 75% interest) in any or all of the Selected South Properties as determined by the Company by completing a preliminary economic assessment on a minimum mineral resource of 1 million gold equivalent ounces within 3.5 years.

All expenditures in respect of the South Option Agreement will be expensed until the Company acquires, in whole or in part, title to the relevant properties within the South Option Agreement.

11. LOANS PAYABLE

As at (in thousands of U.S. dollars)	**June 30, 2018**	December 31, 2017
	$	$
Total draws from Credit Facility	**125,000**	50,000
Transaction costs attributable to draws	**(14,836)**	(6,671)
Total loan payable, net of attributable transaction costs	**110,164**	43,329
Accrued interest	**9,984**	4,588
Loan payable balance end of period	**120,148**	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"); 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 totalling a minimum of $100,000,000 (the "Equity Financing Condition") from third parties. The Lender also 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.

On August 7, 2018, the Lender agreed to waive the conditions precedent for the third tranche of the Credit Facility in exchange for an immediate draw of $75,000,000 and confirmed draws of $25,000,000 on each of October 1, 2018 and December 17, 2018, resulting in the utilization of the full Credit Facility in 2018.

The Credit Facility bears interest at LIBOR rate plus 8%, with a minimum 1% LIBOR rate. Interest is accrued and 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") and interest on the Fully Advanced Principal are both payable quarterly over 16 consecutive quarters 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. As at June 30, 2018, the Fully Advanced Principal balance was $133,016,000 (December 31, 2017 - $54,000,000).

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 17) and will incur production-linked liabilities based on amounts advanced under the Initial Credit Facility (see Note 12), both of which are considered as 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 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 June 30, 2018, the Company's working capital is $40,720,000.

The 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 12). The derivative components are made up of the early repayment fees and the interest minimum 1% LIBOR rate (see Note 14(b)). The equity component is represented by the Private Warrants (see Note 17).

The 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 three and six months ended June 30, 2018, the Company received net proceeds relating to draws from the Credit Facility of $50,000,000 and $74,375,000, respectively (three and six months ended June 30, 2017 – $25,000,000 and $42,019,000, respectively) net of Lender's fees and Lender's costs. As at June 30, 2018, total Lender's fees paid was $8,750,000 (December 31, 2017 – $8,125,000).

Total transaction costs (see Note 8(b)) as at June 30, 2018 of $23,139,000 (December 31, 2017 – $18,501,000) 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 three and six months ended June 30, 2018, $6,871,000 and $8,165,000, respectively (three and six months ended June 30, 2017 – $3,323,000 and $6,671,000, respectively) of financing charges were attributable to the draws and were transferred from deferred financing charges as a reduction to loans payable.

For three and six months ended June 30, 2018, accrued interest of $3,623,000 and $5,396,000, respectively (three and six months ended June 30, 2017 – $1,165,000 and $1,734,000, respectively), calculated using the effective interest method, was capitalized as borrowing costs in construction in progress within property, plant and equipment.

In July and August 2018, the Company received total additional draws of $100,000,000, including the $75,000,000 draw required by the Lender to waive the conditions precedent for the third tranche, resulting in the recognition of additional production-linked liabilities for 500,000 ounces, valued at $7,394,000, as part of transaction costs. Total attributable transaction costs in respect of the draws were $12,929,000, resulting in a net increase to loans payable of $87,071,000 upon receipt of the draws.

12. PRODUCTION-LINKED LIABILITY

	Six months ended June 30, 2018		Year ended December 31, 2017	
	Number of Ounces		Number of Ounces	
	000s	**$(000s)**	000s	$(000s)
Balance, January 1	**250**	**4,118**	–	–
Issued	**250**	**4,013**	250	3,874
Revaluation of liability	**–**	**180**	–	244
Balance, end of period	**500**	**8,311**	250	4,118

In connection with the Initial Credit Facility (see Note 11), 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.

Upon the receipt of each draw from the Initial Credit Facility, the pro-rata production-linked liability is recognized and measured at fair value. Fair value is determined as the present value of the relevant production-linked payment 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 unaudited interim consolidated statement of operations and comprehensive income (loss).

Draws from the Initial Credit Facility for the three and six months ended June 30, 2018 resulted in production-linked liabilities for nil ounces and 250,000 ounces, respectively (three and six months ended June 30, 2017 – 125,000 ounces and 250,000 ounces, respectively), of production, having a total fair value of $nil and $4,013,000, respectively (three and six months ended June 30, 2017 – $1,922,000 and $3,874,000, respectively), determined on the date of each draw. The fair value of the production-linked liability as at June 30, 2018 was $8,311,000 (December 31, 2017 – $4,118,000), resulting in accretion expense recognized in the unaudited interim consolidated statement of operations and comprehensive income (loss) for the three and six months ended June 30, 2018 of $105,000 and $180,000, respectively (three and six months ended June 30, 2017 – $63,000 and $94,000, respectively).

As at August 8, 2018, the Company recognized additional production-linked liabilities for 500,000 ounces, valued at $7,394,000, upon receipt of additional draws from the Credit Facility.

13. OTHER LONG-TERM PAYABLES

As at June 30, 2018, the Company has long-term obligations to pay value-added taxes on the import of major capital equipment of $2,531,000 (December 31, 2017 – $1,541,000), with payments required to be made between 2020 to 2024. Upon payment, amounts are available to be recovered as income tax credits to reduce income taxes payable beginning in the taxation year in which the payment was made. Amounts are carried forward for a maximum of five years if income taxes payable are less than the available income tax credits.

14. FINANCIAL INSTRUMENTS

(a) Financial Instruments Disclosures

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

As at June 30, 2018, the Company's financial assets are made up of cash and cash equivalents, marketable securities and receivables. The Company's receivables, excluding refundable sales taxes, represent short-term receivables. The Company's financial liabilities are made up of accounts payable, the loans payable and the production-linked liability.

IFRS 9 has been applied retrospectively, with the cumulative effect of the standards recognized as an adjustment to the opening balance of the deficit as at January 1, 2018.

Upon adoption of IFRS 9, the Company recorded a change to its opening January 1, 2018 deficit and accumulated OCI of $2,724,000 to reflect the impact of reclassifying marketable securities designated as FVTPL under IAS 39 to FVOCI under IFRS 9. Cumulative gains and losses previously recognized in the consolidated statement of operations on the marketable securities which existed on January 1, 2018 have been reclassified to OCI.

The adoption of IFRS 9 has not had a significant impact on the Company's accounting policies related to financial liabilities and derivative financial instruments. The impact on the classification and measurement of the Company's financial instruments under IFRS 9, as compared to the Company's previous policy in accordance with IAS 39, is as follows:

	IAS 39	**IFRS 9**
Assets		
Cash and cash equivalents	Loans and receivables	FVTPL
Marketable securities	FVTPL	FVOCI
Receivables and prepaid expenses	Loans and receivables	Amortized cost
Liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loans payable (excluding derivative component)	Other financial liabilities	Amortized cost
Production-linked liability	FVTPL	FVTPL
Other long-term payables	Other financial liabilities	Amortized cost

The adoption of IFRS 9 did not impact the carrying value of any financial asset or financial liability on the transition date.

The table below outlines the impact of transitioning from IAS 39 to IFRS 9 on the unaudited interim consolidated statement of financial position at the date of initial application, January 1, 2018:

(in thousands of U.S. Dollars)	**Balance at December 31, 2017 (IAS 39)**	**Transitioning adjustments**	**Balance at January 1, 2018**
Assets	**$**	**$**	**$**
Marketable securities	**1,559**	**–**	**1,559**
Equity			
Deficit	**(221,662)**	**2,724**	**(218,938)**
Accumulated other comprehensive income[a]	**–**	**(2,724)**	**(2,724)**

(a) Net of taxes of $nil

The table below outlines the impact of transitioning from IAS 39 to IFRS 9 on the unaudited interim consolidated statement of operations and comprehensive income (loss) for the six months ended June 30, 2018:

(in thousands of U.S. Dollars)	Six months ended June 30, 2018 (IAS 39)	Transitioning adjustments	Six months ended June 30, 2018 (IFRS 9)
Interim Consolidated Statement of Operations	$	$	$
Loss on marketable securities	(988)	988	–
Net loss for the period	(8,389)	988	(7,401)
Other comprehensive loss, net of taxes			
Items that will not be reclassified to earnings			
Unrealized loss on marketable securities[(a)]	–	(988)	(988)
Other comprehensive loss for the period	–	(988)	(988)
Total comprehensive loss for the period	(8,389)	–	(8,389)

(a) Net of taxes of $nil

Fair value measurement

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).

Financial assets and financial liabilities as at June 30, 2018 and December 31, 2017 were as follows:

As at June 30, 2018 (in thousands of U.S. Dollars)	FVTPL	FVOCI	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
	$	$	$	$	$
Cash and cash equivalents (level 1)	57,790	–	–	–	57,790
Marketable securities (level 1)	–	571	–	–	571
Receivables	–	–	225	–	225
Accounts payable and accrued liabilities	–	–	–	(19,577)	(19,577)
Loans payable	–	–	–	(120,148)	(120,148)
Production-linked liability (level 2)	(8,311)	–	–	–	(8,311)
Derivative liability (level 2)	(347)	–	–	–	(347)
Total	49,132	571	225	(139,725)	(89,797)

As at December 31, 2017 (in thousands of U.S. Dollars)	FVTPL	Loans and receivables	Other financial liabilities	Total
	$	$	$	$
Cash and cash equivalents (level 1)	–	91,382	–	91,382
Marketable securities (level 1)	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 (level 2)	(4,118)	–	–	(4,118)
Total	(2,559)	91,480	(70,490)	18,431

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

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

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

(b) Derivatives

As part of the Credit Facility, embedded derivatives relating to the early repayment fees and the interest minimum 1% LIBOR rate exist within the agreement. On receipt of each draw from the Credit Facility, the fair value of the derivatives is measured. Subsequently, the derivatives are remeasured at each reporting date with changes recognized in the statement of operations 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 June 30, 2018 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 were determined to be $nil for the three and six months ended June 30, 2018 and June 30, 2017. The fair values of these derivatives were also determined to be $nil as at June 30, 2018.

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 non-hedge 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.

During the six months ended June 30, 2018, 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 of an ISDA master agreement, requiring total collateral payments of $4,800,000 into restricted bank accounts and released upon expiry of the contracts. Additional collateral payments will be required for any fair value losses on outstanding currency contracts in excess of 60% of the related outstanding collateral deposits at any time. The financial assurance provision requiring a collateral deposit provides protection to the counterparty in the event a material adverse credit-related event transpires. The cash collateral is not offset with the corresponding derivative instrument fair value.

As at June 30, 2018, the balance of the restricted bank account for the Company's collateral deposit of $4,849,000 (December 31, 2017 – $nil), including accumulated interest, is included in cash and cash equivalents and is expected to be released within the next 12 months. Future collateral cash requirements may increase or decrease based on the extent of additional foreign currency contracts entered into.

As at June 30, 2018, the fair values of these foreign currency contracts were determined to be a derivative liability of $347,000 (December 31, 2017 – $nil) and have been included within accounts payable and accrued liabilities in the unaudited interim consolidated statement of financial position with a corresponding unrealized derivative gain for the three and six months ended June 30, 2018 of $415,000 and 347,000, respectively (three and six months ended June 30, 2017 – $nil), recognized in the unaudited interim consolidated statement of operations and comprehensive income (loss).

On July 31, 2018, $3,500,000 of the simultaneous non-deliverable put and call currency options expired. As the COP:USD rate on the date of expiry was within the collar range, no settlement was required.

15. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

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

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

The Company considers its capital to be equity (comprised of share capital, contributed surplus, warrants and deficit), which at June 30, 2018 totalled $366,086,000 (December 31, 2017 – $371,926,000), and debt, which is comprised of loans payable of $120,148,000 as at June 30, 2018 (December 31, 2017 – $47,917,000).

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.

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 six months ended June 30, 2018. The Company is subject to a minimum working capital balance of $15,000,000 required by the lender of the Credit Facility. As at June 30, 2018, the Company's working capital was $40,720,000. The Company is not subject to any further capital requirements imposed by a regulator or lending institution.

16. SHARE CAPITAL

(a) Authorized

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

(b) Issued

As of June 30, 2018, the issued share capital was 188,456,821. The change in issued share capital for the six months ended June 30, 2018 and 2017 were as follows:

	Number of Shares	
	2018	2017
Balance, January 1	**188,218,514**	141,629,345
Shares issued on vesting of RSUs (Note 18(b)	**–**	105,579
Exercise of stock options (Note 18(a))	**140,000**	150,371
Shares issued on vesting of RSUs (Note 18(b))	**88,307**	–
Shares issued on vesting of DSUs (Note 18(c))	**10,000**	–
Shares issued – private placement (i)	**–**	45,973,219
Balance, June 30	**188,456,821**	187,858,514

(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 Credit Facility (collectively, the "Private Placement"). Transaction costs in respect of the Private Placement were $1,458,000. The closing of the Private Placement satisfied the Equity Financing Condition, one of the conditions precedent to accessing the second tranche of financing under the Credit Facility (see Note 11).

17. WARRANTS

	June 30, 2018		December 31, 2017	
	Number of Warrants	**Black-Scholes Value**	Number of Warrants	Black-Scholes Value
		$(000's)		$(000's)
Balance, January 1	**3,000,000**	**5,710**	–	–
Issued	**–**	**–**	3,000,000	5,710
Balance, end of period	**3,000,000**	**5,710**	3,000,000	5,710

In connection with the Initial Credit Facility (see Note 11), 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 June 30, 2018, 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.

18. SHARE-BASED PAYMENTS

The Company has a stock option and bonus share plan (the "Option Plan"), a deferred share unit plan (the "DSU Plan") and a restricted share unit plan (the "RSU Plan") in place (together the "Share Based Compensation Plans"). Effective June 7, 2018, the maximum number of Common Shares issuable under all Share Based Compensation Plans is equal to 8.75% of the issued and outstanding Common Shares of the Company from time to time. Within the 8.75% maximum, the maximum number of Common Shares reserved for issuance under the DSU Plan and the RSU Plan, together, is equal to 1% 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 Share Based Compensation Plans, is 5% of the total number of Common Shares then outstanding. The Share Based Compensation Plans contain provisions that limit 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.

The Share Based Compensation Plans are considered "evergreen" rolling plans, as defined under TSX rules, as the number of shares reserved for issuance pursuant to the grant of securities will increase as the Company's issued and outstanding share capital increases.

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. Effective June 7, 2018, a bonus share component was added to the Option Plan whereby the Board may award Common Shares to eligible employees. A maximum 250,000 shares may be issued annually under the Option Plan for bonus compensation in lieu of cash.

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:

	2018		2017	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		C$		C$
Balance, January 1	**7,923,034**	**3.74**	8,066,093	4.24
Granted (*)	**2,297,500**	**3.86**	1,685,500	4.28
Exercised	**(140,000)**	**2.23**	(150,371)	1.23
Expired or Forfeited	**(1,307,500)**	**7.45**	(1,398,188)	7.67
Balance, June 30	**8,773,034**	**3.24**	8,203,034	3.72

(*) The weighted average grant date fair value of stock option grants during the three and six months ended June 30, 2018 were $1.28 per share and $1.47 per share, respectively (three and six months ended June 30, 2017 – $1.25 per share and $1.54 per share, respectively).

The following table shows the stock options outstanding and exercisable at June 30, 2018:

	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$)
$1.29 – $2.00	1,479,234	2.16	1.64	1,479,234	2.16	1.64
$2.01 – $4.00	5,730,000	2,88	3.36	3,342,500	1.68	3.03
$4.01 – $5.18	1,563,800	3.54	4.34	787,300	3.54	4.34
	8,773,034	2.88	3.24	5,609,034	2.07	2.85

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 six months ended, June 30	**2018**	2017
Number of options granted	**2,297,500**	1,685,500
Weighted average exercise price (C$)	**3.86**	4.28
Weighted average market price ($)	**3.08**	3.24
Expected dividend yield	**Nil**	Nil
Expected volatility (%)	**69%**	71%
Weighted average risk-free interest rate (%)	**1.83%**	0.83%
Forfeiture rate (%)	**9.04%**	10.0%
Weighted expected life (years)	**3.10**	3.12
Weighted average grant date fair value per share ($)	**1.47**	1.54

The majority of stock options granted have vesting terms of 25% every six months from the date of grant and a five-year term. Options granted after June 7, 2018 are expected to vest annually over 3 years.

(b) RSUs:

Movements in RSUs during the period were as follows:

	2018		2017	
	Number of RSUs	**Average Grant Date Market Price**	Number of RSUs	Average Grant Date Market Price
		C$		C$
Balance, January 1	**13,000**	**3.26**	–	–
Granted (**)	**338,307**	**3.75**	118,579	4.31
Vested	**(88,307)**	**3.75**	(105,579)	4.44
Balance, June 30 (**)	**263,000**	**3.73**	13,000	3.26

(**) 13,000 outstanding RSUs have performance conditions with an estimated vesting date of December 31, 2019. The remaining 250,000 outstanding RSUs have a vesting date of July 15, 2020.

(c) DSUs:

Movements in DSUs during the period were as follows:

	2018	
	Number of RSUs	**Average Grant Date Market Price**
		C$
Balance, January 1	**–**	**–**
Granted (**)	**90,000**	**3.75**
Vested	**(10,000)**	**3.75**
Balance, June 30 (**)	**80,000**	**3.75**

(**) Outstanding DSUs are redeemable upon termination or retirement of the director or employee.

(d) Share-based payments:

The Company recorded share-based payments as follows:

	Three months ended June 30		**Six months ended June 30**	
(in thousands of U.S. Dollars)	**2018**	2017	**2018**	2017
	$	$	**$**	$
Share-based payments included in corporate administration expenses	**690**	423	**1,221**	1,158
Share-based payments capitalized to exploration and evaluation assets	**446**	313	**839**	587
	1,136	736	**2,060**	1,745

19. RELATED PARTY TRANSACTIONS

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

The following related party transactions were conducted in the normal course of operations:

(a) During the three and six months ended June 30, 2018, legal fees relating to the Credit Facility of $6,000 (the three and six months ended June 30, 2017 - $nil and $13,000) was charged from a law firm in which a director of the Company is a partner and are included in deferred financing charges.

(b) During the three and six months ended June 30, 2018 $346,000 and $580,000, respectively (three and six months ended June 30, 2017 – $103,000 and $243,000, respectively) 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.

(c) During the three and six months ended June 30, 2018 $25,000 (three and six months ended June 30, 2017 – $nil) was paid to a company in which a director of the Company is also a director in respect of operating supplies and are included in capitalized expenditures in construction in progress.

20. CORPORATE ADMINISTRATION EXPENSES

(in thousands of U.S. Dollars)	Note	Three months ended June 30		Six months ended June 30	
		2018	2017	**2018**	**2017**
		$	$	**$**	**$**
General office and administration		**1,291**	503	**2,212**	833
Salaries		**1,022**	790	**1,811**	1,606
Share-based payments	(b)	**690**	423	**1,221**	1,158
Professional fees		**176**	162	**568**	379
Directors fees and expenses		**183**	218	**340**	368
Travel expenses		**59**	103	**196**	192
Depreciation and amortization		**58**	99	**117**	154
Regulatory fees		**45**	39	**83**	70
Investor relations		**26**	99	**62**	218
Wealth tax		**–**	–	**–**	398
		3,550	2,436	**6,610**	5,376

21. CASH FLOW INFORMATION

(a) Other Operating Activities

(in thousands of U.S. Dollars)	Note	Three months ended June 30		Six months ended June 30	
		2018	2017	**2018**	2017
		$	$	**$**	$
Other non-cash items:					
Depreciation and amortization		**58**	99	**117**	154
Interest and accretion expense		**206**	78	**272**	154
Accretion on production-linked liability		**106**	94	**181**	94
Inventory write-offs		**–**	2	**–**	22
Loss on write-down of assets		**–**	2	**–**	6
		370	275	**570**	430
Net changes in non-cash operating working capital balances:					
Receivables and prepaid expenses		**(86)**	(129)	**(194)**	(135)
Accounts payable and accrued liabilities		**1,104**	21	**827**	(539)
		1,018	(108)	**633**	(674)

(b) Other Investing Activities

(in thousands of U.S. Dollars)	Note	Three months ended June 30		Six months ended June 30	
		2018	2017	**2018**	2017
Property, plant and equipment:					
Construction in progress expenditures		**(54,774)**	(14,989)	**(94,320)**	(22,771)
Equipment		**(254)**	(152)	**(433)**	(781)
Accounts payable and accrued liabilities attributable to property, plant and equipment		**2,454**	2,882	**(2,032)**	3,038
		(52,574)	(12,259)	**(96,785)**	(20,514)
Other items:					
Rehabilitation payments		**(300)**	–	**(724)**	–
Intangible assets		**(17)**	(110)	**(50)**	(190)
Exploration expenditures		**(855)**	(67)	**(905)**	(74)
		(1,172)	(177)	**(1,679)**	(264)

(c) Other Financing Activities

(in thousands of U.S. Dollars)	Note	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
		$	$	**$**	$
Credit facility:					
Draws received		**50,000**	25,000	**75,000**	50,000
Transaction costs paid					
Lender's fees		**–**	–	**(625)**	(7,500)
Lenders' costs		**–**	–	**–**	(481)
Other transaction costs		**–**	(24)	**–**	(296)
		–	(24)	**(625)**	(8,277)
		50,000	24,976	**74,375**	41,723

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

(in thousands of U.S. Dollars)	Loans Payable (Note 11)	Production-linked Liability (Note 12)	Warrants (Note 17)	Deferred Finance Charges (Note 8(b))	Total
	$	**$**	**$**	**$**	**$**
Balance, January 1, 2018	**47,917**	**4,118**	**5,710**	**(11,830)**	**45,915**
Changes from financing cash flows:					
Proceeds from Credit Facility draws	**75,000**	**–**	**–**	**–**	**75,000**
Transaction costs paid	**–**	**–**	**–**	**(625)**	**(625)**
	75,000	**–**	**–**	**(625)**	**74,375**
	122,917	**4,118**	**5,710**	**(12,455)**	**120,290**
Other changes:					
Non-cash transaction costs	**–**	**4,013**	**–**	**(4,013)**	**–**
Finance charges attributable to draws	**(8,165)**	**–**	**–**	**8,165**	**–**
Capitalized interest	**5,396**	**–**	**–**	**–**	**5,396**
Revaluation of liability	**–**	**180**	**–**	**–**	**180**
Balance, June 30, 2018	**120,148**	**8,311**	**5,710**	**(8,303)**	**125,866**

(in thousands of U.S. Dollars)	Loans Payable (Note 11)	Production-linked Liability (Note 12)	Warrants (Note 17)	Deferred Finance Charges (Note 8(b))	Total
	$	**$**	**$**	**$**	**$**
Balance, January 1, 2017	–	–	–	–	–
Changes from financing cash flows:					
Proceeds from Credit Facility draws	50,000	–	–	–	50,000
Transaction costs paid	–	–	–	(8,277)	(8,277)
	50,000	–	–	(8,277)	41,723
	50,000	–	–	(8,277)	41,723
Other changes:					
Non-cash transaction costs	–	3,874	5,710	(9,584)	–
Finance charges attributable to draws	(6,671)	–	–	6,671	–
Capitalized interest	1,735	–	–	–	1,735
Revaluation of liability	–	94	–	–	94
Balance, June 30, 2018	45,064	3,968	5,710	(11,190)	43,552

22. COMMITMENTS AND CONTINGENCIES

Commitments

As at June 30, 2018, 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)	564	309	255	–
Capital commitments (b)	112,127	99,779	12,348	–
Credit Facility principal and interest payments (c)	195,955	–	151,225	44,730
Production-linked payments (d)	10,000	–	10,000	–
Value-added tax on major equipment (e)	2,553	22	2,531	
	321,199	100,110	176,359	44,730

(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 June 30, 2018 and contractual interest payable over future periods based on the LIBOR rate in effect on June 30, 2018.

(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, the amounts for which are not determinable and have not been recognized in the unaudited interim consolidated financial statements. Effective January 1, 2018, the Company became subject to new regulations in respect of water discharge limits. The Company is currently in the process of evaluating the impact to the rehabilitation provision on its consolidated financial statements.

Other Contingencies

During 2018, the Company received correspondence from the Government of Antioquia regarding the fair value used to calculate the registry tax on the mortgage resulting from the Credit Facility. Despite using the maximum mortgage value agreed to by the parties, equivalent to the land's fair market value to register the mortgages, the Government of Antioquia has issued a letter stating that they believe the correct value should have been the gross value of the loan. The Company intends to dispute this interpretation. Should the Company be unsuccessful, the incremental charge would be approximately $2.5 million.