CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

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 judgements 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 15, 2019

Independent auditor's report

To the Shareholders of Continental Gold Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Continental Gold Inc. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Marelize Barber.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 15, 2019

Continental Gold Inc.

Consolidated Statements of Financial Position

As at (in thousands of U.S. Dollars)	Notes	**December 31, 2018**	December 31, 2017
		$	$
Assets			
Current assets			
Cash and cash equivalents		**80,299**	91,382
Restricted cash	18(b)	**8,000**	–
Marketable securities	8	**406**	1,559
Receivables and prepaid expenses	9	**7,160**	3,318
		95,865	96,259
Non-current assets			
Property, plant and equipment	10	**606,513**	359,981
Exploration and evaluation assets	11	**7,288**	4,917
Other assets	12	**7,357**	27,490
		621,158	392,388
		717,023	488,647
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	16, 18(b)	**38,068**	27,420
Non-current liabilities			
Loans payable	13	**266,813**	47,917
Production-linked liability	14	**19,675**	4,118
Other long-term payables	15	**8,250**	1,541
Rehabilitation provision	16	**11,216**	14,531
Deferred tax liability	17	**28,691**	21,194
		334,645	89,301
		372,713	116,721
Equity			
Share capital	20	**553,317**	552,953
Warrants	21	**5,710**	5,710
Contributed surplus		**38,552**	34,925
Accumulated other comprehensive loss		**(3,877)**	–
Deficit		**(249,392)**	(221,662)
		344,310	371,926
		717,023	488,647

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APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:
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(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, 2018	December 31, 2017
		$	$
Operating expenses:			
Corporate administration	25	**(15,055)**	(11,597)
Exploration expense		**(2,512)**	(298)
Loss on disposal or write-down of assets	10, 11	**(788)**	(5)
		(18,355)	(11,900)
Other income (expense):			
Foreign exchange loss		**(1,145)**	(303)
Loss on marketable securities	5(a)	**—**	(855)
(Loss) gain on derivative financial instruments	18(b)	**(2,788)**	3,640
Other income (expense)		**88**	(18)
Net loss before finance items and income tax		**(22,200)**	(9,436)
Finance income (expense):			
Interest income		**739**	1,038
Interest and accretion expense		**(1,486)**	(1,099)
Net loss before income tax		**(22,947)**	(9,497)
Income tax recovery (expense):			
Current	17	**(10)**	(187)
Deferred	17	**(7,497)**	1,841
Total income tax recovery (expense)		**(7,507)**	1,654
Net loss for the period		**(30,454)**	(7,843)
Other comprehensive loss, net of taxes			
Items that will not be reclassified to earnings			
Unrealized loss on marketable securities[(a)]		**(1,153)**	–
Other comprehensive loss for the period		**(1,153)**	–
Total comprehensive loss for the period		**(31,607)**	(7,843)

(a) Net of taxes of $nil

Net loss per common share			
Basic and diluted		**(0.16)**	(0.05)
Weighted average number of common shares outstanding			
Basic and diluted	22	**188,361,003**	170,727,858

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)	Share Capital (Note 20)	Contributed Surplus	Warrants (Note 21)	Accumulated Other Comprehensive Loss	Deficit	Total
	$	$	$	$	$	$
Balance, December 31, 2017	**552,953**	**34,925**	**5,710**	–	**(221,662)**	**371,926**
IFRS 9 transition adjustment (Note 5(a))	**–**	**–**	**–**	**(2,724)**	**2,724**	**–**
Share-based payments (Note 23(d))	**–**	**3,627**	**–**	**–**	**–**	**3,627**
Exercise of share-based payments – cash proceeds	**364**	**–**	**–**	**–**	**–**	**364**
Net loss for the period	**–**	**–**	**–**	**–**	**(30,454)**	**(30,454)**
Other comprehensive loss for the period	**–**	**–**	**–**	**(1,153)**	**–**	**(1,153)**
Balance, December 31, 2018	**553,317**	**38,552**	**5,710**	**(3,877)**	**(249,392)**	**344,310**
Balance, December 31, 2016	419,319	32,575	–	–	(213,819)	238,075
Issue of shares (Note 20(b))	133,927	–	–	–	–	133,927
Cost of issue (Note 20(b))	(1,458)	–	–	–	–	(1,458)
Fair value of warrants issued (Note 21)	–	–	5,710	–	–	5,710
Share-based payments (Note 23(d))	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

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, 2018	December 31, 2017
		$	$
Cash provided by (used in):			
Operating activities:			
Net loss for the period		**(30,454)**	(7,843)
Items not affecting cash:			
Foreign exchange loss		**1,145**	303
Loss on marketable securities	5(a)	**–**	855
Loss (gain) on derivative financial instruments		**2,788**	(3,640)
Share-based payments	23(d)	**2,377**	2,000
Deferred tax expense (recovery)	17	**7,497**	(1,841)
Other non-cash items	26(a)	**2,469**	1,049
Changes in non-cash operating working capital balances	26(a)	**373**	(891)
		(13,805)	(10,008)
Investing activities:			
Property, plant and equipment	26(b)	**(215,162)**	(84,934)
Gold sales credited to property, plant and equipment	10(a)	**2,500**	6,684
Receivables related to mineral properties		**(4,140)**	384
Other assets		**8,063**	(13,667)
Other investing activities	26(b)	**(3,357)**	(819)
		(212,096)	(92,352)
Financing activities:			
Cash proceeds from exercise of stock options		**364**	809
Cash proceeds from issuance of shares, net of issue costs	20(b)	**–**	132,469
Cash proceeds from credit facility draws, net of finance charges paid	13, 26(c)	**224,375**	41,083
Restricted cash	18(b)	**(8,000)**	–
Cash payments from settlement of derivatives	18(b)	**(822)**	–
		215,917	174,361
Net change in cash and cash equivalents during the year		**(9,984)**	72,001
Cash and cash equivalents, beginning of year		**91,382**	19,214
Foreign exchange effect on cash balances		**(1,099)**	167
Cash and cash equivalents, end of year		**80,299**	91,382

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 and GOING CONCERN

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.

Going Concern

The annual consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis. Accordingly, they do not reflect adjustments to the carrying value of assets and liabilities or reported expenses and statement of financial position classifications that would be necessary should the Company be unable to continue as a going concern. Therefore, the Company would be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those recorded in the consolidated financial statements. Such adjustments could be material.

Management’s current total project cost estimate (including scope changes) is in the range of $475-$515 million (including contingency but excluding required current assets less current liabilities (“Working Capital”)). The Company believes that the estimate, determined internally, is accurate within +/-10%. However, the estimate is subject to change and is based on assumptions which can affect the accuracy of the cost estimates.

As at December 31, 2018, the Company has a need for equity capital and other financing to fund Working Capital and the exploration, development and construction of its properties. Subsequent to December 31, 2018, the Company entered into additional financing agreements totalling $175 million (see Note 28) that will fund a portion of the Company’s funding requirements. The Company’s continuance as a going concern, 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.

For the year ended December 31, 2018, the Company recorded a net loss of $30,454,000 (December 31, 2017 – $7,843,000), a net cash outflow from operations of $13,805,000 (December 31, 2017 – $10,008,000), net investing cash outflow of $212,096,000 (December 31, 2017 – $92,352,000), reported an accumulated deficit as at December 31, 2018 of $249,392,000 (December 31, 2017 – $221,662,000) and a positive Working Capital balance of $57,797,000 (December 31, 2017 – $68,839,0000). The positive Working Capital balance is due to advances received from the Credit Facility. However, additional financing will be required to fully fund the Company's exploration, development and construction programs and maintain current operations.

These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern and to realize its assets and discharge its liabilities in the normal course of business and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. BASIS OF PREPARATION

Statement of Compliance

The annual consolidated financial statements of the Company have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), and interpretations, as issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS, and have been consistently applied to all years presented unless otherwise indicated.

These annual consolidated financial statements were approved and authorized by the Board of Directors on March 15, 2019.

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.

Intercompany transactions, balances and unrealized gains and losses on transactions between group entities are eliminated. Accounting policies of subsidiaries are changed to be consistent with the policies adopted by the Company.

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 – IFRS 9

The accounting policies applied under IFRS 9, Financial Instruments (“IFRS 9”) in the consolidated financial statements for the year ended and as at December 31, 2018 are as follows:

Financial assets and liabilities recognition – IFRS 9

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. 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.

Classification of Financial Instruments – IFRS 9

Financial assets – IFRS 9

In accordance with IFRS 9, the Company’s non-derivative 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 and restricted cash 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.

Upon adoption of IFRS 9, the Company elected to change the classification of its marketable securities from FVTPL to FVOCI 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 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 – IFRS 9

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. 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), production-linked liability 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 – IFRS 9

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 – IFRS 9

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 – IFRS 9

The Company applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables and contract assets. 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.

Fair value of financial instruments – IFRS 9

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 which maximize the use of observable market data and rely as little as possible on entity-specific 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.

Financial instruments – IAS 39

The Company has applied IFRS 9 restrospectively, but has elected not to restate comparative information. As a result, the comparative information continues to be accounted for in accordance with the accounting policies applied under IAS 39, Financial Instruments – Recognition and Measurement (“IAS 39”). The accounting policies applied under IAS 39 in the consolidated financial statements for the year ended and as at December 31, 2017 are as follows:

Financial assets and liabilities recognition – IAS 39

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 – IAS 39

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 – IAS 39

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 – IAS 39

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 – IAS 39

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 – IAS 39

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 – IAS 39

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 – IAS 39

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 annually or when impairment indicators are present. 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.

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 costs

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 other comprehensive income (“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 23.

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

The principal activity from which the Company generates revenue is from gold bullion sales, including pre-production revenues, to third parties. The Company recognizes revenue when it transfers control of the gold to the customer. Delivery of the gold to the counterparty is considered to be the Company's only performance obligation. Revenue is recognized based on the selling prices determined in accordance with the contract with the custom.

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 income

Interest income is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income 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 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 (loss) until the period that the related asset or liability affects income. OCI also includes holding gains and losses on financial assets recorded at fair value through other comprehensive income ("FVOCI") where such gains and losses are recognized in OCI without reclassification on derecognition. Cumulative changes in OCI are included in accumulated OCI which is presented as a category in shareholders' equity.

Upon adoption of IFRS 9, the Company elected to change the classification of its marketable securities from fair value through profit and loss ("FVTPL") to FVOCI and has applied the change on a retrospective basis, without restating prior periods.

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 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, with the cumulative effect of the standards recognized as an adjustment to the opening balance of the deficit as at January 1, 2018, 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 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	Amortized cost
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 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

(ii) IFRS 15, *Revenue from Contracts with Customers* ('IFRS 15") replaces IAS 11, *Construction Contracts*, and 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 in its consolidated financial statements on January 1, 2018. The adoption of this standard did not have an 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 annual 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.

The Company will adopt IFRS 16 for the annual period beginning January 1, 2019 using the modified retrospective approach. Under the modified retrospective approach, the Company will recognize transition adjustments in deficit on January 1, 2019, the date of initial application, without restating its financial statements on a retrospective basis. The Company expects IFRS 16 will result in the recognition of additional assets and liabilities on the consolidated statement of financial position, and corresponding increases to depreciation and interest expense on the consolidated statement of operations. In addition, the Company expects cash flow from operating and investing cash flow to increase as lease payments for most leases will be recorded as financing outflows in the consolidated statement of cash flows.

The Company has completed a significant portion of the compilation and review of contracts that may contain a lease, the compilation of the data necessary for the valuation of the leases and related transition adjustments. The Company has also initiated changes to processes and internal controls necessary for the transition.

(ii) IFRIC 23, Uncertainty Over Income Tax Treatments ("IFRIC 23") explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

IFRIC 23 is effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company does not anticipate the application of IFRIC 23 will result in an impact to the Company's consolidated financial statements.

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.

6. SUBSIDIARIES

The following is a list of wholly-owned subsidiaries of the Company at December 31, 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 Minerals 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 II Limited [(d)]	Bermuda	Intermediate holding company
Minerales Suramerica Holdings III Limited [(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 II S.A.S. [(d)]	Colombia	Exploration
Andina Sur II S.A.S. [(d)(g)]	Colombia	Exploration
Costa S.O.M. [(h)]	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
(g) Previously Minerales Suramerica III S.A.S.
(h) Acquired October 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, 2018 (in thousands of U.S. dollars)	**Corporate**	**Colombia**	**Total**
	$	**$**	**$**
Cash and cash equivalents	**42,202**	**38,097**	**80,299**
Property, plant and equipment	**263**	**606,250**	**606,513**
Total assets	**51,066**	**665,957**	**717,023**
Loans payable	**–**	**266,813**	**266,813**
Total liabilities	**3,603**	**369,110**	**372,713**

For the year ended December 31, 2018 (in thousands of U.S. dollars)	**Corporate**	**Colombia**	**Total**
	$	**$**	**$**
Net loss	**(10,461)**	**(19,993)**	**(30,454)**
Capital expenditures	**–**	**232,243**	**232,243**

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

8. MARKETABLE SECURITIES

Marketable securities consisted of the following:

As at (in thousands of U.S. Dollars)	**December 31, 2018**		December 31, 2017	
	Cost	**Fair Value**	Cost	Fair Value
	$	**$**	$	$
Equity securities (a)	**4,283**	**406**	4,283	1,559
	4,283	**406**	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 December 31, 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 5(a)).

9. RECEIVABLES AND PREPAID EXPENSES

As at (in thousands of U.S. dollars)	**December 31, 2018**	December 31, 2017
	$	$
Accounts receivable (a)	**7,075**	3,244
Prepaid expenses	**85**	74
	7,160	3,318

(a) Accounts receivable

Accounts receivable as at December 31, 2018 includes a total of $6,704,000 (December 31, 2017 – $3,118,000) of Colombia value-added-tax refund receivable.

10. 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	**107**	**619**	**937**	**251,221**	**252,884**
Gold sales credits (a)	**–**	**–**	**–**	**(2,500)**	**(2,500)**
Disposals and write-downs (a)	**–**	**–**	**(4)**	**(673)**	**(677)**
Depreciation	**(214)**	**(2,523)**	**(438)**	**–**	**(3,175)**
Closing net book value, December 31, 2018	**5,670**	**1,997**	**2,068**	**596,778**	**606,513**
Balance, December 31, 2018					
Cost	**6,560**	**8,155**	**5,591**	**596,778**	**617,084**
Accumulated depreciation	**(890)**	**(6,158)**	**(3,523)**	**–**	**(10,571)**
Net book value	**5,670**	**1,997**	**2,068**	**596,778**	**606,513**

(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 (a)	–	–	–	(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 of $226,000 (December 31, 2017 - $341,000) is included in depreciation and amortization in the annual consolidated statement of operations and comprehensive loss for the year ended December 31, 2018 and depreciation of $2,949,000 (December 31, 2017 - $1,115,000) is capitalized in construction in progress.

For the year ended December 31, 2018, borrowing costs (see Note 13) of $21,151,000 (2017 - $4,588,000) 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.

(a) Yaraguá mine

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, 2018 of $2,500,000 (2017 - $6,684,000) 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, 2018**	December 31, 2017
	$	$
Gold doré (i), (ii)	**1,126**	1,423
Stockpile	**909**	485
Supplies	**5,471**	1,883
	7,506	3,791

(i) As at December 31, 2018, the Company held 298 ounces of gold (December 31, 2017 – 503 ounces), having a net realizable value of $382,000 based on a closing gold price of $1,282 per ounce (December 31, 2017 – $650,000 based on a closing gold price of $1,291 per ounce).

(ii) During the year ended December 31, 2018, the Company's refiner filed for bankruptcy. As a result, the Company recorded a provision for $673,000 representing the cost for 158 ounces of gold held at the refiner.

11. EXPLORATION AND EVALUATION ASSETS

(in thousands of U.S. dollars)	**Balance December 31, 2017**	**Additions**	**Transfers, Disposals or Write-downs**	**Balance December 31, 2018**
	$	**$**	**$**	**$**
Gran Buriticá (a)	**4,917**	**2,484**	**(113)**	**7,288**
Total	**4,917**	**2,484**	**(113)**	**7,288**

(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 year ended December 31, 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 year ended December 31, 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.

The properties within the Berlin Option Agreement were under force majeure as at December 31, 2018. As a result, required payments subsequent to December 31, 2018 have not been paid.

All expenditures incurred in respect of the Berlin, Dominical and Dojura projects are expensed. For the year ended December 31, 2018, $901,000, was incurred in respect of the Berlin Option Agreement which was included in exploration expense in the consolidated statement of operations and comprehensive income (loss).

(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. For the year ended December 31, 2018, the Company incurred $179,000 of direct exploration expenditures in respect of the South Option Agreement which was included in exploration expense in the consolidated statement of operations and comprehensive income (loss).

12. OTHER ASSETS

As at (in thousands of U.S. dollars)	**December 31, 2018**	December 31, 2017
	$	$
Construction and equipment advances (a)	**6,995**	14,702
Deferred finance charges (b)	**–**	11,830
Other prepaids and deferred charges	**298**	654
Intangible assets	**64**	304
	7,357	27,490

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 14):

As at (in thousands of U.S. dollars)	**Note**	**December 31, 2018**	December 31, 2017
		$	$
Lender's fees		**8,750**	8,125
Fair value of warrants on issuance	21	**5,710**	5,710
Fair value of production-linked liability	14	**18,674**	3,874
Other finance charges		**792**	792
Total transaction costs		**33,926**	18,501
Transaction costs attributable to draws	13	**(33,926)**	(6,671)
		–	11,830

13. LOANS PAYABLE

As at (in thousands of U.S. dollars)	**Note**	**December 31, 2018**	December 31, 2017
		$	$
Total draws from Credit Facility		**275,000**	50,000
Transaction costs attributable to draws	12(b)	**(33,926)**	(6,671)
Total loan payable, net of attributable transaction costs		**241,074**	43,329
Accrued interest		**25,739**	4,588
Loan payable balance end of period		**266,813**	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 was 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 draw of the full Credit Facility as at December 31, 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 December 31, 2018, the Fully Advanced Principal balance was $295,483,000 (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 21) and will incur production-linked liabilities based on amounts advanced under the Initial Credit Facility, both of which are considered as transaction costs for the Credit Facility.

Conditions precedent for the second and third tranches in respect of the Initial Credit Facility, the production-linked liability and the Private Warrants did 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 December 31, 2018, the Company’s Working Capital is $57,797,000 (December 31, 2017– $68,839,000).

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 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 21).

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, 2018, the Company received net proceeds relating to draws from the Credit Facility of $225,000,000 (December 31, 2017 – $50,000,000) net of Lender’s fees and Lender’s costs. As at December 31, 2018, total Lender’s fees paid was $8,750,000 (December 31, 2017 – $8,125,000).

Total transaction costs (see Note 12(b)) as at December 31, 2018 of $33,926,000 (December 31, 2017 – $18,501,000) are initially treated as deferred finance charges and are transferred as a reduction to loans payable upon receipt of each draw based on the attributable portion of the transaction costs to each draw. During the year ended December 31, 2018, financing charges of $27,255,000 (December 31, 2017 – 6,671,000) were attributable to draws received and were transferred from deferred financing charges as a reduction to loans payable.

For the year ended December 31, 2018, accrued interest of $21,151,000 (December 31, 2017 – $4,588,000), calculated using the effective interest method, was capitalized as borrowing costs in construction in progress within property, plant and equipment.

14. PRODUCTION-LINKED LIABILITY

	Year ended December 31, 2018		Year ended December 31, 2017	
	Number of Ounces		Number of Ounces	
	000s	**$(000s)**	000s	$(000s)
Balance, January 1	**250**	**4,118**	–	–
Issued	**1,000**	**14,800**	250	3,874
Revaluation of liability	**–**	**757**	–	244
Balance, end of period	**1,250**	**19,675**	250	4,118

In connection with the Initial Credit Facility (see Note 13), 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.

Upon the receipt of each draw from the Initial Credit Facility, the pro-rata production-linked liability is recognized and measured at 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 recognized in accretion expense in the consolidated statement of operations and comprehensive income (loss).

Draws from the Initial Credit Facility for the year ended December 31, 2018 resulted in production-linked liabilities for 1,000,000 ounces (December 31, 2017 – 250,000 ounces) of production, having a total present value of $14,800,000 (December 31, 2017 – $3,874,000), determined on the date of each draw. As at December 31, 2018, recognition of production-linked liabilities for the full 1,250,000 ounces, under the Initial Credit Facility, has been recognized as a result of the receipt of the full Credit Facility as at December 31, 2018. The present value of the production-linked liability as at December 31, 2018 was $19,675,000 (December 31, 2017 – $4,118,000), resulting in accretion expense recognized in the consolidated statement of operations and comprehensive income (loss) for the year ended December 31, 2018 of $757,000 (December 31, 2017 – $244,000).

15. OTHER LONG-TERM PAYABLES

As at December 31, 2018, the Company has long-term obligations to pay duties and value-added taxes on the import of major capital equipment, with payments required to be made between 2020 and 2024, as follows:

As at (in thousands of U.S. dollars)	**December 31, 2018**	December 31, 2017
	$	**$**
Value-added taxes	**7,555**	1,541
Import duties	**871**	–
	8,426	1,541
Current portion, included in accounts payable and accrued liabilities	**176**	–
	8,250	1,541

Payments relating to value-added taxes 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. Payments relating to import duties are available to reduce taxable income in the taxation year in which the payment was made.

16. 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)	2018	2017
		$
Balance, January 1	**17,461**	5,759
Change in provision	**(5,026)**	11,605
Payments	**(786)**	(218)
Accretion expense	**692**	315
Balance, December 31	**12,341**	17,461
Current portion, included in accounts payable and accrued liabilities	**1,125**	2,930
Long-term portion	**11,216**	14,531

The Company has estimated its total rehabilitation provision at December 31, 2018 based on an undiscounted future liability of approximately $33,542,000 (2017 – $28,921,000), including an inflation rate of 3.27% (2017 – 4.12%) and a risk-free rate of 7.06% (2017 – 4.75%). Reclamation is expected to occur between 2018 and 2043.

17. INCOME TAXES

Income taxes are comprised of:

For the years ended (in thousands of U.S. dollars)	**December 31, 2018**	December 31, 2017
	$	$
Current tax expense:		
Current minimum tax	**10**	187
Deferred tax expense (recovery):		
Origination and reversal of temporary differences	**7,497**	(1,841)
Income tax expense (recovery)	**7,507**	(1,654)

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, 2018 and 2017 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, 2018**	December 31, 2017
	$	$
Net loss before taxes	**(22,947)**	(9,497)
Expected income tax recovery	**(6,081)**	(2,516)
Foreign tax rate differences	**(186)**	268
Non-deductible (taxable) items	**1,627**	(1,022)
Change in future tax rates	**(2,019)**	–
Foreign exchange impact on deferred tax liability	**12,362**	155
Adjustment in respect of prior years	**(120)**	725
Change in unrecognized deferred tax assets	**1,893**	966
Other	**31**	(230)
Net income tax expense (recovery)	**7,507**	(1,654)

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:

(in thousands of U.S. dollars)	**Balance January 1, 2018**	**Recognized in profit or loss**	**Balance December 31, 2018**
	$	**$**	**$**
Property, plant and equipment	**20,993**	**7,381**	**28,374**
Exploration and evaluation assets	**199**	**107**	**306**
Other	**2**	**9**	**11**
Net tax (assets) liabilities	**21,194**	**7,497**	**28,691**

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

As at December 31, 2018, a Colombian tax reform was enacted resulting in reductions to the general income tax rate in Colombia from 33% for fiscal years 2020 to 32%, 2021 to 31% and 2022 and onwards to 30%. The effect of these changes resulted in the recognition a deferred tax recovery of $2,019,000 in the consolidated statement of operations and comprehensive income (loss) for the year ended December 31, 2018 with a corresponding adjustment to the above deferred tax assets and liabilities.

The above deferred tax assets and liabilities include the effect of tax losses available in Colombia to reduce income taxes payable in the future as follows:

As at (in thousands of COP)	**December 31, 2018**	**Expiry Date**	December 31, 2017	Expiry Date
Colombia	**184,098,000**	Never	108,221,000	Never

In addition, the Company has the following unrecognized deferred tax balances that are available for utilization against taxable income in the future as the ability to utilize them is uncertain:

As at (in thousands of U.S. dollars)	**December 31, 2018**	December 31, 2017
	$	$
Tax losses carried forward utilizable against taxable income	**2,906**	1,615
Derivatives	**521**	–
Financing fees	**385**	539
Property, plant and equipment	**(28)**	41
	3,784	2,195

The above unrecognized deferred tax assets and liabilities include the effect of tax losses available in Canada to reduce income taxes payable in the future as follows:

As at (in thousands of U.S. dollars)	**December 31, 2018**	**Expiry Date**	December 31, 2017	Expiry Date
	$		$	
Canada	**10,965**	2035-2038	6,096	2035-2037

In addition, the effect of tax assets relating to exploration and evaluation assets of COP 12,172,000,000 (2017 – COP 11,782,000,000) have not been included in the above deferred tax assets and liabilities as the probability of them being utilized is low.

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.

As at December 31, 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, 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. (See Note 5(a)(i)).

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 December 31, 2018 and December 31, 2017 were as follows:

As at December 31, 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)	**80,299**	**–**	**–**	**–**	**80,299**
Restricted cash (level 1)	**8,000**	**–**	**–**	**–**	**8,000**
Marketable securities (level 1)	**–**	**406**	**–**	**–**	**406**
Receivables	**–**	**–**	**345**	**–**	**345**
Accounts payable and accrued liabilities	**–**	**–**	**–**	**(31,711)**	**(31,711)**
Loans payable	**–**	**–**	**–**	**(266,813)**	**(266,813)**
Production-linked liability (level 2)	**(19,675)**	**–**	**–**	**–**	**(19,675)**
Derivative liability (level 2)	**(1,966)**	**–**	**–**	**–**	**(1,966)**
Total	**66,658**	**406**	**345**	**(298,524)**	**(231,115)**

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.

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.

The financial assurance provision requiring a collateral deposit in respect of its foreign currency contracts provides protection to the counterparty in the event a material adverse credit-related event transpires.

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.

Maturities of financial liabilities
The contractual maturities, based on contractual undiscounted cash flows, for the Company's financial liabilities are as follows:

As at December 31, 2018 (in thousands of U.S. Dollars)	**Less than 6 months**	**6-12 months**	**Years 1-2**	**Years 2-5**	**After 5 Years**	**Total contractual cash flows**	**Carrying amount**
	$	**$**	**$**	**$**	**$**	**$**	
Non-derivatives:							
Accounts payable and accrued liabilities	**31,711**	**–**	**–**	**–**	**–**	**31,711**	**31,711**
Loans payable (Note 13)	**–**	**–**	**–**	**369,012**	**49,724**	**418,736**	**266,813**
Production-linked liability (Note 14)	**–**	**–**	**–**	**21,532**	**3,468**	**25,000**	**19,675**
Total	**31,711**	**–**	**–**	**390,544**	**53,192**	**475,447**	**318,199**
Derivatives:							
Derivative liability	**1,966**	**–**	**–**	**–**	**–**	**1,966**	**1,966**
Total	**1,966**	**–**	**–**	**–**	**–**	**1,966**	**1,966**

As at December 31, 2017 (in thousands of U.S. Dollars)	Less than 6 months	6-12 months	Years 1-2	Years 2-5	After 5 Years	Total contractual cash flows	Carrying amount
	$	$	$	$	$	$	
Non-derivatives:							
Accounts payable and accrued liabilities	22,573	–	–	–	–	22,573	22,573
Loans payable (Note 13)	–	–	–	34,560	19,440	54,000	47,917
Production-linked liability (Note 14)	–	–	–	5,000	–	5,000	4,118
Total	22,573	–	–	39,560	19,440	81,573	74,608

Undiscounted cash flows for loans payable represent total draws received from the Credit Facility, capitalized interest to December 31, 2018 and contractual interest payable over future periods based on the LIBOR rate in effect on December 31, 2018. See Note 13 for amounts recognized in the consolidated financial statements.

Negative fair value for foreign currency contracts are presented as less than 6 months as contractual maturities are not essential for an understanding of the timing of the cash flows.

As at December 31, 2018, the Company had cash and cash equivalents of $80,299,000 (December 31, 2017 – $91,382,000) to settle current financial liabilities of $38,068,000 (December 31, 2017 - $27,420,000). The Company also has various commitments detailed in Note 27.

For the year ended December 31, 2018, the Company recorded a net loss of $30,454,000 (year ended December 31, 2017 – $7,843,000) and reported an accumulated deficit as at December 31, 2017 of $249,392,000 (December 31, 2017 - $221,662,000).

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.

In 2017, the Company completed the Credit Facility (see Note 13) to finance a portion of the construction for the Buriticá Project. As at December 31, 2018, $275,000,000 (December 31, 2017 – $50,000,000) of the total $275,000,000 available Credit Facility has been 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 and interest capitalized in property, plant and equipment on the consolidated statement of financial position or interest expensed 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, 2018	**Foreign Currency**	**Foreign Balance (000's)**	**$(000's)**
Cash and cash equivalents	COP	**116,478,403**	**35,842**
Cash and cash equivalents	CAD	**6,691**	**4,905**
Marketable securities	CAD	**553**	**406**
Receivables	COP	**17,183,626**	**5,288**
Receivables	CAD	**35**	**26**
Accounts payable and accrued liabilities	COP	**93,212,167**	**28,683**
Accounts payable and accrued liabilities	CAD	**1,319**	**967**

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

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, 2018, 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, 2018 would have been approximately $3,300,000 million lower/higher.

(ii) The Company is exposed to interest rate risk on fluctuations on the LIBOR rate for the loans payable balance. As at December 31, 2018, a reduction/increase in the LIBOR rate of 1% would have resulted in a higher/lower loans payable balance of $535,000 or 0.2%.

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, 2018, 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.

(b) Derivatives

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

Fair value of the derivative was determined to be insignificant on the date of each draw from the Credit Facility and on December 31, 2018 and, as a result, were not recognized.

The fair value of the derivative relating to the early repayment fees and the interest minimum 1% LIBOR rate in respect of draws from the Credit Facility was determined to be $nil for the year ended December 31, 2018 and December 31, 2017.

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 year ended December 31, 2018, the Company entered into simultaneous non-deliverable put and call option currency contracts (the "Currency Contracts") totaling $69,000,000. During the year ended December 31, 2018, $21,000,000 of the Currency Contracts expired, resulting in a remaining $48,000,000 of Currency Contracts outstanding as at December 31, 2018 as follows:

	COP:USD	(in thousands of U.S. Dollars)	
As at December 31, 2018	**Contract Range**	**Contract Value**	**Fair Value**
		$	$
Expiring January – April 2019	2,750-3,050	16,000	1,066
Expiring May – December 2019	2,950-3,335	32,000	900
		48,000	1,966

The fair value of the Currency Contracts are based on the COP:USD rate as at December 31, 2018. As at December 31, 2018, the closing COP:USD rate was 3,250:1.

The Currency Contracts are documented in the form of an ISDA master agreement, requiring total collateral payments into restricted bank accounts and released upon expiry of the contracts.

As at December 31, 2018, the Company's collateral deposit of $8,000,000 (December 31, 2017 – $nil) is held in a separate bank account and is included in restricted cash and classified as current as the restriction on all amounts are less than 12 months. Future collateral cash requirements may increase or decrease based on the extent of additional Currency Contracts entered into. 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 December 31, 2018, the fair values of these Currency Contracts were determined to be a derivative liability of $1,966,000 (December 31, 2017 – $nil) and have been included within accounts payable and accrued liabilities in the consolidated statement of financial position with a corresponding unrealized derivative loss recognized in the consolidated statement of operations and comprehensive income (loss).

During the year ended December 31, 2018, the expiry of Currency Contracts of $21,000,000 required payments totaling $822,000 to the counterparty, representing a fair value loss on the date of expiry of the Currency Contracts, and was recognized in the consolidated statement of operations and comprehensive income (loss) as a realized derivative loss for the year ended December 31, 2018.

As at March 7, 2019, $8,000,000 of the Company's put and call option contracts outstanding at December 31, 2018 expired, with a realized loss of $120,000.

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 (comprised of share capital, contributed surplus, warrants, deficit and accumulated other comprehensive income), which at December 31, 2018 totalled $344,310,000 (December 31, 2017 – $371,926,000), and debt, which is comprised of loans payable and production-linked liability of $266,813,000 and $19,675,000, respectively, as at December 31, 2018 (December 31, 2017 – $47,917,000 and $4,118,000, respectively).

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 year ended December 31, 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 December 31, 2018, the Company's Working Capital was $57,797,000. The Company is not subject to any further capital requirements imposed by a regulator or lending institution.

20. 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, 2018, the issued share capital was 188,556,821. The change in issued share capital for 2018 and 2017 were as follows:

	Number of Shares	
	2018	2017
Balance, January 1	**188,218,514**	141,629,345
Exercise of stock options (Note 23(a))	**240,000**	510,371
Shares issued on vesting of RSUs (Note 23(b))	**88,307**	105,579
Shares issued on vesting of DSUs (Note 23(c))	**10,000**	–
Shares issued – private placement (i)	**–**	45,973,219
Balance, December 31	**188,556,821**	188,218,514

(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 13).

21. WARRANTS

	December 31, 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 13), 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, 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.

22. 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, 2018**	December 31, 2017
Net loss (in thousands of U.S. Dollars)	**$ (30,454)**	$ (7,843)
Weighted average number of common shares outstanding (in thousands)	**188,361**	170,728
Basic net loss per common share	**$ (0.16)**	$ (0.05)

(b) Diluted

The Company incurred net losses for each of the years ended December 31, 2018 and 2017; 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.

23. 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 Common 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 (*)	**2,347,500**	**3.83**	1,855,500	4.20
Exercised	**(240,000)**	**1.96**	(510,371)	2.07
Expired or Forfeited	**(1,405,625)**	**7.15**	(1,488,188)	7.61
Balance, December 31	**8,624,909**	**3.26**	7,923,034	3.74

(*) The weighted average grant date fair value of stock option grants during the years ended December 31, 2018 and December 31, 2017 was $1.46 and $1.53, respectively.

The following table shows the stock options outstanding and exercisable at December 31, 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$)
$1.34 – $2.00	1,354,234	1.66	1.65	1,354,234	1.65,	1.67
$2.01 – $4.00	5,720,625	2.36	3.35	3,956,667	1.62	3.15
$4.01 – $5.18	1,550,050	2.94	4.34	1,168,050	2.95	4.34
	8,624,909	2.35	3.26	6,478,951	1.87	3.05

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	2018	2017
Number of options granted	**2,347,500**	1,855,500
Weighted average exercise price (C$)	**3.83**	4.20
Weighted average market price ($)	**3.10**	3.22
Expected dividend yield	**Nil**	Nil
Expected volatility (%)	**69%**	71%
Weighted average risk-free interest rate (%)	**1.84%**	0.86%
Forfeiture rate (%)	**9.04%**	9.95%
Weighted expected life (years)	**3.10**	3.12
Weighted average grant date fair value per share ($)	**1.46**	1.53

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

(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
Expired or Forfeited	**(13,000)**	**3.26**	–	–
Balance, December 31 (**)	**250,000**	**3.75**	13,000	3.26

(**) The 13,000 RSUs outstanding in 2017 have performance conditions with an estimated vesting date of December 31, 2019. The 250,000 RSUs outstanding in 2018 have a vesting date of July 15, 2020.

(c) DSUs:

Movements in DSUs during the period were as follows:

	2018	
	Number of DSUs	**Average Grant Date Market Price**
		C$
Balance, January 1	**–**	**–**
Granted (**)	**90,000**	**3.75**
Vested	**(10,000)**	**3.75**
Balance, December 31 (**)	**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:

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2018**	December 31, 2017
		$	$
Share-based payments, included in corporate administration expenses	25	**2,377**	2,000
Share-based payments capitalized to construction in progress		**1,310**	952
		3,687	2,952

24. 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, 2018, legal fees relating to the Credit Facility of $6,000 (December 31, 2017 - $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 year ended December 31, 2018, $1,797,000 (December 31, 2017 – $582,000) 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.

(c) During the year ended December 31, 2018, $266,000 (December 31, 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.

(d) During the year ended December 31, 2018, $nil (year ended December 31, 2017, - $73,000) 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) earnings and comprehensive (loss) income.

(e) **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, 2018**	December 31, 2017
	$	$
Management salaries, benefits and bonuses	**2,832**	2,649
Director fees	**591**	756
Share-based payments	**1,921**	1,617
	5,344	5,022

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, 2018, total management salaries, benefits, bonuses and share-based payments of $821,000 (year ended December 31, 2017 - $1,143,000) that were included above were capitalized to construction in progress.

25. CORPORATE ADMINISTRATION EXPENSES

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2018**	December 31, 2017
		$	$
General office and administration		**5,679**	3,294
Salaries		**3,453**	3,121
Share-based payments	23(d)	**2,377**	2,000
Professional fees		**2,036**	814
Directors fees and expenses		**706**	791
Travel expenses		**282**	261
Depreciation and amortization		**226**	341
Regulatory fees		**169**	138
Investor relations		**121**	315
Bad debts		**6**	124
Wealth tax		**–**	398
		15,055	11,597

26. CASH FLOW INFORMATION

(a) Other Operating Activities

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2018**	December 31, 2017
		$	$
Other non-cash items:			
Interest and accretion expense	14, 16	**1,449**	559
Inventory write-downs	10(a)	**673**	20
Depreciation and amortization		**226**	341
Loss on disposal or write-downs		**115**	5
Bad debt expense		**6**	124
		2,469	1,049

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2018**	December 31, 2017
		$	$
Net changes in non-cash operating Working Capital balances:			
Receivables and prepaid expenses		**(152)**	73
Accounts payable and accrued liabilities		**525**	(964)
		373	(891)

(b) Other Investing Activities

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2018**	December 31, 2017
		$	$
Property, plant and equipment:			
Construction in progress expenditures		**(230,509)**	(104,072)
Equipment		**(1,663)**	(781)
Accounts payable and accrued liabilities attributable to property, plant and equipment		**17,010**	19,919
		(215,162)	(84,934)

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2018**	December 31, 2017
		$	$
Other items:			
Intangible assets		**(87)**	(388)
Rehabilitation payments		**(786)**	(218)
Exploration expenditures	11	**(2,484)**	(213)
		(3,357)	(819)

(c) Other Financing Activities

For the years ended (in thousands of U.S. Dollars)	Note	**December 31, 2018**	December 31, 2017
		$	$
Credit facility:			
Draws received	13	**225,000**	50,000
Transaction costs paid	12(b)	**(625)**	(8,917)
		224,375	41,083

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

(in thousands of U.S. Dollars)	**Loans Payable (Note 13)**	**Production-linked Liability (Note 14)**	**Warrants (Note 21)**	**Deferred Finance Charges (Note 12(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	**225,000**	**–**	**–**	**–**	**225,000**
Transaction costs paid	**–**	**–**	**–**	**(625)**	**(625)**
	225,000	**–**	**–**	**(625)**	**224,375**
	272,917	**4,118**	**5,710**	**(12,455)**	**270,290**
Other changes:					
Non-cash transaction costs	**–**	**14,800**	**–**	**(14,800)**	**–**
Finance charges attributable to draws	**(27,255)**	**–**	**–**	**27,255**	**–**
Capitalized interest	**21,151**	**–**	**–**	**–**	**21,151**
Revaluation of liability	**–**	**757**	**–**	**–**	**757**
Balance, December 31, 2018	**266,813**	**19,675**	**5,710**	**–**	**292,198**

(in thousands of U.S. Dollars)	Loans Payable (Note 13)	Production-linked Liability (Note 14)	Warrants (Note 21)	Deferred Finance Charges (Note 12(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

27. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 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)	445	305	140	–
Capital commitments (b)	109,093	104,473	4,620	–
Credit Facility principal and interest payments (c)	418,736	–	369,012	49,724
Production-linked payments (d)	25,000	–	21,532	3,468
Value-added tax and duties on major equipment (e)	8,423	176	4,221	4,026
	561,697	104,954	399,525	57,218

(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, 2018 and contractual interest payable over future periods based on the LIBOR rate in effect on December 31, 2018. See Note 13 for amounts recognized in the consolidated financial statements.

(d) Production-linked payments represent required payments, resulting from draws received from the Initial Credit Facility, of $20 per ounce of gold production. See Note 14 for amounts recognized in the consolidated financial statements.

(e) Value-added tax payments relating to the purchase of major equipment payable five to seven years after the importation of the equipment. Duties relating to the purchase of major equipment are payable over 5 years after the importation of the equipment. See Note 15 for amounts recognized in the consolidated financial statements.

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 is disputing this interpretation. Should the Company be unsuccessful, the incremental charge would be approximately $2.5 million.

28. SUBSEQUENT EVENTS

(a) On March 15, 2019, the Company signed a binding streaming agreement with a third party (the "Streaming Agent") in respect of its gold and silver production (the "Streaming Agreement"). The significant terms and conditions of the Streaming Agreement are as follows:

- Payment to the Company of $100 million upon closing of the agreement and certain customary conditions precedent.
- Sale of the Company's Buriticá mine silver production equal to 1.84 times the Buriticá mine gold production for the life of mine for 5% of market price on delivery of the silver (the "Silver Stream").
- Sale of 2.1% of the Company's Buriticá mine life of mine gold production for 10% of market price on delivery of the gold (the "Gold Stream").
- Buy-back option of the Gold Stream for $80 million, less the value of all prior deliveries under the Gold Stream, on or before December 31, 2021.

Management is in the process of completing the accounting assessment. Under IFRS 15, the proceeds from the Streaming Agreement will be recognized as deferred revenue, with a portion allocated as a derivative liability in respect of the buy back option.

(b) On March 15, 2019, the Company completed a convertible debenture financing ("Debenture") with third party investors ("Debenture Holders") for $75 million. The significant terms and conditions of the agreement are as follows:

- Maturity date of May 15, 2024.
- Interest of 5%, payable semi-annually, beginning six months after closing.
- The Debenture is convertible at the option of the Debenture Holder into common shares of the Company based on a conversion price of C$3.00 per share.
- The Company has received the option to redeem all, but not less than all, of the Debenture, at a redemption price equal to 100% of the principal amount then outstanding, plus all accrued and unpaid interest, if the closing price of the Shares on the TSX is at least 130% of the Conversion Price for each of the 20 trading days before a notice of redemption is delivered to the Debenture Holder.

Management is in the process of completing the accounting assessment. Under IFRS 9, the Debenture will be recognized as a hybrid instrument whereby the proceeds, net of transaction costs, will be allocated between debt, equity and derivatives.

(c) On March 15, 2019, the Credit Facility was amended to facilitate the closing of the Streaming Agreement and Debenture transactions which resulted in a change to the interest rate to LIBOR + 9%. All other terms of the Credit Facility were unchanged.