Gran Colombia Gold Corp.

Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

Management's Report

Management is responsible for preparing the consolidated financial statements and accompanying notes. The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and, where appropriate, include management's best estimates and judgments, particularly in those circumstances where transactions affecting a current period are dependent upon future events. Management has established and maintains a system of internal controls that is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and the financial information is reliable and accurate.

The Company's external auditors, KPMG LLP, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. KPMG LLP has full and free access to the Audit Committee.

The Audit Committee of the Board of Directors, consisting exclusively of independent directors, has reviewed in detail the consolidated financial statements with management and the external auditors. The Board of Directors on the recommendation of the Audit Committee has approved the consolidated financial statements.

"Lombardo Paredes Arenas"
Chief Executive Officer

"Michael Davies"
Chief Financial Officer

Toronto, Canada
March 27, 2018

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Gran Colombia Gold Corp.

We have audited the accompanying consolidated financial statements of Gran Colombia Gold Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of operations, comprehensive income, equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
March 27, 2018
Toronto, Canada

Gran Colombia Gold Corp.
Consolidated Statements of Financial Position
(Expressed in thousands of U.S. dollars)

	Notes	As at December 31, 2017	As at December 31, 2016
ASSETS			
Current			
Cash and cash equivalents		$ 3,272	$ 2,783
Cash in trust	9a,9c	4,271	245
Accounts receivable	14	14,409	11,352
Inventories	5	12,930	10,828
Prepaid expenses and deposits		2,006	1,679
		36,888	26,887
Non-current			
Cash in trust	9d,11c	8,408	1,260
Accounts receivable	14	-	701
Mining interests	6	404,576	348,998
Deferred tax asset	13	-	3,268
Available-for-sale investment	14	118	38
Total assets		$ 449,990	$ 381,152
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	$ 18,756	$ 16,627
Amounts payable related to acquisitions of mining interests	6	11,045	10,975
Current portion of long-term debt	9	34,271	1,232
Current portion of provisions	11	4,001	3,318
Income tax payable	13	8,370	6,053
		76,443	38,205
Non-current			
Long-term debt	9	64,881	85,022
Provisions	11	24,802	25,311
Deferred income taxes	13	59,504	49,922
Total liabilities		225,630	198,460
Equity			
Share capital	12b	384,440	381,888
Share purchase warrants	12c	6,317	6,317
Contributed surplus		171,133	163,109
Accumulated other comprehensive loss		(76,658)	(78,434)
Deficit		(260,872)	(290,188)
Total equity		224,360	182,692
Total liabilities and shareholders' equity		$ 449,990	$ 381,152

Contingency **(Note 11b)**
Subsequent events **(Notes 9c, 9d, 9e and 22)**

On behalf of the Board of Directors:

"Miguel de la Campa" (Signed)   *"Robert Metcalfe"* (Signed)

See accompanying notes to the consolidated financial statements.

Gran Colombia Gold Corp.
Consolidated Statements of Operations
(Expressed in thousands of U.S. dollars, except share amounts)

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
Revenue		$ 215,365	$ 184,074
Costs and expenses			
Cost of sales	15	146,552	120,353
General and administrative		7,674	7,082
Impairment charges (reversal)	7	(45,307)	17,008
Loss on disposal of mining interests	6	-	1,195
Share-based compensation	12d	634	548
Social contributions	6	4,099	3,158
Income from operations		101,713	34,730
Other income (expense)			
Finance income		306	321
Finance costs	16	(32,311)	(32,843)
Foreign exchange loss		(293)	(244)
Wealth tax	10	(918)	(2,231)
(Loss) gain on financial instruments	17	(55)	18,815
		(33,271)	(16,182)
Income before income taxes		68,442	18,548
Income taxes			
Current	13	(18,713)	(14,702)
Deferred	13	(12,881)	(137)
		(31,594)	(14,839)
Net income		$ 36,848	$ 3,709
Per share	18		
Basic		$ 1.81	$ 0.30
Diluted		0.61	0.23
Weighted average number of common shares outstanding		20,337,943	12,458,365

Share consolidation **(Note 12)**

See accompanying notes to the consolidated financial statements.

Gran Colombia Gold Corp.
Consolidated Statements of Comprehensive Income
(Expressed in thousands of U.S. dollars)

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
Net income		**$ 36,848**	**$ 3,709**
Other comprehensive income:			
Items not to be reclassified to profit (loss) in subsequent periods			
Actuarial loss on health plan obligation, net of tax of $Nil (2016 – $Nil)	11c	(512)	(588)
Items that may be reclassified to profit (loss) in subsequent periods			
Unrealized gain on available-for-sale investment, net of tax		77	19
Foreign currency translation adjustment		2,211	10,400
Comprehensive income		**$ 38,624**	**$ 13,540**

See accompanying notes to the consolidated financial statements.

Gran Colombia Gold Corp.
Consolidated Statements of Equity
(Expressed in thousands of U.S. dollars)

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
Common shares			
Balance, beginning of period	12b	$ 381,888	$ 369,150
Issuance of common shares on exchange of:			
Gold notes	9d	-	84
Silver notes	9c	-	3,831
Issuance of common shares on exchange of:			
2018 Debentures	9c	2,552	8,438
2020 Debentures	9d	-	385
Balance, end of period		384,440	381,888
Share purchase warrants	12c		
Balance, beginning and end of period		6,317	6,317
Contributed surplus			
Balance, beginning of period		163,109	160,303
Share-based compensation	12d	634	548
Additional deferred income tax on warrant expiry	12c	-	(1,008)
Fair value of conversion option on issuance of:			
2018 Debentures	9c	-	2,213
2020 Debentures	9d	-	1,705
2024 Debentures, net of tax effect of $2,716	9e	7,532	-
2018 Debentures converted to common shares	9c	(142)	(641)
2020 Debentures converted to common shares	9d	-	(11)
Balance, end of period		171,133	163,109
Accumulated other comprehensive loss			
Balance, beginning of period		(78,434)	(88,265)
Actuarial loss on health plan obligation	11c	(512)	(588)
Unrealized gain on available-for-sale investment		77	19
Foreign currency translation adjustment		2,211	10,400
Balance, end of period		(76,658)	(78,434)
Deficit			
Balance, beginning of period		(290,188)	(293,897)
Charge related to equity portion of 2024 Debentures, net of tax effect of $2,716	9e	(7,532)	-
Net income		36,848	3,709
Balance, end of period		(260,872)	(290,188)
Total equity		**$ 224,360**	**$ 182,692**

See accompanying notes to the consolidated financial statements.

Gran Colombia Gold Corp.
Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
Operating Activities			
Net income		$ 36,848	$ 3,709
Adjusted for the following items:			
Depreciation, depletion and amortization		18,416	12,563
Share-based compensation	12b	634	548
Finance income		(306)	(321)
Finance costs	16	32,311	32,843
Foreign exchange gain		(9)	(252)
Impairment charges (reversal)	7	(45,307)	17,008
Loss on disposal of mining interests	6	-	1,195
Provision for environmental discharges	11b	787	86
Environmental discharge fees paid	11	(2,693)	(1,259)
Loss (gain) on financial instruments	17	55	(18,815)
Payments of health obligations	11c	(829)	(812)
Wealth tax expense	10	918	2,231
Current income tax expense	13	18,713	14,702
Deferred income taxes	13	12,881	137
Changes in non-cash working capital items	19	(4,021)	(15,860)
Operating cash flows before taxes		68,398	47,703
Equity tax paid		-	(2,416)
Wealth tax paid		(936)	(4,110)
Income tax refund received		-	1,626
Income taxes paid		(16,935)	(9,529)
Net cash provided by operating activities		50,527	33,274
Investing Activities			
Additions to mining interests	6	(24,967)	(16,710)
Proceeds received from sale of CIIGSA		372	194
Net cash used in investing activities		(24,595)	(16,516)
Financing Activities			
Repayment of long-term debt		(1,238)	(1,487)
Net interest paid		(7,917)	(10,462)
Decrease (increase) in cash in trust for debt service	9a	248	(157)
Increase in cash in trust for health plan guarantee	11c	(42)	(374)
Increase in cash in trust for 2018 and 2020 Debentures	9c,9d	(11,373)	(537)
Partial redemption of 2020 Debentures	9d	(3,000)	-
Repurchases of 2018 and 2020 Debentures	9c,9d	(2,083)	(2,377)
Repurchase costs for 2018 and 2020 Debentures		(42)	(60)
Debt restructuring costs		-	(1,714)
Net cash used in financing activities		(25,447)	(17,168)
Impact of foreign exchange rate changes on cash and cash equivalents		4	189
Increase (decrease) in cash and cash equivalents		**489**	**(221)**
Cash and cash equivalents, beginning of year		2,783	3,004
Cash and cash equivalents, end of year		**$ 3,272**	**$ 2,783**

See accompanying notes to the consolidated financial statements.

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

Note to Reader – Share consolidation:

As explained in Note 12b, in April 2017, the Company completed a 1 for 15 common share consolidation which also resulted in amendments to conversion prices for outstanding debentures, exercise prices and numbers of stock options and warrants. All references in these consolidated financial statements (the "financial statements") to common shares, earnings per share, numbers and pricing of options, warrants and other securities, as applicable, including those that pre-date the common share consolidation are retrospectively restated on a post-consolidation basis.

1. NATURE OF OPERATIONS

Gran Colombia Gold Corp. and its subsidiaries (collectively the "Company") are engaged in the acquisition, exploration, development and operation of gold properties in Colombia. The Company is incorporated under the laws of the Province of British Columbia. The head office of the Company is located at 401 Bay Street, Suite 2400, Toronto, Ontario, M5H 2Y4 and its registered office is located at 1188 West Georgia Street, Suite 650, Vancouver, British Columbia, V6E 4A2. The Company also has an office in Medellin, Colombia.

2. BASIS OF PRESENTATION

These financial statements, approved by the Board of Directors on March 27, 2018, have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, and are presented in U.S. dollars, rounded to the nearest thousand except when otherwise indicated. They have been prepared on a going concern basis assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due for the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

Consolidation

These financial statements comprise the financial statements of the Company including its subsidiaries at December 31, 2017.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity.

The Company and its significant subsidiaries, all of which have a December 31 year end, are as follows:

Entity	Property/function	Location	Functional currency(1)	December 31, 2017	December 31, 2016
Gran Colombia Gold Corp.	Corporate	Canada	USD		
Gran Colombia Gold, S.A.	Corporate	Panama	USD	100%	100%
Zandor Capital, S.A. Sucursal	Segovia Operations	Colombia	COP	100%	100%
Mineros Nacionales, S.A.S.	Marmato Underground	Colombia	COP	100%	100%
Minerales Andinos de Occidente, S.A.	Marmato Project	Colombia	COP	100%	100%
Minera Croesus S.A.S.	Marmato Project	Colombia	COP	100%	100%
Zancudo Gold Sucursal	El Zancudo	Colombia	COP	100%	100%

(1) "USD" = U.S. dollar; "COP" = Colombian peso

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Foreign currency translation

a) Functional and presentation currencies

Items included in the financial statements of each entity consolidated by the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of each of the Company’s significant subsidiaries is disclosed in the table under “Consolidation” above. The financial statements are presented in U.S. dollars as the Company believes this will facilitate comparison with other mining and resource companies.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions or revaluation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of operations in “foreign exchange gain (loss)”.

c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
ii) income and expenses for each consolidated statement of operations and cash flows for the years presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
iii) components of equity are translated at the exchange rates at the dates of the relevant transactions or at average exchange rates where this is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, and are not re-translated; and
iv) all resulting exchange differences are recognized in other comprehensive income (loss).

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of operations as part of the gain or loss on sale.

Segment reporting

Reportable segments are those whose operating results are reviewed by the chief operating decision-maker, identified as the Executive Committee of the Board of Directors, which is responsible for allocating resources and assessing performance.

The Company currently operates in one reportable operating segment, being the acquisition, exploration, development and operation of gold properties in Colombia.

Business combinations

The Company uses the acquisition method of accounting for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the

Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of operations.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, term deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included in liabilities as bank indebtedness. As at December 31, 2017 and 2016, cash and cash equivalents were comprised solely of cash balances.

Accounts receivable

Receivables are measured at amortized cost using the effective interest method less a provision for impairment. Provision is made in the allowance for doubtful accounts based on management's best estimate of the accounts receivable balances that may not be collectible.

Inventories

Mineral inventories are valued at the lower of average production cost and net realizable value ("NRV"). The cost of mineral inventories includes all costs related to bringing the inventory to its current condition, including mining and processing costs, labour costs, supplies, direct and allocated indirect operating overhead and depreciation expense. Materials and supplies inventories are valued at the lower of cost and NRV, where cost is based on a first in, first out basis. Net realizable value is the estimated selling price less applicable selling expenses.

Exploration and evaluation ("E&E") assets

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditures include costs which are directly attributable to:

- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods;
- completing pre-feasibility and feasibility studies; and
- costs incurred in acquiring mineral rights.

E&E expenditures are capitalized and are classified as such until the project demonstrates technical feasibility and commercial viability. Technical feasibility and commercial viability generally coincide with the establishment of proven and probable reserves; however, they may also occur when the Company makes a decision to proceed with development or begins production. Upon demonstrating technical feasibility and commercial viability, and subject to an impairment analysis, capitalized exploration and evaluation costs are transferred to mineral properties within property, plant and equipment.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation, amortization and impairment charges. Cost includes expenditures that are directly attributable to the acquisition and are recorded as part of the development and construction of the asset. Costs to acquire mineral properties are capitalized and represent the property's fair value at the time it was acquired, either as an individual asset purchase or as part of a business combination.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognized. All other repairs and maintenance costs are charged to the consolidated statement of operations during the financial period in which they are incurred.

Amortization of mineral properties is charged to cost of sales on a unit-of-production basis based upon proven and probable reserves and estimated mineable mineral resources or until the properties are abandoned, sold or considered to be impaired in value. Mineral properties are tested for impairment in accordance with the policy for impairment of non-financial assets as set out below. Land is not depreciated.

Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Machinery and equipment	10 years
Transportation equipment	5 years
Office and other equipment	5 to 10 years
Buildings and improvements	20 years

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates each component separately. The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "other income (expense)" in the consolidated statement of operations.

Borrowing costs

Borrowing costs attributable to the acquisition, development or construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. The Company does not capitalize borrowing costs related to exploration and evaluation assets. All other borrowing costs are recognized as finance costs in the consolidated statement of operations in the period in which they are incurred.

Current and deferred income tax

The provision for income tax for the year comprises current and deferred income tax. Income tax is recognized in the consolidated statement of operations, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

Deferred income tax is recognized using the asset and liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined on a non-discounted basis using tax rates (and laws) that have been enacted or substantively enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income 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 on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Decommissioning liabilities

Decommissioning liabilities arise from the development, construction and normal operation of mining property, plant and equipment as mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations.

The estimated present value of reclamation liabilities is recorded in the period in which the liabilities are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated on a unit-of-production basis. The liability will be increased each period to reflect the interest element and will also be adjusted for changes in the discount rates and in the estimates of the amount, timing and cost of the work to be carried out.

Future remediation costs are accrued based on management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Changes in estimates are reflected by adjusting the decommissioning liability and the related asset in the period during which an estimate is revised. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs they will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. The estimates are dependent on labour costs, known environmental impacts, the effectiveness of remedial and restoration measures, inflation rates and pre-tax interest rates that reflect current market assessment of time value of money. The Company also estimates the timing of the outlays, which is subject to change depending on continued exploitation and newly discovered mineral reserves.

Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

Provisions for other liabilities and charges

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are based on management's best estimate of the expenditure required to settle the obligation and are generally measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance costs.

Post-retirement benefits – health plan obligations

In connection with the 2010 Frontino Gold Mines Ltd. ("Frontino") assets ("Segovia Operations") acquisition, the Company agreed to provide the funds required to pay all of the obligatory ongoing health contributions of the participants of the predecessor company's pension plan. Actuarial gains and losses resulting from variances between actual results and economic estimates or actuarial assumptions are recorded in other comprehensive income. Changes in the present value of the obligation due to amendments or changes to the plan are recorded in profit or loss. Payments made in respect of these benefits are accounted for as operating activities.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of gold and silver. Revenue is recognized upon the transfer of the ownership risks and benefits to the buyer which is generally simultaneous with delivery, when the price is fixed or determinable, and when the Company has reasonable assurance with respect to the measurement and collectability.

Share-based payments

The Company records equity-settled share-based payments under which the entity receives services from employees, consultants and directors as consideration for equity instruments (options) of the Company. For employees and others providing similar services, the total amount to be expensed is based on the fair value of the options granted.

The fair value is determined using the Black-Scholes model on grant date. Measurement inputs include share price on measurement date, exercise price, expected volatility, expected life, expected dividends, expected forfeiture rate and the risk-free interest rate.

The compensation expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of operations with a corresponding adjustment to equity.

For transactions with other third parties, the fair value of the services received in exchange for the grant of the options is recognized as an expense or asset unless the fair value of the services received cannot be reliably measured, in which case the service is measured based on the fair value of the equity instruments granted.

Earnings per share

Basic income per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period.

Provided that they are not anti-dilutive, diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. This method assumes that proceeds received from the exercise of stock options and warrants and any unamortized share-based compensation amounts are used to repurchase common shares at the prevailing market rate. The dilutive effect of the 2018 Debentures, the 2020 Debentures and the 2024 Debentures is calculated using the if-converted method. Under the if-converted method, the debentures are assumed to be converted at the beginning of the period, and the resulting common shares are included in the denominator of the diluted earnings per share calculation for the entire period being presented. Interest expense, net of any income tax effects, is added back to the numerator for purposes of the if-converted calculation.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Cash and cash equivalents	Loans and receivables
Accounts receivables	Loans and receivables
Investments	Available-for-sale financial assets
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Term loans	Other financial liabilities
Finance leases	Other financial liabilities
Silver Notes	Financial liabilities at fair value through profit and loss
Gold Notes	Financial liabilities at fair value through profit and loss
2018 Debentures	Other financial liabilities
2020 Debentures	Other financial liabilities
2024 Debentures	Other financial liabilities

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain and loss in other comprehensive income is transferred to net earnings.

Other financial liabilities

Borrowings and other financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, these are measured at amortized cost using the effective interest method. Other financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss. Prior to their settlement, the Company's Gold Notes and Silver Notes were financial liabilities at fair value through profit and loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separate embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses in liabilities held for trading are recognized in profit or loss.

Fair value hierarchy

IFRS requires an entity to classify financial assets and liabilities that are recognized in the statement of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. 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).

Impairment and Reversal of Impairment

Financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Non-financial assets

Assets that are subject to amortization are reviewed for impairment, or reversal of impairment, as the case may be, whenever events or changes in circumstances indicate there is a change in the recoverability of the carrying amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows (cash generating units or "CGUs"), which are typically the individual mining projects. The estimates used for impairment reviews are based on detailed mine plans and operating budgets, modified as appropriate to meet the requirements of IAS 36, *Impairment of Assets*. If the Company does not have sufficient information on its mine development costs to estimate the cash flows to review the recoverability of capitalized costs, the Company determines impairment by comparing the fair value to book value, without considering value in use.

When evaluating the value in use, value in use is determined based on discounted cash flow models taking into consideration estimates of the quantities of the reserves and mineral resources, future production levels, future gold prices, and future cash costs of production, capital expenditure, shutdown, restoration and environmental clean-up. Assumptions used are specific to the Company and the discount rate applied in the value in use test is based on the Company's estimated weighted average cost of capital with appropriate adjustment for the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecasted cash flows.

When evaluating fair value less costs of disposal, fair value is determined based on the amount that could be obtained in an arm's length transaction and generally uses a discounted cash flow model based on the present value of estimated future cash flows, including future expansions or development projects. In a fair value less costs of disposal analysis the assumptions used are those that a market participant would be expected to apply.

An impairment charge is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded in the consolidated statement of operations. Non-financial assets, other than goodwill, that were previously impaired are reviewed for possible reversal of the impairment at each reporting date when an event warrants such consideration. The reversal is limited to the carrying value that would have been determined, net of any applicable depreciation, had no impairment charge been recognized in prior years.

Accounting Standards Adopted

On January 19, 2016, the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The implementation of this amendment did not have a material impact on the Company's financial statements.

In January 2016, the IASB issued amendments to IAS 7 *Statement of Cash Flows*. The amendments apply prospectively for annual periods beginning on or after January 1, 2017. These amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The implementation of this amendment did not have a material impact on the Company's financial statements.

Recent accounting pronouncements

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2017, and have not been applied in preparing these financial statements.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). The standard replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRS Interpretations Committee ("IFRIC") 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Company has completed a preliminary analysis of the new standard and has concluded that implementation of the new standard will not have a material impact on the measurement of the Company's revenue.

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments ("IFRS 9")* which will replace IAS 39, *Financial Instruments* ("IAS 39"). This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition and measurement of financial instruments with two classification categories: amortized cost and fair value. As well, under the new standard a single impairment method is required, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes a substantially reformed approach to hedge accounting that aligns accounting more closely with risk management. The Company is in the process of determining the impact of IFRS 9 on its financial statements.

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided that IFRS 15 is also adopted. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and liability calculated using a prescribed methodology. The Company is in the process of identifying and evaluating all leasing contracts that may be impacted by IFRS 16. The Company plans to complete the analysis on the impact of adopting IFRS 16 in its financial statements by the end of 2018.

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payments* which include guidance on how to measure the fair value of the liability incurred in a cash-settled share-based payments and clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments (i.e. the modified grant date method). The amendments also clarify the conditions under which a share-based payment transaction with employees settled net of tax withholding is accounted for as equity-settled. Additional amendments clarify the accounting for modifications to plans that result in plans changing from equity to cash settled. Companies are required to apply the amendments for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company believes that implementation of the new standard will not have a material impact in its financial statements in future periods.

In December 2016, the IASB issued IFRIC 22, *Foreign Currency Transactions and Advance Consideration* ("IFRIC 22"), which clarifies the date that should be used for translation when a foreign currency transaction involves an advance payment or receipt. IFRIC 22 is applicable for annual periods beginning on or after January 1, 2018. The Company is in the process of determining the impact of IFRIC 22 on its financial statements.

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23"). The interpretation seeks to provide guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted. The Company intends to adopt IFRIC 23 in its financial statements for the annual period beginning on January 1, 2019. The Company is in the process of determining the impact of IFRIC 23 on its financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the Company.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to use judgment in applying its accounting policies and estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Judgments and estimates are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ significantly from the amounts included in the financial statements.

a) Significant Judgments in the application of accounting policies

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are as follows:

E&E assets

E&E assets are tested for impairment when indicators of impairment are present. In assessing impairment for E&E assets, the Company is required to apply judgment in considering various factors that determine technical feasibility and commercial viability.

Management has determined that E&E costs incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of inferred resources to measured and indicated resources, scoping and feasibility studies, operating management expertise and existing permits.

Assets' carrying values and impairment charges

In determination of carrying value and impairment charges, management looks at the higher of value in use and fair value less costs of disposal in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management use judgment when making a decision based on the best available information at each reporting period.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the consolidated provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

At each reporting date, the Company evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if the Company believes that it is probable that some portion of the deferred tax assets will fail to be realized, the Company records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires management to make significant judgments.

b) Significant accounting estimates and assumptions

The areas which require management to make significant estimates and assumptions in determining carrying values include:

Mineral reserves and resources

The Company's mineral reserves and resources are estimated based on information compiled by the Company's qualified persons. Mineral reserves and resources are used in the calculation of amortization and depletion, for the purpose of calculating any impairment charges, and for forecasting the timing of the payment of shutdown, restoration, and clean-up costs.

In assessing the life of a mine for accounting purposes, mineral reserves and resources are only taken into account where there is a high degree of confidence of economic extraction. There are numerous uncertainties inherent in estimating mineral reserves and resources, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Mineral reserves and resource estimates may vary as a result of changes in the price of gold, production costs and with additional knowledge of the ore deposits and mining conditions. Changes in the measured and indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, reclamation and remediation obligations, recognition of deferred tax amounts and depreciation, depletion and amortization.

Impairment and Reversal of Impairment

Non-financial assets are tested for impairment, or reversal of impairment, when events or changes in circumstances indicate there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment review was completed. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant industry or economic trends, and current, historical or projected losses that demonstrate continuing losses.

The fair value measurement of the Company's non-financial assets, for the purpose of comparison with the carrying value, is based on numerous assumptions and may differ significantly from actual fair values.

The fair values are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated fair values of non-financial assets to their carrying values. The Company's fair value estimates are based on numerous assumptions including, but not limited to, estimated gold prices, operating costs, recoveries, resources, capital and site restoration expenditures and estimated future foreign exchange rates. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's financial position and results of operations. Reserve and resource estimates are the most important variable in the Company's fair value estimates. A change in the Company's reserves and resources may result in an impairment charge or reversal of impairment, as the case may be, which could impact the Company's net income.

Management's estimate of future cash flows is subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur with evolving economic conditions, which may affect recoverability of the Company's non-financial assets.

Amortization of mineral properties

The mineral properties balance is amortized using the units-of-production method over the expected operating life of the mine based on estimated recoverable ounces of gold, which are the prime determinants of the life of a mine. Estimated recoverable ounces are based on proven and probable reserves and estimated mineable mineral resource balances. Changes in these estimates will result in changes to the amortization charges over the remaining life of the operation. A change in reserves and resources would change amortization expense, and this could have a material impact on the operating results.

Fair values of the 2018 Debentures, 2020 Debentures, and 2024 Debentures

The 2018 Debentures, 2020 Debentures, and 2024 Debentures represent other financial liabilities recorded at fair value on the dates they were issued and subsequently measured at amortized cost. The initial fair value ascribed to each of the debentures is being accreted up to the principal amount over the term of the debentures using the effective interest method with the change in amortized cost being recognized through profit and loss. Fair values have been determined based on a valuation methodology that captured all of the features of the respective notes in a set of partial differential equations solved numerically to arrive at the value of these debentures on the date of issuance. The fair value estimates are based on numerous assumptions including, but not limited to, commodity prices, time value, volatility factors, risk-free rates and credit spreads.

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

Fair values of the Gold Notes and the Silver Notes

The Gold Notes and the Silver Notes, prior to their exchange for the 2020 Debentures and 2018 Debentures respectively, represented financial liabilities held at fair value with the change in fair value being recognized through profit and loss. Fair values have been determined based on a valuation methodology that captures all of the features of the respective notes in a set of partial differential equations that are then solved numerically to arrive at the value of the notes. The fair value estimates are based on numerous assumptions including, but not limited to, commodity prices, time value, volatility factors, risk-free rates and credit spreads. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's financial position and results of operations.

Decommissioning liabilities

The Company assesses its provision for reclamation and remediation on a quarterly basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. Future changes to environmental laws and regulations could also change the extent of reclamation and remediation work required to be performed by the Company. Changes in future costs could materially impact the amounts charged to operations for such obligations and to mineral properties. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. Actual future expenditures may differ from the amounts currently provided.

5. INVENTORIES

	December 31, 2017	December 31, 2016
Mineral inventories	$ 2,517	$ 2,381
Materials and supplies	10,413	8,447
	$ 12,930	$ 10,828

6. MINING INTERESTS

	Mineral properties	Plant and equipment	Construction in progress	E&E assets	Total
Year ended December 31, 2016					
Opening net book value	$ 58,711	$ 23,834	$ 45,617	$ 222,526	$ 350,688
Additions	5,589	6,947	2,637	401	15,574
Transfers from construction in progress	8,107	6,929	(15,036)	-	-
Decrease in decommissioning liability	(583)	-	-	-	(583)
Depreciation and amortization	(8,601)	(4,241)	-	-	(12,842)
Impairment charges (Note 7)	-	-	(17,008)	-	(17,008)
Disposal of mining interests	-	(161)	-	(958)	(1,119)
Exchange difference	2,099	937	945	10,307	14,288
Closing net book value	$ 65,322	$ 34,245	$ 17,155	$ 232,276	$ 348,998
As at December 31, 2016					
Cost	$ 185,748	$ 58,695	$ 48,988	$ 237,103	$ 530,534
Accumulated depreciation, amortization and impairment charges	120,426	24,450	31,833	4,827	181,536
Net book value	$ 65,322	$ 34,245	$ 17,155	$ 232,276	$ 348,998

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

	Mineral properties	Plant and equipment	Construction in progress	E&E assets	Total
Year ended December 31, 2017					
Opening net book value	$ 65,322	$ 34,245	$ 17,155	$ 232,276	$ 348,998
Additions	10,523	5,821	9,755	745	26,844
Transfers from construction in progress	-	1,380	(1,380)	-	-
Increase in decommissioning liability	104	-	-	-	104
Depreciation and amortization	(13,893)	(5,217)	-	-	(19,110)
Reversal of Impairment (Note 7)	41,138	4,169	-	-	45,307
Exchange difference	953	212	(25)	1,293	2,433
Closing net book value	$ 104,147	$ 40,610	$ 25,505	$ 234,314	$ 404,576
As at December 31, 2017					
Cost	$ 197,118	$ 65,297	$ 57,460	$ 239,143	$ 559,018
Accumulated depreciation, amortization and impairment charges	92,971	24,687	31,955	4,829	154,442
Net book value	$ 104,147	$ 40,610	$ 25,505	$ 234,314	$ 404,576

A summary of mining interests by property is as follows:

	Mineral properties	Plant and equipment	Construction in progress	E&E assets	December 31, 2017	December 31, 2016
Segovia Operations	$ 104,147	$ 31,397	$ 25,505	$ -	$ 161,049	$ 107,725
Marmato Project	-	9,213	-	234,314	243,527	241,273
Total	$ 104,147	$ 40,610	$ 25,505	$ 234,314	$ 404,576	$ 348,998

A summary of the depreciation recorded during the years ended December 31 is as follows:

	2017	2016
Cost of sales	$ 18,367	$ 12,546
General and administrative expenses	49	17
Total charged to operations	18,416	12,563
(Increase) decrease in inventories	(82)	180
Capitalized to mineral properties and E&E assets	776	99
	$ 19,110	$ 12,842

Segovia Operations social contributions

In connection with the acquisition of the Segovia Operations, the Company agreed to make contributions to a trust account to fund local social programs in each quarter in which it produces a minimum of 15,000 ounces of gold. The contribution rate is $4 per ounce of gold production at the minimum gold price of $700 per ounce and increases by $2 per ounce for each $50 increment in the price of gold. Based on the Company's gold production during the year ended December 31, 2017, the Company incurred a total obligation for social contributions of $4.1 million (2016 – $3.2 million). As at December 31, 2017, $1.5 million was included in accounts payable and accrued liabilities related to this obligation (December 31, 2016 – $0.8 million).

Marmato Project commitments

(i) *Mining title contracts – title transfers approved*: The Company has entered into agreements to purchase additional mining titles related to the Marmato property. The transfer of title is conditional on approval by government authorities. As at December 31, 2017, COP 1.1 billion ($0.4 million) is included in amounts payable for acquisition of mining interests related to title acquisitions for which approval for the transfer has been obtained (December 31, 2016 – COP 2.6 billion; $0.9 million).

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

(ii) *Mining title contracts – title transfers pending approval*: The Company has mining title contracts for which the approval for the transfer of title has not yet been obtained from the government authorities. If government approval is not obtained, the Company will forfeit any amounts previously paid and will no longer be required to make further payments. As of December 31, 2017, the Company has commitments under these contracts to spend an additional COP 12.2 billion ($4.1 million) which has not been included in amounts payable for acquisition of mining interests.

(iii) *Compensation agreements*: In 2011 and 2012, the Company entered into agreements to compensate artisanal miners who would be required to cease mining activities at the Company's Marmato property upon commencement of open pit development activities. As at December 31, 2017, a total of COP 31.9 billion ($10.7 million) including interest, is included in amounts payable for acquisition of mining interests related to these agreements. Payments related to these agreements have been suspended since 2013 and the Company is currently evaluating its options with respect to these obligations in light of its expected future underground development activities at Marmato (December 31, 2016 – COP 30.3 billion; $10.1 million).

7. IMPAIRMENT AND REVERSAL OF IMPAIRMENT

	Years ended December 31, 2017	2016
Segovia Operations (Note 6)		
Reversal of previous impairment charges (a)		
Mineral properties	$ (41,138)	$ -
Plant and equipment	(4,169)	-
Impairment charge related to construction in process (b)	-	17,008
	$ (45,307)	$ 17,008

a) Segovia Operations – 2017 reversal of previous impairment charges

In the second quarter of 2017, in light of the increased mineral resource estimate for the Segovia Operations reported by the Company in April 2017 and the ensuing update of the life-of-mine (LOM) plan, the Company completed an assessment of the recoverable amount of the Segovia Operations cash generating unit ("CGU"). In this assessment, the fair value (less estimated cost of disposal) of the Segovia Operations CGU was evaluated based on the updated mine plan using Level 3 valuation techniques, including future LOM after-tax cash flows and estimates of future metals prices, operating costs, capital expenditures, inflation and foreign exchange rates. The recoverable amount of the asset was then determined by discounting the LOM after-tax cash flow projections with assumptions that would be expected to be applied by market participants including a discount rate of 7.75%, a gold price of $1,250 per ounce in 2017 and long-term gold prices beyond 2017 of $1,250. Based on this review, the estimated recoverable amount of the Segovia Operations CGU exceeded the carrying value, and as such, a $45.3 million pre-tax reversal of impairment ($30.4 million after-tax) was recognized and allocated to the mineral properties and plant and equipment for the Segovia Operations.

b) Segovia Operations -2016 impairment charge

In the fourth quarter of 2016, the Company completed an assessment of the carrying value of the remaining construction in process assets associated with the new 2,500 tonnes per day processing plant at Segovia. Based on its then-current mine plan, the Company determined that for the foreseeable future, the new plant would not be required. Certain equipment originally acquired for the new plant has already been incorporated into upgrades at the existing Maria Dama plant and the Company expects that it will recover the carrying value of certain other components through upgrades of its existing processing plants or sale. However, the Company recorded an impairment charge of $17.0 million in the fourth quarter of 2016 for expenditures associated with earthworks, buildings and project related overheads which may not be recoverable.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Trade payables related to operating, general and administrative expenses	$ 12,285	$ 11,683
Trade payables related to capital expenditures	2,768	1,251
Withholding taxes payable	1,547	1,271
Other provisions and accrued liabilities	2,156	2,422
Total accounts payable and accrued liabilities	$ 18,756	$ 16,627

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

9. LONG-TERM DEBT

	Maturity	Currency	Interest Rate	December 31, 2017	December 31, 2016
Term loan (a)	2017	COP	Variable	$ -	$ 937
Finance leases (b)	2017 to 2019	COP	Variable	439	715
2018 Debentures (c)	2018	USD	1%	33,913	23,375
2020 Debentures (d)	2020	USD	6%	34,833	61,227
2024 Debentures (e)	2024	USD	8%	29,967	-
Total long-term debt				99,152	86,254
Less: current portion				34,271	1,232
Long-term portion				$ 64,881	$ 85,022

a) Term loan

On maturity in August 2017, the Company completed its repayment of amounts owing pursuant to a term loan with a Colombian bank (December 31, 2016 – COP 2.8 billion or $0.9 million). At maturity, all remaining funds in the associated restricted cash account were released (December 31, 2016 - $0.2 million).

b) Obligations under finance leases

At December 31, 2017, the Company had three finance leases related to mining and other equipment used in the Company's Segovia Operations. The leases are paid in monthly instalments over five-year terms and, at the end of the leases, the Company has the option to purchase the equipment for a total of COP 0.4 billion, equivalent to 10% of the original value or approximately $0.1 million. The leases have an average effective interest rate of 9.41%. The present value of the net minimum lease payments under these arrangements is as follows:

	December 31, 2017	December 31, 2016
Within 1 year	$ 384	$ 329
2-5 years, including purchase option	84	468
Total minimum lease payments	468	797
Amount representing interest	(29)	(82)
Present value of net minimum lease payments	$ 439	$ 715

c) 2018 Debentures and Silver Notes (Note 22)

Silver Notes	Number of Silver Notes	Amount
As at December 31, 2015	78,632	$ 38,408
Additional interest in arrears, including interest thereon	-	103
Interest in arrears capitalized to Silver Notes on the Exchange Date	-	(2,490)
Silver Notes issued to settle arrears interest	2,490	828
Silver notes issued for 2% restructuring fee (Note 16)	1,572	522
Gain on mark-to-market adjustment at Exchange Date (Note 17)	-	(9,884)
Silver Notes converted to common shares on Exchange Date (Note 12b)	(11,526)	(3,831)
Silver Notes exchanged for 2020 Debentures at the Exchange Date	71,168	$ 23,656

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

2018 Debentures	Number of 2018 Debentures	Amount
Principal amount issued on the Exchange Date	71,168	$ 71,168
Initial discount	-	(47,512)
Value allocated to conversion option	-	(2,213)
Value allocated to debt at the Exchange Date	71,168	21,443
Converted to common shares (Note12b)	(20,642)	(7,800)
Purchased and cancelled	(782)	(313)
Accretion of discount (Note 16)	-	10,045
As at December 31, 2016	49,744	23,375
Converted to common shares (Note 12b)	(4,584)	(2,410)
Accretion of discount (Note 16)	-	12,948
As at December 31, 2017	45,160	$ 33,913
Total principal amount issued and outstanding	45,160	$ 45,160
Balance of discount to be accreted	-	(11,247)
	45,160	$ 33,913

On January 20, 2016 (the "Exchange Date"), the Company's Senior Unsecured Silver-Linked Notes ("Silver Notes") were exchanged pursuant to a comprehensive debt restructuring for Senior Unsecured Convertible Debentures due 2018 ("2018 Debentures"). In addition, the Company issued 5,910,000 common shares (on a post-consolidation basis) to certain holders of Silver Notes who elected to receive common shares in exchange for $11.5 million principal amount of Silver Notes, including all corresponding accrued and unpaid interest and applicable restructuring fees as of the Exchange Date.

The 2018 Debentures mature on August 11, 2018 and, as such, are classified in current liabilities at December 31, 2017. On maturity, provided that no event of default shall have occurred and be continuing, the Company may, at its option, elect to satisfy its obligation to repay the principal plus accrued and unpaid interest amounts (the "Outstanding Balance") by issuing and delivering that number of common shares obtained by dividing the Outstanding Balance by $1.95. However, should the volume-weighted average trading price of the Company's common shares traded during the 20 consecutive trading days ending five trading days prior to August 11, 2018 be below $1.95 per common share, 19% of the Outstanding Balance must be settled in cash and 81% of the Outstanding Balance may be settled, at the Company's option, in cash or by issuing and delivering that number of common shares at $1.95 per common share. The 2018 Debentures are convertible into common shares at any time prior to maturity at the election of the holder based on a conversion price of $1.95 per common share (this represents a conversion rate of approximately 513 common shares per $1,000 principal amount of 2018 Debentures).

The 2018 Debentures consist of two separate financial instruments, a debt component (the 1% coupon unsecured debenture, issued in denominations of $1.00) and an equity component (the conversion option). On issuance, the Company valued the principal amount of the debenture first and allocated the residual amount to the conversion option, which is recorded in contributed surplus. The principal amount of the 2018 Debentures is a financial liability and has been designated at amortized cost. As such, the 2018 Debentures were recorded at fair value at January 20, 2016 (the "Exchange Date") and are subsequently measured at amortized cost using the effective interest method. The initial fair value ascribed to the debentures is being accreted up to the principal amount over the term of the debentures using the effective interest method, resulting in an effective interest rate of 47.9%, including the 1% coupon. The 2018 Debentures are classified as Level 2 in the fair value hierarchy outlined in IFRS 13, Financial Instruments: Disclosures ("IFRS 13") as the fair value has been determined based on inputs, including gold prices, time value, volatility factors, risk-free rate, stock price, and credit spread, which can be substantially observed or corroborated in the marketplace.

During the year ended December 31, 2017, debenture holders elected to convert a total of $4.6 million aggregate principal amount of 2018 Debentures into 2,350,630 common shares. Subsequent to December 31, 2017, debenture holders have elected to convert an additional $1.2 million aggregate principal amount of 2018 Debentures into 602,517 common shares.

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

Under the terms of the 2018 Debentures, the Company must deposit 25% of its Excess Cash Flow, as defined below, into a sinking fund, which will be applied towards repayment, repurchase (in the market, by tender, or by private contract, at any price, which, for greater certainty, may be below par) or other redemption, as the Company elects, of the 2018 Debentures. "Excess Cash Flow" means with respect to any fiscal quarter of the Company, consolidated EBITDA for such fiscal quarter less capital, development and exploration expenditures, cash payments of principal and interest on debt, changes in non-cash working capital items and payment of taxes and certain other existing financial obligations of the Company. During the year ended December 31, 2017, the Company generated a total of $16.4 million of Excess Cash Flow (2016 - $2.9 million), of which $4.1 million has been deposited into the 2018 Debentures' sinking fund (2016 - $0.7 million).

On July 21, 2016, the Company commenced a Normal Course Issuer Bid for its 2018 Debentures ("2018 NCIB") which remained open until July 20, 2017. Under the terms of the 2018 NCIB, the Company had the right to purchase for cancellation up to a maximum of $6.6 million aggregate principal amount of 2018 Debentures through the facilities of the TSX or alternative Canadian trading systems. In the year ended December 31, 2016, the Company used $0.6 million of the cash in the 2018 Debentures' sinking fund to repurchase and cancel a total of $0.8 million aggregate principal amount of 2018 Debentures under the 2018 NCIB and recognized a loss on the repurchase of $0.3 million. The Company made no repurchases under the 2018 NCIB in 2017.

As at December 31, 2017, there was a balance of $4.3 million in the 2018 Debentures' sinking fund included in current cash in trust (December 31, 2016 - $0.2 million in non-current cash in trust).

d) 2020 Debentures and Gold Notes (Note 22)

Gold Notes	Number of Gold Notes	Amount
As at December 31, 2015	100,000	$ 62,332
Additional interest in arrears, including interest thereon	-	256
Interest in arrears capitalized to Gold Notes on the Exchange Date	-	(2,148)
Gold Notes issued to settle arrears interest	2,148	1,145
Gold notes issued for 2% restructuring fee (Note 16)	2,000	1,066
Gain on mark-to-market adjustment at Exchange Date (Note 17)	-	(7,140)
Gold Notes converted to common shares on Exchange Date (Note 12b)	(156)	(84)
Gold Notes exchanged for 2020 Debentures at the Exchange Date	103,992	$ 55,427

2020 Debentures	Number of 2020 Debentures	Amount
Principal amount issued on the Exchange Date	103,992	$ 103,992
Initial discount	-	(48,565)
Value allocated to conversion option	-	(1,705)
Value allocated to debt at the Exchange Date	103,992	53,722
Converted to common shares (Note 12b)	(698)	(371)
Purchased and cancelled	(2,134)	(1,251)
Accretion of discount (Note 16)	-	9,127
As at December 31, 2016	101,160	61,227
Accretion of discount (Note 16)	-	7,685
Purchased and cancelled	(2,509)	(1,625)
Partial redemption	(3,000)	(2,001)
2020 Debentures exchanged for 2024 Debentures	(46,955)	(30,453)
As at December 31, 2017	48,696	$ 34,833
Total principal amount issued and outstanding	48,696	$ 48,696
Balance of discount to be accreted	-	(13,863)
	48,696	$ 34,833

On the Exchange Date, the Company's Senior Secured Gold-Linked Notes ("Gold Notes") were exchanged pursuant to a comprehensive debt restructuring for Senior Secured Convertible Debentures due 2020 ("2020 Debentures"). In addition, the Company issued 80,113 common shares (on a post-consolidation basis) to certain holders of Gold Notes who elected to receive common shares in exchange for $0.16 million principal amount of Gold Notes, including all corresponding accrued and unpaid interest and applicable restructuring fees as of the Exchange Date.

The 2020 Debentures mature on January 2, 2020 and consist of two separate financial instruments, a debt component (the 6% coupon secured debenture, issued in denominations of $1.00) and an equity component (the conversion option). The debentures are convertible into common shares at any time prior to maturity at the election of the holder based on a conversion price of $1.95 per common share (this represents a conversion rate of approximately 513 common shares per $1,000 principal amount of 2020 Debentures). On issuance, the Company valued the principal amount of the debenture first and allocated the residual amount to the conversion option, which is recorded in contributed surplus. The principal amount of the 2020 Debentures is a financial liability and has been designated at amortized cost. As such, the 2020 Debentures were recorded at fair value on issuance at the Exchange Date and are subsequently measured at amortized cost using the effective interest method. The initial fair value ascribed to the debentures is being accreted up to the principal amount over the term of the debentures using the effective interest method, resulting in an effective interest rate of 22.7%, including the 6% coupon. The 2020 Debentures are classified as Level 2 in the fair value hierarchy outlined in IFRS 13 as the fair value has been determined based on inputs, including gold prices, time value, volatility factors, risk-free rate, stock price, and credit spread, which can be substantially observed or corroborated in the marketplace.

Under the terms of the 2020 Debentures, the Company must deposit 75% of its Excess Cash Flow, as defined in Note 9c, into a sinking fund, which will be applied towards repayment, repurchase (in the market, by tender, or by private contract, at any price, which, for greater certainty, may be below par) or other redemption, as the Company elects, of the 2020 Debentures. During the year ended December 31, 2017, the Company generated a total of $16.4 million of Excess Cash Flow (2016 - $2.9 million), of which $12.3 million has been deposited into the 2020 Debentures' sinking fund (2016 - $2.2 million).

On July 21, 2016, the Company commenced a Normal Course Issuer Bid for its 2020 Debentures ("2020 NCIB") which remained open until July 20, 2017. Under the terms of the 2020 NCIB, the Company had the right to purchase for cancellation up to a maximum of $9.9 million aggregate principal amount of 2020 Debentures through the facilities of the TSX or alternative Canadian trading systems. On July 21, 2017, the Company commenced a second 12-month term for its 2020 NCIB that will remain open until the earlier of July 20, 2018 or the date on which the Company has purchased the new maximum amount permitted under the 2020 NCIB of $5.2 million aggregate principal amount of 2020 Debentures.

During the year ended December 31, 2016, the Company used $1.8 million of the cash in the 2020 Debentures' sinking fund to repurchase and cancel a total of $2.1 million aggregate principal amount of 2020 Debentures under the initial 12-month term of the 2020 NCIB. In 2017, the Company used $2.1 million of the cash in the 2020 Debentures' sinking fund to repurchase and cancel $2.5 million aggregate principal amount of 2020 Debentures under the initial and second 12-month terms of the 2020 NCIB. As the carrying amount of these 2020 Debentures was $1.6 million, the Company recognized a loss on repurchase of the 2020 Debentures during the year ended December 31, 2017 of $0.5 million (2016 - $0.6 million).

On July 31, 2017, the Company used cash available in the 2020 Debentures' sinking fund to complete a partial redemption at par of $3.0 million aggregate principal amount of its 2020 Debentures. As the carrying value of these 2020 Debentures was $2.0 million, the Company recognized a loss on redemption of the 2020 Debentures during the year ended December 31, 2017 of $1.0 million.

As at December 31, 2017, after funding repurchases under the 2020 NCIB and the partial redemption, there was a balance of $7.6 million in the 2020 Debentures' sinking fund included in non-current cash in trust (December 31, 2016 - $0.4 million).

Subsequent to December 31, 2017, debenture holders have elected to convert a total of $0.7 million aggregate principal amount of 2020 Debentures into 345,403 common shares.

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

e) 2024 Debentures (Note 22)

	Number of 2024 Debentures	Amount
Principal amount issued to extinguish 2020 Debentures	46,955	$ 46,955
Initial discount	-	(8,025)
Value allocated to conversion option	-	(10,248)
Value allocated to debt on the Conversion Date	46,955	28,682
Accretion of discount (Note 12)	-	1,285
As at December 31, 2017	46,955	$ 29,967
Total principal amount issued and outstanding	46,955	$ 46,955
Balance of discount to be accreted	-	(16,988)
	46,955	$ 29,967

On May 12, 2017, the Company received the required consent from holders of the 2020 Debentures to amend the Amended and Restated Indenture dated as of January 20, 2016, as amended January 1, 2017, (the "Indenture") through a consent solicitation process (the "Consent Solicitation") to provide an option for holders to extend the maturity date of the 2020 Debentures to January 2, 2024 ("2024 Debentures"). The 2024 Debentures carry largely the same terms and conditions as the 2020 Debentures except that the maturity date has been extended and interest will be paid monthly over the remaining term of the 2024 Debentures at a coupon of 8% commencing with the first monthly interest payment on June 30, 2017. Pursuant to the Consent Solicitation, holders representing $47.0 million aggregate principal amount of 2020 Debentures elected to exchange their holdings into 2024 Debentures. On May 31, 2017 (the "Extension Date"), the Company issued $47.0 million of 2024 Debentures to extinguish the same principal amount of 2020 Debentures. The 2024 Debentures are convertible into common shares at any time prior to maturity at the election of the holder based on a conversion price of $1.95 per common share (this represents a conversion rate of approximately 513 common shares per $1,000 principal amount of 2024 Debentures).

The 2024 Debentures consist of two separate components, a debt component (the 8% coupon secured debenture, issued in denominations of $1.00) and an equity component (the conversion option). As such, on the Extension Date, the Company determined the fair value of the 2024 Debentures using an industry standard methodology which was implemented utilizing a set of coupled differential equations solved numerically using finite-difference methods. This resulted in a fair value of $38.9 million for the 2024 Debentures, of which $28.7 million was allocated to the debt component and $10.2 million was allocated to the equity component, which was recorded in contributed surplus ($7.5 million net of tax). The principal amount of the 2024 Debentures is a financial liability and has been designated at amortized cost. As such, the 2024 Debentures were recorded at fair value on the Extension Date and are subsequently measured at amortized cost using the effective interest method. The initial fair value ascribed to the debentures is being accreted up to the principal amount over the term of the debentures using the effective interest method, resulting in an effective interest rate of 15.48%, including the 8% coupon. The 2024 Debentures are classified as Level 2 in the fair value hierarchy outlined in IFRS 13 as the fair value has been determined based on inputs, including gold prices, time value, volatility factors, risk-free rate, stock price, and credit spread, which can be substantially observed or corroborated in the marketplace.

On the Extension Date, the Company recognized a gain on financial instruments in the amount of $1.4 million (net of $0.3 million of fees and expenses) associated with the extinguishment of the 2020 Debentures. In addition, the fair value of the conversion option of the 2024 Debentures issued on the Extension Date of $10.2 million was recorded as a direct charge against retained earnings, net of $2.7 million of tax.

The 2024 Debentures are governed by the same indenture as the 2020 Debentures. Under the terms of the indenture, the Excess Cash Flow deposited into the 2020 Debentures' sinking fund also serves as security for the 2024 Debentures. However, so long as there are 2020 Debentures issued and outstanding, the 2020 Debentures' sinking fund balance can only be used to repurchase, redeem or otherwise repay the 2020 Debentures. Once the 2020 Debentures have been fully settled, then the 2020 Debentures' sinking fund balance may be used to repurchase, redeem or otherwise repay the 2024 Debentures.

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

Subsequent to December 31, 2017, debenture holders have elected to convert a total of $3.6 million aggregate principal amount of 2024 Debentures into 1,858,720 common shares.

f) *Scheduled debt repayments*

	2018	2019	2020	2021	Thereafter	Total
Finance leases [(1)]	$ 82	$ 301	$ -	$ 56	$ -	$ 439
2018 Debentures [(2)]	45,160	-	-	-	-	45,160
2020 Debentures [(2)]	-	-	48,696	-	-	48,696
2024 Debentures [(2)]	-	-	-	-	46,955	46,955
	$ 45,242	$ 301	$ 48,696	$ 56	$ 46,955	$ 141,250

(1) Includes interest and purchase option.
(2) Represents the principal amount of the Debentures issued and outstanding as of December 31, 2017 at maturity assuming no prior conversions, redemptions or repurchases, as permitted, prior to maturity (Notes 9c, 9d and 9e).

10. WEALTH TAX

In December 2014, a tax reform bill amending the Colombian tax statute introduced a new wealth tax applicable for 2015 through 2017, inclusive. The taxable basis accrues annually on January 1st of each year and is payable in two instalments in each of May and September. For 2017, the wealth tax expense of $0.9 million (2016 - $2.2 million) was based on rates of up to 0.40% (2016 – 1.00%) of gross equity in Colombia (minus allowable debts) held through branches or permanent establishments located in Colombia.

11. PROVISIONS

A summary of changes to provisions is as follows:

	Decommissioning and rehabilitation	Environmental discharges	Health plan obligations	Total
As at December 31, 2015	$ 6,343	$ 9,308	$ 11,672	$ 27,323
Recognized in period	-	568	-	568
Effect of changes in estimates	(583)	(482)	588	(477)
Interest recognized in the period	-	336	-	336
Payments in the period	-	(1,259)	(812)	(2,071)
Accretion of discount	481	194	954	1,629
Exchange difference	279	464	578	1,321
As at December 31, 2016	6,520	9,129	12,980	28,629
Recognized in period	-	787	-	787
Effect of changes in estimates	104	-	512	616
Interest recognized in the period	-	59	-	59
Payments in the period	-	(2,693)	(829)	(3,522)
Accretion of discount	485	280	1,347	2,112
Exchange difference	4	50	68	122
As at December 31, 2017	$ 7,113	$ 7,612	$ 14,078	$ 28,803
Current	$ -	$ 3,261	$ 740	$ 4,001
Non-current	7,113	4,351	13,338	24,802
	$ 7,113	$ 7,612	$ 14,078	$ 28,803

a) *Decommissioning and rehabilitation provision*

Environmental obligations for the Company's Segovia Operations are governed by an environmental management plan which has been filed with the local environmental authority and is updated periodically. Although the Company is not currently required under its environmental management plan to prepare a comprehensive closure plan for the Segovia Operations, it has estimated the undiscounted costs to be incurred with respect to the ultimate mine closure and reclamation activities to be approximately COP 26.9 billion, equivalent to approximately $9.0 million at the December 31, 2017 exchange rate. As such, the

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

Company initially recorded the present value of the estimated obligation as a decommissioning liability in 2012. The provision recorded represents management's best estimate of the future reclamation and remediation obligation; however, the estimated amount is inherently uncertain and will be revised as further information becomes available. Actual future expenditures may therefore differ materially from the amounts currently provided.

	Expected date of expenditures	Inflation rate	Pre-tax risk free rate	Undiscounted cash flow
Marmato Mine	2019	4.60%	5.09%	$ 786
Segovia Operations	2020-2026	4.60%	5.09%	9,008

b) Provision for Segovia Operation environmental discharges

The Company's mining and exploration activities are subject to Colombian laws and regulations governing the protection of the environment. Colombian regulations provide for fees applicable to entities discharging effluents to river basins. At the Company's Segovia Operations, the gold processing plant had been producing discharges to the environment for many years prior to its acquisition in 2010 for which the Company has no financial obligations. Since then, the Company has taken steps to minimize and eliminate these discharges through its capital investments in its gold processing plant and the expansion of its tailings storage facilities.

In July 2013, Corantioquia, the local environmental authority, issued a resolution confirming an assessment of fees totalling COP 29.5 billion (equivalent to approximately $9.8 million at the December 31, 2017 exchange rate) for environmental discharges in 2010 and 2011 at tariff rates that significantly exceed the applicable rates that the Company believes were in effect for those particular periods. In November 2013, after further appeal to Corantioquia to appropriately amend the assessments, the Company initiated proceedings in the Colombian judicial system to seek a reduction in the assessed discharge fees. The matter is currently still in process in the judicial system. At December 31, 2017, the Company has a provision in the amount of COP 10.8 million (approximately $3.6 million) related to these fees (December 31, 2016 – COP 10.0 billion or approximately $3.3 million).

In February 2015, the Company signed a four-year payment plan agreement for settlement of COP 14.9 billion (equivalent to approximately $4.9 million at the December 31, 2017 exchange rate) related to discharge fees for 2012 and 2013, including accrued interest up to the date of commencement of the payment plan. The payment plan agreement bears interest at 19.21% per annum and will be paid in 48 escalating monthly payments which commenced in February 2015 and will run through January 2019. At December 31, 2017, the provision includes COP 7.2 (approximately $2.4 million) related to this payment plan obligation (December 31, 2016 – COP 12.2 billion or approximately $4.1 million).

In June 2016, the Company signed a four-year payment plan agreement for settlement of COP 3.8 billion (approximately $1.3 million at the December 31, 2017 exchange rate) related to discharge fees for 2014 and 2015. The payment plan agreement bears interest at 10.83% per annum and will be paid in 48 equal monthly payments which commenced in August 2016 and will run through July 2020. At December 31, 2017, the provision includes COP 2.7 billion (approximately $0.9 million) related to this payment plan obligation (December 31, 2016 – COP 3.5 billion or approximately $1.2 million).

The Company recorded a provision for the discharge fee for the year ended December 31, 2016 in the amount of COP 1.7 billion (approximately $0.6 million) representing its best estimate of the potential liability for environmental discharge fees incurred during the year. In April 2017, Corantioquia issued an invoice in the amount of COP 2.1 billion (approximately $0.7 million) related to the 2016 fees, at which time the Company recorded an additional COP 0.4 billion (approximately $0.1 million) related to these fees. This obligation was paid in December 2017.

The Company has also recorded a provision (included in operating costs) for the estimated discharge fee incurred during the year ended December 31, 2017, which will not be assessed or invoiced by Corantioquia until 2018, in the amount of COP 2.0 billion (approximately $0.7 million). This obligation is included in the current portion of provisions as the Company expects to pay the final assessment for the 2017 discharge fees within the next 12 months.

c) Provision for health plan obligations

In connection with the 2010 Frontino assets acquisition, the Company agreed to fund the obligatory ongoing health plan contributions of the participants in Frontino's pension plan. The fair value of this obligation based on an actuarial report prepared as at December 31, 2016, with an inflation rate of 4.93% and a discount rate of 9.96%, was COP 38.9 billion (approximately $13.0 million). The Company is currently paying approximately COP 0.2 billion (approximately $0.1 million) monthly to fund the obligatory health plan contributions. At December 31, 2017, non-current cash in trust includes $0.8 million deposited in a restricted fund account as security against this obligation (December 31, 2016 - $0.7 million).

12. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

b) Issued and fully paid and share consolidation

Following approval by the Company's shareholders at a Special Meeting of Shareholders held on April 24, 2017, the Company's issued and outstanding common shares were consolidated on a one post-consolidation share for every fifteen pre-consolidation shares (1:15) basis. The common shares commenced trading on a post-consolidated basis on the TSX at market open on April 27, 2017. The Company's name and trading symbols remained unchanged. All references in these financial statements to earnings per share, weighted average number of common shares outstanding, common shares issued and outstanding and authorized common shares have been adjusted to reflect the share consolidation. As a result of the consolidation, at December 31, 2017 and December 31, 2016, after rounding of fractional shares, there were 20,865,749 and 18,515,119 common shares, respectively, issued and outstanding on a post-consolidation basis.

As disclosed in Notes 9c and 9d, on the Exchange Date in 2016, the Company issued 80,113 and 5,910,888 common shares, respectively, on a post-consolidation basis, to certain holders of Gold and Silver Notes, under the Company's comprehensive debt restructuring that was implemented pursuant to a Plan of Arrangement under the *Business Corporations Act* (British Columbia). Between the Exchange Date and December 31, 2016, the Company issued an additional 10,943,970 common shares to debenture holders who elected to convert their 2018 Debentures and 2020 Debentures into common shares.

During the year ended December 31, 2017, the Company issued 2,350,630 common shares, on a post-consolidation basis, to holders of the 2018 Debentures who elected to exchange their debt for shares under the conversion option (Note 9c).

Subsequent to December 31, 2017, as disclosed in Note 9, the Company issued an additional 2,806,640 common shares to debenture holders who elected to convert their 2018 Debentures, 2020 Debentures and 2024 Debentures into common shares.

c) Share purchase warrants

Warrants (GCM.WT.A)

In connection with the March 2014 equity offering, the Company issued listed share purchase warrants expiring on March 18, 2019. After the effect of the share consolidation, warrant holders are entitled to purchase one of the Company's common shares at CA$48.75 per share in exchange for 15 warrants. As at December 31, 2017, a total of 4,211,918 warrants, representing 280,795 common shares upon issuance, were outstanding and exercisable.

Unlisted Share Purchase Warrants

On October 30, 2017, a total of 1,000,000 unlisted share purchase warrants that were outstanding and exercisable at a price of CA$281.25 per share in exchange for 15 warrants, expired unexercised.

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

d) Stock option plan

The Company has a "rolling" Stock Option Plan (the "Plan") in compliance with the TSX's policy for granting stock options. Under the Plan, the maximum number of common shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares and, to any one optionee, may not exceed 5% of the issued common shares on a yearly basis. The exercise price of each stock option will not be less than the market price of the Company's stock at the date of grant. Each stock option vesting period and expiry is determined on a grant-by-grant basis. To-date, almost all stock options granted have vested immediately and have a five-year life from the date of grant.

Per the Plan, all outstanding options were adjusted to reflect the 1:15 share consolidation (Note 12b). During 2017, a total of 1,222,993 stock options were approved to be granted to directors, management and employees of the Company. These stock options, exercisable at CA$2.55 per share, vested on the grant date, and have a five-year term to expiry. (2016 – 789,998 granted, exercisable at CA$2.55 per share).

A summary of the share-based compensation expense recorded by the Company and the inputs used in the determination of the fair values of the stock options using the Black-Scholes option pricing model is as follows:

	Years ended December 31, 2017	2016
Stock compensation expense	$ 634	$ 548
Per option	CA$0.69	CA$0.91
Weighted average Black-Scholes option pricing model inputs		
Market price of the shares on the approval date	CA$1.45	CA$1.50
Exercise price	CA$2.55	CA$2.55
Dividends expected	Nil	Nil
Expected volatility	104%	128%
Risk-free interest rate	0.80%	0.75%
Expected life of options	2.5 years	2.5 years

A summary of changes in common shares reserved for issuance pursuant to stock options on a post-consolidation basis is as follows:

	Outstanding	**Weighted average exercise price per common share (CA$)**
Balance, December 31, 2015	59,849	$ 83.55
Granted during the year	789,998	2.55
Cancelled during the year	(12,849)	311.25
Balance, December 31, 2016	836,998	3.90
Granted during the year	1,222,993	2.55
Cancelled during the year	(173,332)	2.55
Balance, December 31, 2017	1,886,659	$ 3.06

The table below summarizes information about the stock options outstanding and the common shares issuable as at December 31, 2017:

Expiry date	Outstanding and exercisable options	Common shares issuable	Remaining contractual life in years	Exercise price (CA$/share)
July 21, 2019	47,000	47,000	1.6	$ 27.60
April 1, 2021	723,332	723,332	3.3	2.55
April 3, 2022	1,034,661	1,034,661	4.3	2.55
December 12, 2022	81,666	81,666	4.9	2.55
	1,886,659	1,886,659	4.0	$ 3.17

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

13. INCOME TAX

A reconciliation between income tax expense and the product of the accounting net income (loss) before income taxes multiplied by the Company's domestic federal and provincial combined tax rate is provided below:

	Years ended December 31, 2017	2016
Income before income taxes	$ 68,442	$ 18,548
Canadian statutory income tax rate	26.5%	26.5%
Income tax expense at statutory rate	18,137	4,915
Increase (decrease) in income tax provision resulting from:		
Differences in tax rates in foreign jurisdictions	13,605	4,243
Other non-deductible expenses	2,121	4,227
Share-based compensation	154	145
Tax impact on debt discount on conversions of debentures	93	(2,144)
Deferred tax impact of tax functional currency change in Canada	-	6,009
Tax impact of future tax rate differences	(3,041)	(774)
Tax impact of change in tax rate	-	(1,024)
Expiry of tax attributes	-	1,317
Change in unrecorded deferred tax asset	525	(2,075)
Income tax expense for the year	$ 31,594	$ 14,839
Current income tax expense	$ 18,713	$ 14,702
Deferred income tax expense	12,881	137
Income tax expense for the year	$ 31,594	$ 14,839

A summary of the components of the net deferred income tax is as follows:

	December 31, 2017	December 31, 2016
Deferred tax assets		
Tax loss carry forwards	$ 12,669	$ 11,538
Provisions	744	844
Other	1,127	1,384
Deferred tax liabilities		
Mining interests	(60,104)	(39,805)
Long-term debt	(13,940)	(20,615)
Total deferred tax	$ (59,504)	$ (46,654)
Deferred tax asset	-	$ 3,268
Deferred tax liability	(59,504)	(49,922)
Total deferred tax	$ (59,504)	$ (46,654)

A summary of the movement in net deferred tax liability is as follows:

	Years ended December 31, 2017	2016
Balance at the beginning of the year	$ 46,654	$ 43,862
Recognized in profit / loss	12,881	137
Recognized in equity	-	1,008
Recognized in other comprehensive loss	(31)	1,647
Balance at the end of the year	$ 59,504	$ 46,654

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilized.

The Company has $10.9 million of ordinary losses in respect of its Colombian operations which do not expire and $39.1 million of non-capital losses in respect of its Canadian head office which expire in the years 2033 to 2037.

The Company has other deductible temporary differences, totaling $7.1 million (December 31, 2016 - $6.5 million), for which no deferred tax assets have been recognized.

14. FINANCIAL RISK MANAGEMENT

The nature of the acquisition, exploration, development and operation of gold properties exposes the Company to risks associated with fluctuations in commodity prices, foreign currency exchange rates and credit risk. It is the Company's policy that no speculative trading in derivatives shall be undertaken.

Credit risk

Details of the Company's accounts receivable by source is as follows:

	December 31, 2017	December 31, 2016
Trade	$ 1,708	$ 1,761
VAT recoverable	10,625	8,166
Receivable from sale of CIIGSA [(1)]	741	1,095
Other	1,335	1,031
Total accounts receivable	$ 14,409	$ 12,053
Current	$ 14,409	$ 11,352
Non-current	-	701
Total accounts receivable	$ 14,409	$ 12,053

(1) In 2015, the Company sold its 60% interest in the CIIGSA refinery operation in Medellin, Colombia. The amounts receivable as of December 31, 2017 and 2016 represent the present value of future non-interest bearing cash consideration being received in instalments in 2017 and 2018. In connection with the sale transaction, the Company also entered into a 12-year supply agreement pursuant to which it will continue to sell all of its gold and silver production in Colombia to the acquirer for processing at CIIGSA at market prices.

At December 31, 2017 and 2016, the Company's total accounts receivable balance was not past due.

The exposure to credit risk arises through the failure of a third party to meet its contractual obligations to the Company. The Company's exposure to credit risk arises primarily from the Company's cash balances, which are held with highly-rated Canadian and Colombian financial institutions, and accounts receivable. Although the Company is now obligated through its long-term supply agreement to sell its production to a single customer, the Company's credit risk is minimal as it receives 80% of the sales proceeds upon delivery of its production to CIIGSA and the balance within a short settlement period thereafter. In the event that CIIGSA is unable to perform under the supply agreement, the Company does have other avenues through which it can sell its production. The Company is exposed to credit risk in respect of the amounts receivable for the future instalments to be received for the proceeds on sale of CIIGSA; however, the Company believes the counterparty to the sale transaction will be able to meet its financial obligations as they come due in accordance with the sale transaction.

Foreign currency risk

The Company is exposed to foreign currency fluctuations in Colombian pesos ("COP") and Canadian dollars ("CA"). Such exposure arises primarily from expenditures that are denominated in currencies other than the functional currency. The Company monitors its exposure to foreign currency risks. To reduce its foreign currency exposure associated with operating expenses incurred in COP, the Company may enter into foreign currency derivatives to manage such risks. For the year ended December 31, 2017, the Company has not utilized derivative financial instruments to manage this risk.

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

The following table summarizes, in USD equivalents, the Company's major currency exposures as of December 31, 2017:

	CA	COP
Cash	$ 30	$ 2,999
Cash in trust	-	885
Accounts receivable	55	13,613
Accounts payable and accrued liabilities(1)	(144)	(26,200)
Long-term debt, including current portion	-	(440)
Net financial liabilities	$ (59)	$ (9,143)

1) Includes accounts payable for acquisitions of exploration and evaluation assets.

Based on the net exposure at December 31, 2017, a 10% depreciation or appreciation of the CA against the USD would have minimal impact on the Company's after-tax net income and a 10% depreciation or appreciation of the COP against the USD would result in approximately a $0.9 million increase or decrease in the Company's other comprehensive income.

Interest rate risk

The Company is exposed to interest rate risk on its outstanding borrowings, cash and restricted cash balances. The Company monitors its ongoing exposure to interest rates. The Company is exposed to interest rate cash flow risk on floating interest rate bank indebtedness and long-term debt due to fluctuations in market interest rates. The Company has not entered into any derivative agreements to mitigate this risk. Based on its borrowings as at December 31, 2017, a 1% hypothetical change in the variable interest rate would not expose the Company to a significant increase or decrease in its annual interest expense. The remainder of the Company's financial assets and liabilities are not exposed to interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent that the Company does not believe it will have sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions and, if required, renegotiate the terms of the obligations. The Company manages its liquidity risk by continuously monitoring forecast cash flow requirements.

The Company's financial obligations currently consist of the following:

- *Accounts payable and accrued liabilities*: These arise during the normal course of business and are paid from operating cash flow, and except under certain exceptions, are usually due within no later than one month. The Company from time to time also enters into payment plans to pay these amounts over extended periods, typically less than 12 months.
- *Amounts payable for acquisitions of mining interests*: Principally represents compensation agreements with artisanal miners at the Company's Marmato Project. Payments related to these compensation agreements have been suspended by the Company since 2013 and the Company is currently evaluating its options with respect to these obligations in light of its future underground development activities.
- *Long-term debt (excluding the convertible debentures):* These obligations represent borrowings under long-term facilities with financial institutions (see Note 9).
- *Convertible debentures*: As described in Notes 9c, 9d and 9e, these obligations are carried at amortized cost.

The carrying value of short-term debt, accounts payable and accrued liabilities, and amounts payable for property acquisitions approximates their respective fair values as they are short-term in nature. The carrying value of the long-term debt (excluding the Debentures) approximates its fair value as it is at floating rates.

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

Price risk

Price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. Gold and silver prices can be subject to volatile price movements, which can be material and can occur over short periods of time and are affected by numerous factors, all of which are beyond the Company's control.

Fair value risk

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table summarizes the Company's financial instruments that are carried at fair value as at December 31, 2017, in accordance with the classification of fair value input hierarchy in IFRS 13, Financial Instruments – Disclosures.

	Level 1	Level 2	Level 3	Total
Other assets:				
Investment in Tolima Gold Inc.	$ 118	$ -	$ -	$ 118

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing their classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The fair values of cash and cash equivalents, cash in trust, accounts receivable, accounts payable and accrued liabilities, and taxes payable, approximate their carrying values due to the short term to maturity of these financial instruments. The fair value of the 2024 Debentures, 2020 Debentures and 2018 Debentures at December 31, 2017 were approximately $44.6 million, $46.2 million and $38.4 million, respectively based on the quoted market price of the debentures on the TSX on or about that date.

Capital management

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to develop its mining properties into production and to maintain investor, creditor and market confidence to sustain the future development of the business. The Company considers its capital structure to include equity attributable to its shareholders ($228.8 million) and its long-term debt ($99.1 million).

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may, from time to time, issue new shares, issue new debt (secured, unsecured, convertible and/or other types of debt instruments), acquire or dispose of assets or adjust its capital spending to manage its ability to continue as a going concern. As of December 31, 2016, other than certain restrictive covenants related to additional indebtedness under the terms of the 2020 Debentures, the Company is not subject to any externally imposed capital requirements.

15. COST OF SALES

	Years ended December 31, 2017	2016
Production costs	$ 118,135	$ 99,003
Production taxes	9,263	7,990
Provision for environmental discharges (Note 11b)	787	86
Workforce reduction costs	-	728
Depreciation, depletion and amortization	18,367	12,546
	$ 146,552	$ 120,353

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

16. FINANCE COSTS

	Years ended December 31, 2017	2016
Interest expense	$ 8,281	$ 9,825
Accretion of 2018 Debentures (Note 9c)	12,948	10,045
Accretion of 2020 Debentures (Note 9d)	7,685	9,127
Accretion of 2024 Debentures (Note 9e)	1,285	-
Accretion of provisions (Note 11)	2,112	1,629
Debt restructuring costs (Notes 9c and 9d)	-	2,217
	$ 32,311	$ 32,843

17. (LOSS) GAIN ON FINANCIAL INSTRUMENTS

	Years ended December 31, 2017	2016
Gain on extinguishment of 2020 Debentures with 2024 Debentures (Note 9e)	$ 1,443	$ -
Loss on partial redemption of 2020 Debentures (Note 9d)	(999)	-
Loss on repurchase of 2018 Debentures (Note 9c)	-	(259)
Loss on repurchase of 2020 Debentures (Note 9d)	(457)	(555)
Repurchase costs for 2018 and 2020 Debentures	(42)	(60)
Gain on mark-to-market adjustment of Gold Notes (Note 9d)	-	7,140
Gain on mark-to-market adjustment of Silver Notes (Note 9c)	-	9,884
Gain on settlement of Gold Notes arrears interest (Note 9d)	-	1,003
Gain on settlement of Silver Notes arrears interest (Note 9c)	-	1,662
	$ (55)	$ 18,815

18. EARNINGS PER SHARE

The earnings per share amounts are calculated by dividing the net income for the period by the weighted average number of shares outstanding during the period.

	Years ended December 31, 2017	2016
Net income	$ 36,848	$ 3,709
Basic weighted average number of shares (thousands)	20,338	12,458
Basic and diluted earnings per common share	$ 1.81	$ 0.30

As at December 31, 2017 and 2016, the Company has a total aggregate principal amount of $140.8 million and $150.9 million, respectively, of convertible debentures issued and outstanding. The dilutive impact of these convertible debentures, including debentures repurchased, redeemed and converted into common shares during the year, on earnings per share, as if they were converted into common shares at the beginning of the respective periods, is set out as follows:

	Years ended December 31, 2017	2016
Net income	$ 36,848	$ 3,709
Add back:		
Accretion of debt discount and interest expense, net of tax	21,195	18,806
	$ 58,043	$ 22,515
Weighted average number of shares (thousands)		
Basic	20,338	12,458
Increase for assumed conversion of debentures	74,153	83,583
Diluted weighted average number of shares	94,491	96,041
Diluted earnings per common share	$ 0.61	$ 0.23

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

As at December 31, 2017, the Company has 1,886,659 stock options (2016 – 836,998 stock options) and 4,211,918 share purchase warrants (2016 – 5,211,918 share purchase warrants) which have not been included in the calculation of diluted earnings per share as they are anti-dilutive.

19. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Years ended December 31, 2017	2016
Accounts receivable	$ (2,582)	$ (4,829)
Inventories	(2,171)	(2,396)
Prepaid expenses and deposits	61	(308)
Accounts payable and accrued liabilities	671	(8,327)
	$ (4,021)	$ (15,860)

20. RELATED PARTY TRANSACTIONS

The following transactions with related parties occurred during the years ended December 31, 2017 and 2016:

Key management personnel compensation

Key management in 2017 and 2016 includes the Company's Chief Executive Officer, Chief Financial Officer, General Counsel and the directors. In addition to their salaries and annual bonuses or director fees, executive officers and directors also participate in the Company's stock option plan. During the year ended December 31, 2017, 893,329 stock options were granted to executive officers and directors (December 31, 2016 - 618,333 stock options).

Key management personnel compensation comprised the following:

	Years ended December 31, 2017	2016
Short-term employee benefits	$ 1,322	$ 1,341
Share-based payments	461	412
	$ 1,783	$ 1,753

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

21. SEGMENT DISCLOSURES

The Company currently operates in one operating segment, being the acquisition, exploration, development and operation of gold properties in Colombia.

For the years ended December 31, 2017 and 2016, the Company's sales were made to one customer located in Colombia under a long-term supply agreement (Note 14). As at December 31, 2017 and 2016, all material non-current assets of the Company were located in Colombia.

22. SUBSEQUENT EVENT

On March 22, 2018, the Company announced that it intends to proceed with a private placement of up to 95,000 units (the "Units") of the Company for anticipated aggregate gross proceeds of up to $95,000,000 (the "Offering") to refinance its 2020 Debentures and its 2024 Debentures. The Offering is being made on a best efforts basis and is subject to market conditions, necessary approvals and consents, including TSX and shareholder approvals and consent from holders of the 2018 Debentures as described in further detail below.

Each Unit will consist of $1,000 principal amount of senior secured gold-linked notes (the "New Notes") and 124 common share purchase warrants (the "New Warrants") of the Company. Each New Warrant will have an exercise price of CA$2.21 per warrant and will entitle the holder thereof to purchase one common share at any time prior to the maturity of the New Notes. It is a condition to closing the Offering that the New Notes and the New Warrants are conditionally approved for listing on the TSX. The New Notes will bear interest at 8.25% per annum, paid monthly and will have a six-year term. The Company will be required to set aside an amount of physical gold each month in a trust account (the "Gold Trust Account") and the proceeds from the quarterly sale of the gold will be used to repay the principal amount of the Notes based on a guaranteed floor price of $1,250 per ounce. The scheduled annual number of physical gold ounces to be deposited into the Gold Trust Account will vary by year, representing approximately 10% of the projected annual gold production from the Company's Segovia Operations and ranging from 15,000 ounces in the first year down to 10,000 ounces in the final year of the term of the New Notes. Closing of the Offering is expected to take place following receipt of shareholders' approval for issuance of the New Warrants at a special meeting of the shareholders scheduled to take place on April 19, 2018 and receipt of consent from the holders of the 2018 Debentures to permit the Offering in light of certain negative covenants in the indenture for the 2018 Debentures. If the requisite consent is received from the 2018 Debenture holders, the Company will increase the annual interest rate on the 2018 Debentures from 1% to 5% from closing of the Offering to the maturity date of the 2018 Debentures.

In addition, on March 22, 2018, the Company announced that concurrently with the 2018 Debentures consent solicitation process, it will be offering holders of the 2018 Debentures the opportunity to exchange their debt at the closing of the Offering for a cash payment equal to 19% of the principal amount of their debt and the remaining 81% of the principal amount will be settled with common shares based on the conversion price of $1.95 per common share.