Gran Colombia Gold Corp.

Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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, 2019

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Gran Colombia Gold Corp.

Opinion

We have audited the consolidated financial statements of Gran Colombia Gold Corp. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of operations and comprehensive income for the years then ended
- the consolidated statements of shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

KPMG

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditors' report is Frank L Klemenchuk.

Toronto, Canada
March 27, 2019

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

	Notes	As at December 31, 2018	2017
ASSETS			
Current			
Cash and cash equivalents		$ 35,645	$ 3,272
Cash in trust		-	4,271
Gold Trust Account	9b	3,210	-
Accounts receivable	13a	13,495	14,409
Derivative assets	13d	65	-
Inventories	5	15,836	12,930
Prepaid expenses and deposits		1,465	2,006
		69,716	36,888
Non-current			
Cash in trust	9d, 10c	731	8,408
Mining interests	6	373,239	404,576
Investments and other assets	7	6,168	118
Total assets		$ 449,854	$ 449,990
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	$ 21,672	$ 18,756
Income tax payable	12	18,038	8,370
Current portion of long-term debt	9	19,543	34,271
Current portion of provisions	10	2,852	4,001
Amounts payable related to acquisitions of mining interests	6	3,190	11,045
		65,295	76,443
Non-current			
Long-term debt	9	54,560	64,881
Provisions	10	24,317	24,802
2024 Warrant liability	11c	13,798	-
Deferred income taxes	12	46,208	59,504
Total liabilities		204,178	225,630
Equity			
Share capital	11b	434,831	384,440
Share purchase warrants	11c	4,212	6,317
Contributed surplus		172,596	171,133
Accumulated other comprehensive loss		(101,712)	(76,658)
Deficit		(264,251)	(260,872)
Total equity		245,676	224,360
Total liabilities and shareholders' equity		$ 449,854	$ 449,990

Contingencies **(Note 10b, 13)**
Subsequent events **(Notes 7, 9b, 11d, 13, 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	Years ended December 31, 2018	2017
Revenue	14	$ 268,525	$ 215,365
Costs and expenses			
Cost of sales	15	179,650	146,552
General and administrative		10,636	7,674
Reversal of impairment	6	-	(45,307)
Gain on assignment of mining interest	7	(2,376)	-
Share-based compensation	11d	903	634
Social contributions	6	4,861	4,099
Income from operations		74,851	101,713
Other income (expense)			
Finance income		877	306
Finance costs	16	(30,046)	(32,311)
Foreign exchange gain (loss)		192	(293)
Wealth tax		-	(918)
Loss from equity accounting in associate	7	(171)	-
Loss on financial instruments	17	(28,412)	(55)
		(57,560)	(33,271)
Income before income tax		17,291	68,442
Income tax (expense) recovery			
Current	12	(30,893)	(18,713)
Deferred	12	10,223	(12,881)
		(20,670)	(31,594)
Net (loss) income		**$ (3,379)**	**$ 36,848**
Per share			
Basic	19	$ (0.10)	$ 1.81
Diluted		(0.11)	0.61
Basic weighted average number of common shares outstanding		34,675,311	20,337,943

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	Years ended December 31, 2018	2017
Net (loss) income		**$ (3,379)**	**$ 36,848**
Other comprehensive income:			
Items that will not be reclassified to profit in subsequent periods:			
Unrealized (loss) gain on investment in Tolima, net of $nil tax (2017 - $nil)	7	(96)	77
Unrealized gain on Gold Notes due to change in credit risk, net of tax of $981	9b	2,722	-
Actuarial gain (loss) on health plan obligation, net of $nil tax (2017 - $nil)	10c	324	(512)
Items that may be reclassified to profit in subsequent periods:			
Foreign currency translation adjustment (nil tax effect)		(28,004)	2,211
Comprehensive (loss) income		**$ (28,433)**	**$ 38,624**

See accompanying notes to the consolidated financial statements.

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

	Notes	Years ended December 31, 2018	2017
Common shares			
Balance, beginning of period	11	$ 384,440	$ 381,888
Exercise of options	11	119	-
Issuance of common shares on conversion of:			
2018 Debentures	9c	43,845	2,552
2020 Debentures	9d	1,509	-
2024 Debentures	9e	4,918	-
Balance, end of period		434,831	384,440
Share purchase warrants			
Balance, beginning and end of period	11c	6,317	6,317
Expiry of warrants		(2,105)	-
Balance, end of period		4,212	6,317
Contributed surplus			
Balance, beginning of period		171,133	163,109
Exercise of options		(31)	-
Expiry of warrants		2,105	-
2018 Debentures converted to common shares	9c	(1,361)	(142)
2020 Debentures converted to common shares	9d	(32)	-
2024 Debentures converted to common shares	9e	(121)	-
Fair value of conversion option on issuance of 2024 Debentures, net of tax effect of $2,716		-	7,532
Share-based compensation		903	634
Balance, end of period		172,596	171,133
Accumulated other comprehensive loss			
Balance, beginning of period		(76,658)	(78,434)
Actuarial gain (loss) on health plan obligation, net of nil tax	10c	324	(512)
Unrealized (loss) gain on investment in Tolima, net of nil tax	7	(96)	77
Unrealized gain on Gold Notes at fair value due to changes in credit risk, net of tax of $981	9b	2,722	-
Foreign currency translation adjustment		(28,004)	2,211
Balance, end of period		(101,712)	(76,658)
Deficit			
Balance, beginning of period		(260,872)	(290,188)
Charge related to equity portion of 2024 Debentures, net of tax effect of $2,716		-	(7,532)
Net (loss) income		(3,379)	36,848
Balance, end of period		(264,251)	(260,872)
Total equity		**$ 245,676**	**$ 224,360**

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	Years ended December 31, 2018	2017
Operating Activities			
Net (loss) income		$ (3,379)	$ 36,848
Adjusted for the following items:			
Depreciation, depletion and amortization	6	28,895	18,416
Provision for doubtful accounts	13a	113	-
Gain on assignment of mining interest	7	(2,376)	-
Share-based compensation	11d	903	634
Reversal of impairment		-	(45,307)
Finance income		(877)	(306)
Finance costs	16	30,046	32,311
Foreign exchange		(586)	(9)
Loss on financial instruments	17	28,412	55
Loss from equity accounting in associate	7	171	-
Provision for environmental fees	10	2,174	787
Environmental fees paid	10	(4,130)	(2,693)
Payments of health obligations	10	(873)	(829)
Wealth tax expense		-	918
Current income tax expense		30,893	18,713
Deferred income tax (recovery) expense		(10,223)	12,881
Changes in non-cash working capital items	18	261	(4,021)
Operating cash flows before taxes		99,424	68,398
Income taxes paid		(19,683)	(16,935)
Wealth tax paid		-	(936)
Net cash provided by operating activities		79,741	50,527
Investing Activities			
Additions to mining interests	6	(35,603)	(24,967)
Payment of rehabilitation obligations	10	(98)	-
Investment in Sandspring	7	(3,867)	-
Proceeds received from sale of refinery interest	13a	804	372
Net cash used in investing activities		(38,764)	(24,595)
Financing Activities			
Net proceeds from issuance of Gold Notes	9b	67,382	-
Decrease (increase) in cash in trust for Senior Debentures	9c, 9d	11,916	(11,373)
Repurchases and partial redemption of 2020 Debentures		-	(5,083)
Repurchase cost for 2018 and 2020 Debentures		-	(42)
Early settlement of 2018 Debentures	9c	(1,379)	-
Repayment of Gold Notes	9b	(9,742)	-
Increase in Gold Trust Account	9b	(3,093)	-
Premiums paid for commodity hedging contracts related to repayment of the Gold Notes	13d	(379)	-
Net interest paid		(8,399)	(7,917)
Repayment of 2020 and 2024 Debentures	9b	(63,471)	-
Repayment of other long-term debt		(392)	(1,238)
Increase in cash in trust for health plan guarantee		(29)	(42)
Decrease in cash in trust for debt service		-	248
Exercises of stock options	11d	88	-
Net cash used in financing activities		(7,498)	(25,447)
Impact of foreign exchange rate changes on cash and cash equivalents		(1,106)	4
Increase in cash and cash equivalents		**32,373**	**489**
Cash and cash equivalents, beginning of period		3,272	2,783
Cash and cash equivalents, end of period		**$ 35,645**	**$ 3,272**

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

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, primarily 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, PO Box 15, 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, 2019, 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 results of the Company including its subsidiaries at December 31, 2018. The Company and its principal subsidiaries, all of which have a December 31 year end, are as follows:

Entity	Property/function	Registered	Functional currency[(1)]	Interest as at December 31, 2018	Interest as at December 31, 2017
Gran Colombia Gold Corp.	Corporate	Canada	USD		
Gran Colombia Gold, S.A.	Corporate	Panama	USD	100%	100%
Gran Colombia Gold Segovia S.A. Sucursal (formerly Zandor Capital, S.A. Sucursal)	Segovia Operations	Colombia	COP	100%	100%
Gran Colombia Gold Marmato, S.A .S (formerly Mineros Nacionales, S.A.S.)	Marmato Underground	Colombia	COP	100%	100%
Minerales Andinos de Occidente, S.A.S.	Marmato Project	Colombia	COP	100%	100%
Minera Croesus S.A.S.	Marmato Project	Colombia	COP	100%	100%
Gran Colombia Gold Titiribi Sucursal (formerly Zancudo Gold Sucursal)	El Zancudo	Colombia	COP	100%	100%

(1) "USD" = U.S. dollar; "COP" = Colombian peso
(2) The consolidated financial statements also include the Company's equity interest in Sandspring Resources Ltd. ("Sandspring") (Note 7) which is accounted for using the equity method.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Accounting policies of subsidiaries and associates 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.

Gold Trust Account

The Gold Trust Account (Note 9b) represents the physical gold the Company has deposited in accordance with the terms of the 8.25% Senior Secured Gold-Linked Notes due 2024 ("Gold Notes") to satisfy its quarterly principal repayment obligations. At the end of each reporting period, the balance of gold ounces accumulated in the Gold Trust Account is valued at the lower of cost or net realizable value ("NRV"). NRV is the estimated sale price of the gold, generally determined based on the spot price at the period end.

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 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, materials and 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. NRV 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 plant and equipment and 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.

Investment in associate

An associate is an investee over which the Company has significant influence. Significant influence is the ability to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies. In general, significant influence is presumed to exist when the Company has between 20% and 50% of voting power. Significant influence may also be evidenced by factors such as the Company's representation on the board of directors, participation in policy-making of the investee, material transactions with the investee, interchange of managerial personnel or the provision of essential technical information. Associates are equity accounted for from the date of commencement of significant influence to the date that the Company ceases to have significant influence.

Results of associates are equity accounted for using the results of their most recent annual or interim financial statements, as applicable. Losses from associates are recognized in the consolidated financial statements until the investment in the associate is written down to nil. Thereafter, losses are recognized only to the extent that the Company is committed to providing financial support to such associates.

The carrying value of the investment in associate represents the cost of the investment, a share of the post-acquisition retained earnings or losses, accumulated other comprehensive income and any impairment losses. At the end of each reporting period, the Company assesses whether there is any objective evidence that its investment in associate is impaired.

As disclosed in Note 7, the Company accounts for its investment in Sandspring using the equity method. Sandspring's financial reporting typically occurs after the Company's financial reporting dates and, as such, the Company uses Sandspring's financial statements reported for the quarter ended three months earlier in recording its share of profit or loss from Sandspring. Adjustments are made for the effects of any significant events that occur between the date of Sandspring's financial statements and the date of the Company consolidated financial statements.

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 acquisition of assets at the Segovia Operations, 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 from the sale of gold and silver is recognized when control has been transferred to the customer, which is considered to occur when products have been delivered to the location specified by the customer and the risks of loss have been passed to the customer. Revenue is measured based on the spot price agreed to between the Company and the customer prior to each delivery, in accordance with the supply agreement, which does not include any provisional pricing arrangements.

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 earnings 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, 2020, and the 2024 Debentures (Note 9) 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

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

presented. Interest expense, net of any income tax effects, is added back to the numerator for purposes of the if-converted calculation.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39, *Financial Instruments* ("IAS 39"). The Company adopted IFRS 9 on January 1, 2018. IFRS 9 provides a revised model for recognition and measurement of financial instruments with the following classification categories: amortized cost, fair value through profit or loss ("FVTPL"), and fair value through other comprehensive income ("FVTOCI"). 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 classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. The implementation of the new standard did not have an impact on the Company's financial statements except for certain equity securities that were previously classified as available-for-sale ("AFS") investments. These are now classified as financial assets at FVTOCI, where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be transferred into earnings (loss) upon disposition. The measurement of the investments at FVTOCI is based on level 1 inputs in accordance with the fair value input hierarchy in IFRS 13, *Fair Value Measurement*.

The Company has assessed the classification and measurement of its financial assets and financial liabilities and have summarized below the original classification under IAS 39 and the new classification under IFRS 9:

	Classification category	
	Original (IAS 39)	**New (IFRS 9)**
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivables	Loans and receivables	Amortized cost
Investment in Sandspring Warrants	Not applicable	FVTPL
Investment in Tolima Gold Inc. ("Tolima")	AFS financial assets	FVTOCI
Bank indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Term loans	Other financial liabilities	Amortized cost
Finance leases	Other financial liabilities	Amortized cost
Senior Debentures	Other financial liabilities	Amortized cost
Gold Notes	Not applicable	FVTPL
2024 Warrant liability	Not applicable	FVTPL

The Gold Notes and 2024 Warrants are both classified as Level 2 in the fair value hierarchy outlined in IFRS 13, *Fair Value Measurement* as the fair values have 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.

The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, did not have any impact on the transition date given the Company's financial assets are comprised primarily of amounts receivable from one customer for which there is no history of default.

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*.

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.

Other accounting standards adopted in the current period

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15 which 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. Under IFRS 15, revenue is recognized when control of a good or service transfers to a customer and is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Under IAS 18, revenue was recognized when the significant risks and rewards of ownership had been transferred to the customer and was measured at the fair value of the consideration received or receivable.

The Company was under a long-term supply agreement to sell all of its production to a single customer until January 2019. On adoption of IFRS 15, the Company analyzed the supply agreement and determined that the implementation of IFRS 15 did not have any impact on the timing of recognition and measurement of the Company's revenue. Under IFRS 15, revenue from the sale of gold and silver is recognized when control has been transferred to the customer, which is considered to occur when products have been delivered to the location specified by the customer and the risks of loss have been passed to the customer. Revenue is measured based on the spot price agreed to between the Company and the customer prior to each delivery, in accordance with the supply agreement, which does not include any provisional pricing arrangements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

In December 2016, the IASB issued IFRIC 22 which clarifies that when a foreign currency transaction involves an advance payment or receipt, the exchange rate should be the rate used to initially measure the non-monetary asset (prepaid asset) or liability (deferred credit) when the advance was made. If there were multiple advances, each receipt or payment would be measured at the date the non-monetary asset or liability is recognized. IFRIC 22 is applicable for annual periods beginning on or after January 1, 2018, and is consistent with the Company's existing policies, and therefore did not have any effect on the Company's financial statements.

Future accounting standards not yet adopted

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2018, and have not been applied in preparing these 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 evaluating all long-term contracts that may be impacted by IFRS 16.

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.

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.

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

Management's estimates of future cash flows are 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 Gold Notes and 2024 Warrants

The Gold Notes and 2024 Warrants are financial liabilities and have been designated at FVTPL. 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, 2018	December 31, 2017
Mineral inventories	$ 5,101	$ 2,517
Materials and supplies	10,735	10,413
	$ 15,836	$ 12,930

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

6. MINING INTERESTS

	Mineral properties	Plant and equipment	Construction in progress	E&E assets	Total
Year ended December 31, 2018					
Opening net book value	$ 104,147	$ 40,610	$ 25,505	$ 234,314	$ 404,576
Additions	16,704	5,966	11,862	2,363	36,895
Reversal of amounts payable for acquisition of mining interests	-	-	-	(6,291)	(6,291)
Transfers	8,781	11,002	(19,783)	-	-
Increase in decommissioning liability	1,398	-	-	-	1,398
Depreciation and amortization	(24,002)	(6,433)	-	-	(30,435)
Exchange difference	(8,405)	(3,982)	(1,898)	(18,619)	(32,904)
Closing net book value	$ 98,623	$ 47,163	$ 15,686	$ 211,767	$ 373,239
As at December 31, 2018					
Cost	$ 206,756	$ 75,494	$ 45,852	$ 216,599	$ 544,701
Accumulated depreciation, amortization	108,133	28,331	30,166	4,832	171,462
Net book value	$ 98,623	$ 47,163	$ 15,686	$ 211,767	$ 373,239
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	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:

As at December 31, 2018

	Mineral properties	Plant and equipment	Construction in progress	E&E assets	Total
Segovia Operations	$ 98,623	$ 37,808	$ 15,686	$ -	$ 152,117
Marmato Project	-	9,355	-	211,767	221,122
Total	$ 98,623	$ 47,163	$ 15,686	$ 211,767	$ 373,239

As at December 31, 2017

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

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

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

	2018	2017
Cost of sales expense	$ 28,875	$ 18,367
General and administrative expenses	20	49
Total charged to operations	28,895	18,416
Increase (decrease) in inventories	387	(82)
Capitalized depreciation	1,153	776
	$ 30,435	$ 19,110

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, 2018, the Company incurred a total obligation for social contributions of $4.9 million (2017 – $4.1 million). As at December 31, 2018, $2.3 million was included in accounts payable and accrued liabilities related to this obligation (December 31, 2017 – $1.5 million).

Marmato Project commitments

(i) *Mining title contracts – title transfers approved*: As at December 31, 2018, the Company has a total of COP 0.9 billion, equivalent to $0.3 million (December 31, 2017 – COP 1.1 billion; $0.4 million), remaining to be paid under agreements to purchase additional mining titles related to the Marmato property which is included in amounts payable for acquisition of mining interests in current liabilities.

(ii) *Mining title contracts – title transfers pending approval*: The Company has three 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 no longer be required to make further payments. As at December 31, 2018, the Company has commitments under these contracts to spend an additional COP 14.9 billion ($5.0 million) (December 31, 2017 – COP 12.2 billion or $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 the previously anticipated open pit development activities. Payments related to these agreements have been suspended since 2013 and the Company has been evaluating its options with respect to these obligations in light of the shift in its expected future development activities at Marmato toward an expansion of its underground mining operations. In the second half of 2018, the Company took steps to terminate several of these agreements, reducing its future financial obligations by COP 24.1 billion ($7.9 million), including $1.6 million of accrued interest (Note 16). As at December 31, 2018, a total of COP 9.5 billion ($2.9 million) including interest, is included in amounts payable for acquisition of mining interests related to the remaining agreements (December 31, 2017 – COP 31.9 billion; $10.7 million) for which the Company is continuing to seek a resolution to the outstanding obligations.

2017 reversal of impairment for the Segovia Operations

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.

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

7. INVESTMENTS

	Investment in Sandspring			
	Equity accounted	Warrants	Tolima [1]	Total
As at December 31, 2016	$ -	$ -	$ 38	$ 38
Fair value adjustment through OCI	-	-	77	77
Exchange difference	-	-	3	3
As at December 31, 2017	$ -	$ -	$ 118	$ 118
Purchase of Sandspring	5,524	719	-	6,243
Share of loss from Sandspring	(171)	-	-	(171)
Fair value adjustment through profit and loss	-	78	-	78
Fair value adjustment through OCI	-	-	(96)	(96)
Exchange difference	-	-	(4)	(4)
As at December 31, 2018	$ 5,353	$ 797	$ 18	$ 6,168

(1) The investment in Tolima is accounted for as a financial asset and measured at fair value through other comprehensive income.

Acquisition of Equity Investment in Sandspring

In July 2018, the Company completed the acquisition of an initial 14.78% equity interest in Sandspring (the "Sandspring Transaction"). Sandspring is a Canadian, TSXV-listed, junior mining company currently moving toward a feasibility study for its Toroparu Project in the western Guyana gold district.

Through the Sandspring Transaction, the Company acquired a total of 31,000,000 common shares and 16,000,000 share purchase warrants of Sandspring ("Sandspring Warrants"), the right to nominate one director to Sandspring's board, and certain anti-dilution rights associated with any future financings of Sandspring. Each warrant entitles the holder to purchase one additional common share of Sandspring at CA$0.40 for a period of 60 months. As consideration, the Company paid CA$4.0 million (equivalent to approximately $3.1 million) in cash and assigned its 30% carried participating interest in the Chicharron Project to Sandspring. The Company recorded a gain of $2.4 million related to the assignment of the participating interest. The Chicharron Project encompasses the exploration, development and mining rights to a 386 hectare area located within the Company's Segovia mining title but outside the areas associated with the Company's current mining operations and exploration activities. In a separate transaction, Sandspring also acquired the other 70% participating interest in the Chicharron Project which the Company had previously granted to an unrelated Colombian entity.

The Sandspring Warrants are derivative instruments and are initially recognized at their fair value with subsequent changes in fair value recorded through profit and loss. On the date of acquisition, the Sandspring Warrants were allocated a fair value of $0.7 million, determined using the Black Scholes valuation model with the following assumptions: i) expected share price volatility of 67%; ii) risk free interest rate of 2.06%; iii) dividend yield of 0%; and iv) expected life of 3 years.

On October 2, 2018, the Company acquired an additional 4,000,000 common shares of Sandspring in a private transaction with an unrelated party for cash consideration of CA$1.0 million (equivalent to approximately $0.8 million), increasing its equity interest to approximately 16.69% on an undiluted basis based on issued and outstanding common shares without regard to outstanding warrants and options. In connection with this transaction, the Company also received the right to nominate a second director to Sandspring's board.

The Company has determined that it holds significant influence over Sandspring by virtue of its equity ownership interest, its board participation and its technical advisory role to Sandspring's management in connection with both the Toroparu and Chicharron Projects. As a result, the Company accounts for its investment in Sandspring using the equity method. Under the equity method, the investment was initially recorded at cost and the carrying value adjusted subsequently to include the Company's proportionate share of Sandspring's earnings. As Sandspring is listed on the Toronto Stock Venture Exchange ("TSXV"), pursuant to which financial reporting typically occurs later than it does for the Company, which is listed on the Toronto Stock Exchange ("TSX"), the Company uses Sandspring's financial statement reported for the quarter ended three months earlier in determining its profit or loss from Sandspring commencing in the fourth quarter of 2018. The financial results of Sandspring are adjusted to conform to the Company's accounting policies, including the capitalization of certain exploration expenses that are otherwise expensed by Sandspring. During the year ended December 31, 2018, the Company recorded a loss of $0.2 million from its share of Sandspring's results.

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

During the year ended December 31, 2018, the Company recorded a gain of $0.1 million representing the fair value adjustment for the Sandspring Warrants. The fair value of the Sandspring Warrants as at December 31, 2018 were determined using the Black Scholes model with the following assumptions: i) expected share price volatility of 67%; ii) risk free interest rate of 1.90%; iii) dividend yield of 0%; and iv) expected life of 2.5 years.

Subsequent to year end, on February 11, 2019, the Company acquired an additional 2,500,000 common shares of Sandspring in a private transaction with an unrelated party for cash consideration of CA$0.7 million (equivalent to approximately $0.5 million), increasing its equity interest to approximately 17.88% on an undiluted basis (23.71% on a diluted basis if only the Company exercised its warrants as described above).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2018	December 31, 2017
Trade payables related to operating, general and administrative expenses	$ 16,324	$ 12,285
Trade payables related to capital expenditures	2,771	2,768
Withholding taxes payable	1,347	1,547
Other provisions and accrued liabilities	1,230	2,156
Total accounts payable and accrued liabilities	$ 21,672	$ 18,756

9. LONG-TERM DEBT

	Maturity	Currency	Interest Rate	December 31, 2018	December 31, 2017
Finance leases (a)	2018 to 2019	COP	Variable	$ 43	$ 439
Gold Notes (b)	2024	USD	8.25%	74,060	-
2018 Debentures (c)	2018	USD	5%	-	33,913
2020 Debentures (d)	2020	USD	6%	-	34,833
2024 Debentures (e)	2024	USD	8%	-	29,967
Total long-term debt				74,103	99,152
Less: current portion				19,543	34,271
Non-current portion				$ 54,560	$ 64,881

a) *Obligations under finance leases*

At December 31, 2018, the Company has one finance lease related to mining equipment used in the Company's Segovia Operations. The five-year lease has been paid in monthly instalments and, at the end of the lease in March 2019, the Company elected to exercise its option to purchase the equipment for a total of less than $0.1 million. The lease has an average effective interest rate of 9.41%. The present value of the net minimum lease payments under the Company's finance lease arrangements is as follows:

	December 31, 2018	December 31, 2017
Within 1 year	$ 43	$ 384
2-5 years, including purchase option	-	84
Total minimum lease payments	43	468
Amount representing interest	-	(29)
Present value of net minimum lease payments	43	439
Less: current portion	43	82
Non-current portion	$ -	$ 357

b) 8.25% Senior Secured Gold-Linked Notes due 2024 ("Gold Notes")

On April 30, 2018 (the "Closing Date"), the Company completed a private placement of 97,992 units (the "Units") for aggregate proceeds of $97,992,000 (the "Offering") to retire its 2020 Debentures and 2024 Debentures ahead of maturity. Each Unit consisted of $1,000 principal amount of Gold Notes and 124 common share purchase warrants (the "2024 Warrants") of the Company (12,151,008 warrants in aggregate). Each 2024 Warrant has an exercise price of CA$2.21 and entitles the holder to purchase one common share of the Company at any time prior to the maturity of the Gold Notes on April 30, 2024.

Total proceeds from the Offering comprised approximately $75.1 million received in cash and approximately $22.9 million aggregate principal amount of 2020 and 2024 Debentures rolled over by holders at par into the Offering in exchange for their 2020 and 2024 Debentures. After paying approximately $7.7 million for fees and expenses related to the Offering, net cash proceeds amounted to approximately $67.4 million.
The key terms of the Gold Notes include:

- The Gold Notes have a six-year term ending on April 30, 2024.
- The Gold Notes bear cash interest at a rate of 8.25% per annum payable monthly in arrears on the last day of each month, commencing on May 31, 2018.
- The principal amount of the Gold Notes will be repaid on a quarterly basis (the "Amortizing Payment") on January 31, April 30, July 31 and October 31 of each year. The first Amortizing Payment took place on July 31, 2018.
- An amount of physical gold will be set aside monthly by the Company in a trust account (the "Gold Trust Account"). Over the term of the Gold Notes, the Company must deposit a total of approximately 78,394 ounces of gold into the Gold Trust Account with approximately 15,594 ounces in year one, 15,600 ounces in year two, 13,200 ounces in year three, 12,000 ounces in each of years four and five and 10,000 ounces in year six. The Amortizing Payments will be determined such that each principal repayment represents one-quarter of the applicable annual number of physical gold ounces required to be accumulated in the Gold Trust Account for that year multiplied by $1,250 per ounce of gold.
- Within five business days after the 15th day of each of January, April, July, and October (the "Measurement Dates"), the gold accumulated in the Gold Trust Account will be sold such that:
    - If the afternoon per ounce London Bullion Market Association Gold Price (the "London PM Fix") on the Measurement Dates is above $1,250 per ounce, the Company will make a cash payment to the holders of the Gold Notes equal to that number of gold ounces sold multiplied by the London PM Fix, representing the sum of the Amortizing Payment for the applicable quarter and a Gold Premium. The Gold Premium is the portion of the gold sales proceeds attributed to the excess of the London PM Fix over $1,250 per ounce and will not reduce the principal amount of the Gold Notes outstanding.
    - If the London PM Fix is below $1,250 per ounce of gold, the Company will make a cash payment to the holders of the Gold Notes equal to the applicable Amortizing Payment. Any shortfall in the proceeds from the sale of the gold ounces below $1,250 per ounce will be paid by the Company. The Company is required to use commercially reasonable efforts to put in place commodity hedging contracts to eliminate or substantially reduce its exposure to gold price fluctuations below $1,250 per ounce on a rolling four quarters basis.
- The Gold Notes are non-callable for the first three years and the Company may redeem part or all of the outstanding Gold Notes subject to certain restrictions and at pre-determined premiums to the face amount.
- The Gold Notes are secured by the Company's property and interests in the Segovia/Carla project and the Marmato project, including a general pledge of the assets of Gran Colombia Gold, S.A., Gran Colombia Gold Segovia, S.A. (formerly Zandor Capital, S.A.) and its branch, Gran Colombia Gold Marmato S.A.S. (formerly Mineros Nacionales, S.A.S.), Minerales Andinos de Occidente, S.A.S., and Minera Croesus, S.A.S., direct security on material mining titles to Segovia/Carla and Marmato, and certain other securities.
- The Gold Notes commenced trading on the TSX on October 10, 2018 under the symbol "GCM.NT.U".

The Gold Notes are a financial liability and have been designated at fair value through profit and loss. The Gold Notes were recorded at fair value at inception and are subsequently remeasured with the change in fair value being recognized in the statement of operations, except the portion of the change in fair value due to changes in the Company's credit risk, which is recognized in the statement of other comprehensive income. Fair value has been determined based on Monte-Carlo simulations that capture all the features of the Gold

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

Notes, including the holders' right to receive the Gold Premium and the Company's options to early redeem the outstanding Gold Notes prior to maturity.

The table below summarizes the fair value for the Gold Notes at the Closing Date and the subsequent changes in fair value during the period ended December 31, 2018:

	Number of Gold Notes	Amount
Principal amount issued on the Closing Date	97,992	$ 97,992
Fair value ascribed to the 2024 Warrants (Note 9c)	-	(14,292)
Fair value allocated to Gold Notes on Closing Date	97,992	83,700
Change in fair value through profit and loss (Note17)	-	3,805
Change in fair value due to changes in credit risk	-	(3,703)
Principal repayment	(9,742)	(9,742)
As at December 31, 2018	88,250	74,060
Less: current portion	19,500	19,500
Non-current portion	68,750	$ 54,560

Gold Trust Account

Between May 1, 2018 and December 31, 2018, the Company deposited a total of 10,394 ounces of gold into the Gold Trust Account as required under the terms of the Gold Notes. From the Gold Trust Account, the Company sold 3,894 ounces of gold on July 16, 2018 and 3,900 ounces on October 15, 2018, both delivered against put option contracts at $1,250 per ounce, for proceeds of $4.9 million and $4.9 million respectively which were used to satisfy the Amortizing Payments due on July 31, 2018 and October 31, 2018. The Company recorded a total gain of $0.1 million on the sales of gold ounces held in the Gold Trust Account during 2018, representing the difference between the sales proceeds and their purchase costs.

As at December 31, 2018, there were 2,600 ounces of gold remaining in the Gold Trust Account with a carrying value of $3.2 million, being the lower of cost and net realizable value. The total purchase cost of the gold ounces in the Gold Trust Account as at December 31, 2018 was lower than the net realizable value of $3.3 million, therefore no adjustment to the carrying amount was required.

In early January 2019, the Company deposited the remaining 1,300 ounces of gold required to meet the quarterly Amortizing Payment due on January 31, 2019. As the London PM Fix on January 15, 2019 was above $1,250 per ounce, the Company sold the 3,900 ounces accumulated in the Gold Trust Account at the spot price of $1,294.30 for a total proceeds of $5.0 million. $4.9 million of the proceeds were applied against the principal amount of the Gold Notes, and the remainder was paid as a Gold Premium.

As disclosed in Note 13d, the Company currently has put option contracts for 3,900 ounces of gold at $1,250 per ounce in place for the each of the quarterly amortizing payments coming up at the end of April, July and October of 2019.

c) 2018 Debentures

	Number of 2018 Debentures	Amount
As at December 31, 2016	49,744	$ 23,375
Converted to common shares (Note 11b)	(4,584)	(2,410)
Accretion of discount (Note 16)	-	12,948
As at December 31, 2017	45,160	33,913
Accretion of discount (Note 16)	-	9,730
Special redemption	(7,260)	(6,361)
Converted to common shares	(5,806)	(5,188)
Redemption at maturity date	(32,094)	(32,094)
As at December 31, 2018	-	$ -

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

Concurrently with the closing of the Offering on April 30, 2018, the Company completed the early redemption of approximately $7.3 million aggregate principal amount of 2018 Debentures from holders who accepted the Company's special offer to settle their 2018 Debentures prior to maturity for 19% of the principal amount in cash and the remaining 81% of the principal amount in common shares based on the conversion price of $1.95 per common share. Holders who accepted the special offer received a total of approximately $1.4 million in cash, funded by cash held in the sinking fund for the 2018 Debentures, and a total of 3,015,966 newly issued common shares. As a result of the early redemption, the Company recorded a loss on financial instruments of $0.2 million (Note 17). Also in accordance with the successful consent solicitation process of the 2018 Debenture holders which facilitated completion of the Offering, the Company increased the annual interest rate payable on the 2018 Debentures from 1% to 5% effective May 1, 2018 and through to maturity on August 11, 2018.

In addition to the common shares issued as part of the special redemption on April 30, 2018, during the period January 1, 2018 to August 10, 2018, debenture holders elected to convert a total of $5.8 million aggregate principal amount of 2018 Debentures into 2,977,193 common shares.

The remaining 2018 Debentures matured on August 11, 2018. The volume weighted average trading price of the Company's common shares on the TSX for the 20 consecutive trading days ending five trading days before the Maturity Date exceeded US$1.95 per share. As such, pursuant to the provisions of the indenture, the Company gave notice on August 3, 2018 to the trustee for the 2018 Debentures that it had elected to satisfy its obligation to repay 100% of the outstanding principal amount of its 2018 Debentures, and all accrued and unpaid interest thereon (collectively, the "Outstanding Balance"), by issuing and delivering common shares. On August 13, 2018, the Company issued a total of 16,483,269 common shares to repay the Outstanding Balance of $32.1 million and the trustee returned the remaining cash held in the sinking fund for the 2018 Debentures in the amount of $3.5 million to the Company.

d) 2020 Debentures

	Number of 2020 Debentures	Amount
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
Accretion of discount (Note 16)	-	2,187
Converted to common shares	(1,962)	(1,477)
Early redemption of balance outstanding	(46,734)	(35,543)
As at December 31, 2018	-	$ -

During the period from January 1, 2018 to May 11, 2018, a total of $2.0 million aggregate principal amount of 2020 Debentures were converted by holders into 1,006,519 common shares (year ended December 31, 2017 – Nil).

On May 14, 2018 (the "Redemption Date"), funded by the proceeds from the Offering as described in Note 9b, the Company redeemed all of the issued and outstanding 2020 Debentures at par, totaling approximately $46.7 million aggregate principal amount. This included approximately $7.6 million aggregate principal amount of 2020 Debentures for which holders elected to roll their 2020 Debentures into the Offering in exchange for an equal amount of Units as consideration for the redemption in lieu of cash. On the Redemption Date, the Company recognized a loss on financial instruments in the amount of $11.2 million associated with the extinguishment of the 2020 Debentures, representing the difference between the principal amount of the debentures redeemed and their carrying amount.

Cash held in the sinking fund for the 2020 and 2024 Debentures of $9.6 million was returned by the trustee to the Company prior to the Redemption Date.

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

e) 2024 Debentures

	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)
Accretion of discount (Note 16)	-	1,285
As at December 31, 2017	46,955	29,967
Accretion of discount (Note 16)	-	798
Converted to common shares	(7,367)	(4,797)
Early redemption of balance outstanding	(39,588)	(25,968)
As at December 31, 2018	-	$ -

During the period from January 1, 2018 to May 11, 2018, a total of $7.4 million aggregate principal amount of 2024 Debentures were converted into 3,778,276 common shares (year ended December 31, 2017 – Nil).

On the Redemption Date, funded by the proceeds from the Offering as described in Note 9b, the Company redeemed all of the issued and outstanding 2024 Debentures at par, totaling approximately $39.6 million aggregate principal amount. This included approximately $15.3 million aggregate principal amount of 2024 Debentures for which holders elected to roll their 2024 Debentures into the Offering in exchange for an equal amount of Units as consideration for the redemption in lieu of cash. On the Redemption Date, the Company recognized a loss on financial instruments in the amount of $13.6 million associated with the extinguishment of the 2024 Debentures, representing the difference between the principal amount of the debentures redeemed and their carrying amount.

f) *Scheduled debt repayments*

	2019	2020	2021	2022	Thereafter	Total
Finance leases (1)	$ 43	$ -	$ -	$ -	$ -	$ 43
Gold Notes (2)	19,500	18,000	15,750	15,000	20,000	88,250
	$ 19,543	$ 18,000	$ 15,750	$ 15,000	$ 20,000	$ 88,293

(1) Includes interest and purchase option.
(2) Represents the scheduled quarterly Amortizing Payments of the Gold Notes (Note 9b) outstanding As of December 31, 2018 at $1,250 per ounce.

10. PROVISIONS

A summary of changes to provisions during the year ended December 31, 2018 is as follows:

	Decommissioning and rehabilitation	Environmental fees	Health plan obligations	Total
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 (Note 16)	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
Recognized in period	1,866	2,174	-	4,040
Interest recognized in the period	-	118	-	118
Payments in the period	(98)	(4,130)	(873)	(5,101)
Accretion of discount (Note 16)	374	602	1,505	2,481
Effect of change in estimates	(468)	-	(324)	(792)
Exchange difference	(664)	(516)	(1,200)	(2,380)
As at December 31, 2018	8,123	5,860	13,186	27,169
Less: current portion	390	1,798	664	2,852
Non-current portion	$ 7,733	$ 4,062	$ 12,522	$ 24,317

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

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, in 2012, it 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 $8.3 million at the December 31, 2018 exchange rate. As such, in 2012, the Company initially recorded the present value of this estimated future obligation as a decommissioning liability. 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.

The following table summarizes the assumptions used to determine the decommissioning provision related to its mines.

	Expected date of expenditures	Inflation rate	Pre-tax risk free rate	Undiscounted cash flow
Marmato Mine	2021	4.60%	4.54%	$ 795
Segovia Operations	2020-2026	4.60%	6.29%	10,171

In addition, during 2018 the Company recorded a provision of $1.9 million associated with its estimated costs to close and rehabilitate tailings storage facilities in its Segovia Operations. The undiscounted rehabilitation costs are estimated to be $2.1 million and expected to be incurred in 2020 through 2022.

b) Provision for Segovia Operation environmental fees

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 assessing fees totalling COP 29.5 billion (equivalent to approximately $9.1 million at the December 31, 2018 exchange rate) for environmental discharges in 2010 and 2011 at tariff rates that significantly exceeded 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 fees. The matter is currently still in process in the judicial system. At December 31, 2018, the Company has a provision in the amount of COP 12.5 billion (approximately $3.9 million) related to the present value of its best estimate of the potential liability for these fees (December 31, 2017 – COP 10.8 billion or approximately $3.6 million).

In February 2015, the Company signed a four-year payment plan agreement for settlement of COP 14.9 billion 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 is paid in 48 escalating monthly payments, which commenced in February 2015. At December 31, 2018, the Company has a provision in the amount of COP 0.2 billion (approximately $0.1million) related to the remaining balance outstanding pursuant to this payment plan obligation (December 31, 2017 – COP 7.2 billion or approximately $2.4 million). In January 2019 the Company made the final payment under the obligation.

In June 2016, the Company signed a four-year payment plan agreement for settlement of COP 3.8 billion 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, 2018, the Company has a provision in the amount of COP 1.7 billion (approximately $0.5 million) related to the remaining balance outstanding pursuant to this payment plan obligation (December 31, 2017 – COP 2.7 billion or approximately $0.9 million).

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

In July 2018, Corantioquia issued a resolution assessing a fine in the amount of COP 3.7 billion (equivalent to approximately $1.1 million at the December 31, 2018 exchange rate) associated with the Company's construction of a tailings storage facility, known as "Pomarossa", on its property which operated between 2014 and 2017. Although the facility was not fully permitted at the time, it was constructed and operated in accordance with environmental norms and standards with minimal environmental impact and has since been fully rehabilitated. In August 2018, the Company filed an appeal of the assessment. In the third quarter of 2018, the Company recorded a provision in the amount of $1.2 million in connection with this assessment.

The Company also recorded a provision in the amount of COP 0.3 billion (approximately $0.1 million) for the year ended December 31, 2018 representing its best estimate of the potential liability for environmental discharge fees incurred during the year.

The Company's operations are monitored by Corantioquia in accordance with its environmental management plan and there can be no such assurance that ongoing or future investigations of its performance under the plan will not result in the assessment of fees and/or fines. In such cases, the Company will review the basis of the assessments and file appeals, if deemed appropriate for the circumstances, to reduce or cancel the amounts assessed.

c) Provision for health plan obligations

The Company has an obligation related to its acquisition of the Segovia Operations to fund the health plan contributions of certain participants in a Colombian pension plan. The health plan obligation of COP 42.8 billion (approximately $13 million) is based on an actuarial report prepared as at December 31, 2018, with an inflation rate of 5.09% and a discount rate of 10.13%. 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, 2018, non-current cash in trust includes $0.7 million deposited in a restricted fund account as security against this obligation (December 31, 2017 - $0.8 million).

11. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

b) Issued and fully paid

As at December 31, 2018 the Company had 48,173,639 common shares issued and outstanding (December 31, 2017 - 20,865,749 common shares).

During the year ended December 31, 2018, the Company issued a total of 7,761,988 common shares to holders of the 2018, 2020, and 2024 Debentures (Notes 9c, 9d, 9e) who elected to convert their debentures into common shares (2017 – 2,350,630 common shares issued to holders who converted their 2018 Debentures).

On April 30, 2018, the Company issued 3,015,966 common shares to holders who elected to settle their 2018 Debentures prior to maturity through a special redemption (Note 9c). On August 13, 2018, the Company issued a total of 16,483,269 common shares to repay the Outstanding Balance (Note 9c) of the 2018 Debentures at maturity.

c) Share purchase warrants

The Company has the following share purchase warrants outstanding as at December 31, 2018:

TSX Trading Symbol	Expiry date	Outstanding and exercisable warrants	Common shares issuable	Remaining contractual life in years	Exercise price per share
GCM.WT.A	March 18, 2019 (1)	4,211,918	280,795	0.2	CA$48.75
GCM.WT.B	April 30, 2024 (Note 9b)	12,151,008	12,151,008	5.8	CA$2.21

(1) Expired unexercised on March 18, 2019.

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

2024 Warrant liability (GCM.WT.B)

The 2024 Warrants issued as part of the Offering (Note 9b) began trading on the TSX on September 6, 2018. The 2024 Warrants have an exercise price of CA$2.21 and entitle holders to purchase one common share of the Company for each 2024 Warrant at any time prior to their expiry on April 30, 2024. The 2024 Warrants represent a financial liability as the exercise price is denominated in Canadian dollars, different from the Company's US dollar functional currency. As such, they were recognized at fair value at inception and subsequently remeasured with the change in fair value being recognized in the statement of operations.

The fair value for the 2024 Warrants on the Closing Date and as at December 31, 2018 have been determined using the binomial options pricing model. The key assumptions used in the valuation of the 2024 Warrants were: i) expected share price volatility of 53%; ii) dividend yield of 0%; and discount rate of %.

	Number of Warrants	Amount
Fair value allocated to the 2024 Warrants on the Closing Date	12,151,008	$ 14,292
Mark-to-market gain (Note 14)	-	(494)
As at December 31, 2018	12,151,008	$ 13,798

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 option holder, 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.

A summary of the stock options granted and the share-based compensation expense recorded by the Company for the year period ended December 31, 2018 and 2017, including 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, 2018	2017
Number of stock options granted	1,200,000	1,222,993
Term	5 years	5 years
Vesting	Immediately	Immediately
Stock compensation expense	$ 903	$ 634
Per option	CA$0.98	CA$0.69
Weighted average Black-Scholes option pricing model inputs		
Market price of the shares on the approval date	CA$3.16	CA$1.45
Exercise price	CA$3.16	CA$2.55
Dividends expected	Nil	Nil
Expected volatility	48%	104%
Risk-free interest rate	1.9%	0.80%
Expected life of options	2.5 years	2.5 years

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

A summary of the change in the stock options outstanding during the years ended December 31, 2018 and 2017 is as follows:

	Outstanding	Weighted average exercise price per common share (CA$)
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
Granted during the period	1,200,000	3.16
Exercised during the period	(46,667)	2.55
Forfeited during the period	(345,330)	2.55
Balance, December 31, 2018	2,694,662	$ 3.24

The table below summarizes information about the stock options outstanding and the common shares issuable as at December 31, 2018:

Expiry date	Outstanding and exercisable options	Common shares issuable	Remaining contractual life in years	Exercise price (CA$/share)
July 21, 2019	45,000	45,000	0.6	$ 27.60
April 1, 2021	563,333	563,333	2.2	2.55
April 3, 2022	804,663	804,663	3.2	2.55
December 12, 2022	81,666	81,666	3.9	2.55
June 14, 2023	1,200,000	1,200,000	4.4	3.16
	2,694,662	2,694,662	2.8	$ 3.24

During the period from January 1 through March 27, 2019, 51,666 stock options with an exercise price of CA$2.55 per share and 55,000 stock options with an exercise price of CA$3.16 per share were exercised.

12. INCOME TAX

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

	Years ended December 31, 2018	2017
Income before income taxes	$ 17,291	$ 68,442
Canadian statutory income tax rate	26.5%	26.5%
Income tax expense at statutory rate	4,582	18,137
Increase (decrease) in income tax provision resulting from:		
Differences in tax rates in foreign jurisdictions	8,377	13,605
Other non-deductible expenses	3,054	2,121
Share-based compensation	239	154
Tax impact of future tax rate differences	(4,674)	(3,041)
Change in unrecorded deferred tax asset	9,092	525
Tax impact on debt discount on conversions of debentures	-	93
Income tax expense for the year	$ 20,670	$ 31,594
Current income tax expense	$ 30,893	$ 18,713
Deferred income tax expense	(10,223)	12,881
Income tax expense for the year	$ 20,670	$ 31,594

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

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

	December 31, 2018	December 31, 2017
Deferred tax assets		
Tax loss carry forwards	$ 5,234	$ 12,669
Provisions	577	744
Other	-	1,127
Deferred tax liabilities		
Mining interests	(50,472)	(60,104)
Long-term debt	(377)	(13,940)
Other	(1,170)	-
Total deferred tax	$ (46,208)	$ (59,504)
Deferred tax asset	$ -	$ -
Deferred tax liability	(46,208)	(59,504)
Total deferred tax	$ (46,208)	$ (59,504)

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

	Years ended December 31, 2018	2017
Balance at the beginning of the year	$ 59,504	$ 46,654
Recognized in profit / loss	(10,223)	12,881
Recognized in other comprehensive loss	(3,073)	(31)
Balance at the end of the year	$ 46,208	$ 59,504

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.

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 $10.5 million of ordinary losses in respect of its Colombian operations which do not expire and $28.2 million of non-capital losses in respect of its Canadian head office which expire in the years 2026 to 2037. The Company has other deductible temporary differences, totaling $7.9 million (December 31, 2017 - $7.1 million), for which no deferred tax assets have been recognized.

13. 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. The company may at times enter into risk management contracts to mitigate these risk. It is the Company's policy that no speculative trading in derivatives shall be undertaken.

a) *Credit risk*

	December 31, 2018	December 31, 2017
Trade	$ 4,707	$ 1,708
VAT recoverable	7,141	10,625
Receivable from sale of refinery interest	-	741
Other, net of allowance for doubtful accounts	1,647	1,335
Total accounts receivable	$ 13,495	$ 14,409

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

At December 31, 2018, $1.4 million of trade receivables were past due and were subsequently collected in January 2019. The Company also recorded an allowance for doubtful accounts of $0.1 million related to other receivables as at December 31, 2018.

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. Since 2015, the Company had been obligated pursuant to a long-term supply agreement to sell all of its production to a single customer in Colombia from whom the Company received 80% of the sales proceeds upon delivery of its production and the balance within a short settlement period thereafter. In January 2019, the Company terminated this supply agreement. Although the Company believes it has a justifiable basis for terminating the supply agreement, the former customer has indicated that it may pursue arbitration. The Company believes that it is more likely than not that it will not have any liability from arbitration. Subsequently, the Company commenced delivery of all of its production under a new three-year refining agreement with an international customer from whom it receives 99.5% of the sales proceeds upon delivery of its production to an agreed upon transfer point in Colombia and the balance within a short settlement period thereafter. In the event that this new customer is unable to perform under the contractual arrangement, the Company does have other avenues through which it can sell its production.

b) 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, 2018, the Company did not utilize derivative financial instruments to manage this risk. The following table summarizes, in USD equivalents, the Company's major currency exposures:

As at December 31, 2018		CA		COP
Cash	$	25	$	9,075
Cash in trust		-		731
Accounts receivable		87		13,408
Accounts payable and accrued liabilities, including amounts payable related to acquisitions of mining interests[1)]		(118)		(30,715)
Long-term debt, including current portion		-		(43)
Net financial liabilities	$	(6)	$	(7,544)

As at December 31, 2017		CA		COP
Cash	$	30	$	2,999
Cash in trust		-		885
Accounts receivable		55		13,613
Accounts payable and accrued liabilities, including amounts payable related to acquisitions of mining interests		(144)		(26,200)
Long-term debt, including current portion		-		(440)
Net financial liabilities	$	(59)	$	(9,143)

Based on the net exposure at December 31, 2018, a 10% depreciation or appreciation of the CA against the USD would have minimal impact on the Company's after-tax net income (2017 – minimal impact) and a 10% depreciation or appreciation of the COP against the USD would result in approximately a $0.8 million (2017 - $0.9 million) increase or decrease in the Company's other comprehensive income.

c) Liquidity risk

The Company manages its liquidity risk by continuously monitoring forecast cash flow requirements. The Company's financial obligations currently consist of the following:

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

- *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 may also enter 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 terminated a number of these agreements totaling COP 24.1 billion (approximately $7.7 million) in outstanding obligations during the second half of 2018 (Note 6). The Company is currently evaluating its options with respect to the remaining compensation agreements in light of its future underground development activities.
- *Finance lease:* These obligations represent lease payments related to mining and other equipment used at the Segovia Operations (Note 9a).
- *Gold Notes*: As described in Note 9b, this obligation is being carried at fair value and is being settled by deposits of physical gold, representing less than 10% of the Company's projected gold production over the term of the Gold Notes, to a Gold Trust Account.

The carrying value of accounts payable and accrued liabilities and amounts payable for property acquisitions approximates their respective fair values as they are short-term in nature.

d) 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.

The Company may enter into commodity hedging contracts from time to time to reduce its exposure to fluctuations in spot commodity prices. During the year ended December 31, 2018, the Company entered into several commodity hedging contracts (put options) to establish a minimum selling price at $1,250 per ounce for the physical gold held in the Gold Trust Account (Note 9b), which will be sold to meet the Company's financial obligations for the quarterly Amortizing Payments on the Gold Notes. The commodity hedging contracts are carried at their fair value at the end of each reporting period with the change in fair value during the period recorded in gain or loss on financial instruments. During the year ended December 31, 2018, the Company recorded a loss of $0.3 million (2017 – nil) related to commodity hedging contracts in the statement of operations (Note 17), including $0.1 million of realized loss and $0.2 million of unrealized loss representing the change in fair value on its commodity hedging contracts.

At December 31, 2018, the Company had two commodity hedging contract outstanding, as summarized below with maturity dates corresponding to the quarterly Amortizing Payment due on January 31, 2019 and April 30, 2019 (Note 7b):

Type of instrument	Maturity	Benchmark	Volume (gold ozs)	Strike price (per oz)	Fair value
Put option	January 17, 2019	London Fix PM	3,900	$ 1,250	$ 6
Put option	April 15, 2019	London Fix PM	3,900	1,250	59
			7,800		$ 65

In January 2019, the Company paid approximately $0.1 million to purchase put option contracts for 3,900 ounces of gold maturing on each of July 15, 2019 and October 15, 2019 with a strike price of $1,250 per ounce.

The Company has not designated the commodity hedging contracts as accounting hedges under IFRS 9.

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

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

Company's financial instruments that are carried at fair value in accordance with the classification of fair value input hierarchy in IFRS 13, *Financial Instruments – Disclosures*.

	Level 1	Level 2	Level 3	Total
As at December 31, 2018				
Financial assets				
Derivative assets (Note 13d)	$ -	$ 65	$ -	$ 65
Investments and other assets (Note 7)				
Sandspring Warrants	-	797	-	797
Investment in Tolima	18	-	-	18
Financial liabilities				
Gold Notes – current and non-current (Note 9b)	$ -	$ 74,060	$ -	$ 74,060
2024 Warrants (Note 11c)	-	$ 13,798	-	$ 13,798
As at December 31, 2017				
Financial assets				
Investments and other assets (Note 7)				
Investment in Tolima	$ 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.

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 of $245.7 million (2017 – $224.4 million) and its long-term debt of $74.1 million (2017 – 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, 2018, other than certain restrictive covenants related to incurring additional indebtedness under the terms of the Gold Notes, the Company is not subject to any externally imposed capital requirements.

14. REVENUE

	Years ended December 31, 2018	2017
Gold	$ 265,923	$ 212,963
Silver	2,602	2,402
	$ 268,525	$ 215,365

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

15. COST OF SALES

	Years ended December 31, 2018	2017
Production costs	$ 137,375	$ 118,135
Production taxes	11,113	9,263
Allowance for doubtful accounts	113	-
Provision for environmental discharges (Note 10b)	2,174	787
Depreciation, depletion and amortization	28,875	18,367
	$ 179,650	$ 146,552

16. FINANCE COSTS

	Years ended December 31, 2018	2017
Interest expense	$ 8,652	$ 8,281
Reversal of interest accrued on Marmato compensation agreements (Note 6)	(1,561)	-
Accretion of 2018 Debentures (Note 9c)	9,730	12,948
Accretion of 2020 Debentures (Note 9d)	2,187	7,685
Accretion of 2024 Debentures (Note 9e)	798	1,285
Accretion of provisions (Note 10)	2,481	2,112
Debt restructuring costs (Notes 9b)	7,759	-
	$ 30,046	$ 32,311

17. GAIN (LOSS) ON FINANCIAL INSTRUMENTS

	Years ended December 31, 2018	2017
Mark-to-market loss on Gold Notes (Note 9b)	$ (3,805)	$ -
Fair value adjustment on Sandspring Warrants (note 7)	78	-
Gain or loss on gold in Gold Trust Account (Note 9b)	117	-
Mark-to-market loss on commodity hedging contracts (Note 13d)	(314)	-
Mark-to-market gain on 2024 Warrant liability (Note 9b)	494	-
Loss on early redemption of 2018 Debentures (Note 9c)	(171)	-
(Loss) gain on extinguishment of 2020 Debentures (Note 9d)	(11,191)	1,443
Loss on extinguishment of 2024 Debentures (Note 9e)	(13,620)	-
Loss on repurchase and partial redemption of 2020 Debentures	-	(1,456)
Repurchase costs for 2018 and 2020 Debentures	-	(42)
	$ (28,412)	$ (55)

18. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Years ended December 31, 2018	2017
Accounts receivable	$ (1,595)	$ (2,582)
Inventories	(4,105)	(2,171)
Prepaid expenses and deposits	376	61
Accounts payable and accrued liabilities	5,585	671
	$ 261	$ (4,021)

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

19. DILUTED EARNINGS (LOSS) PER SHARE

The basic weighted 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, 2018	2017
Net income	$ (3,379)	$ 36,848
Basic weighted average number of shares	34,675,311	20,337,943
Basic and diluted earnings per common share	$ (0.10)	$ 1.81

Diluted earnings per share amounts are calculated by adjusting the basic earnings per share to take into account the after-tax effect of interest and other finance costs associated with dilutive convertible debentures as if they were converted at the beginning of the period, and the effects of potentially dilutive stock options and share purchase warrants calculated using the treasury stock method. When the impact of potentially dilutive securities increases the earnings per share or decreases the loss per share, they are excluded for purposes of the calculation of diluted earnings per share.

The following table sets forth the computation of diluted earnings (loss) per share:

	Years ended December 31, 2018	2017
Net (loss) income	$ (3,379)	$ 36,848
Add back:		
Accretion of debt discount and interest expense, net of tax	-	21,195
Mark-to-market gain on 2024 Warrant liability, net of nil tax	(494)	-
	$ (3,873)	$ 58,043
Basic weighted average number of shares	34,675,311	20,337,943
Effective of dilutive securities:		
Assumed conversion of debentures	-	74,153,423
Share purchase warrants	830,613	-
Diluted weighted average number of shares	35,505,924	94,491,366
Diluted (loss) earnings per common share	$ (0.11)	$ 0.61

20. RELATED PARTY TRANSACTIONS

The following transactions with related parties occurred during the years ended December 31, 2018 and 2017:

Key management personnel compensation

Key management in 2018 and 2017 includes the Company's Co-Executive Chairmen, 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, 2018, 905,000 stock options were granted to executive officers and directors (December 31, 2017 - 893,329 stock options).

Key management personnel compensation comprised the following:

	Years ended December 31, 2018	2017
Short-term employee benefits	$ 1,598	$ 1,322
Share-based compensation	682	461
	$ 2,280	$ 1,783

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, 2018 and 2017, the Company's sales were made to one customer located in Colombia under a long-term supply agreement (Note 13). As at December 31, 2018 and 2017, all material non-current assets of the Company were located in Colombia.

22. SUBSEQUENT EVENT

On March 4, 2019, the Company announced it has entered into an agreement with a syndicate of underwriters for a bought deal, private placement (the "Private Placement") of CA$20,000,000 aggregate principal amount of convertible unsecured subordinated debentures at a price of CA$1,000 per CA$1,000 principal amount of debentures (the "Convertible Debentures"). The Convertible Debentures will mature in five years and one day after the issuance date (the "Maturity Date") and will accrue interest at the rate of 8.00% per annum, payable monthly in cash. At the holders' option, the Convertible Debentures may be converted into common shares of the Company at any time and from time to time, up to the Maturity Date, at a conversion rate of approximately 210.53 common shares per CA$1,000 principal amount, subject to adjustment in certain circumstances, which equates to an initial conversion price of C$4.75 for each common share of the Company. The Convertible Debentures will not be listed and represent convertible unsecured obligations of the Company, subordinated to senior indebtedness of the Company and ranking equally with all present and future unsecured subordinated indebtedness of the Company. On and after the first anniversary of the issuance date, the Company may, at its option, on not more than one occasion during each twelve-month period beginning on each yearly anniversary of the issuance date, redeem up to 10% of the aggregate principal amount of the Convertible Debentures then outstanding, at par plus accrued and unpaid interest, in cash on not less than 30 and not more than 60 days' prior written notice (during which period the holders of the Convertible Debentures may, for the avoidance of doubt, convert their Convertible Debentures into Common Shares). The Convertible Debentures are repayable in cash at maturity. The Company expects the Private Placement to close on or about April 2, 2019.