Core Gold Inc.

Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

(amount expressed in United States dollars, except where indicated)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Core Gold Inc.

Opinion

We have audited the accompanying consolidated financial statements of Core Gold Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of $6,250,000 during the year ended December 31, 2018 and, as of that date, the Company's had a working capital deficit of $16,583,000. Continuing operations are dependent upon the Company's ability to maintain profitable operations and generate sufficient cash flow from the sale of precious metals or secure additional working capital from external sources as required, neither of which is assured. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Grant P. Block.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

April 29, 2019

Core Gold Inc.

Consolidated Statements of Financial Position

(amount expressed in thousands of United States dollars, except where indicated)

	Note	December 31, 2018	December 31, 2017
Assets			
Current assets			
Cash	6	$ 132	$ 1,097
Receivables and prepaid expenses	5,6	3,093	793
Inventory	7	1,754	1,325
		4,979	3,215
Other long-term assets		116	228
Properties, plant and equipment	8	18,421	21,002
Exploration and evaluation properties	9	248	-
Total assets		$ 23,764	$ 24,445
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	$ 14,385	$ 15,735
Convertible debenture - Vertex	12(a)	1,000	988
Convertible debenture – Credipresto SA de CV SOFOM ENR (“Credipresto”)	12	1,756	1,789
Related party	11,18	545	545
Loans payable	11	3,876	3,416
		21,562	22,473
Derivative warrant liability	13	967	1,686
Provision for closure and restoration	14	1,350	1,274
Total liabilities		23,879	25,433
Shareholders’ deficiency			
Share capital	15	105,572	99,464
Reserves	15	16,418	15,403
Deficit		(122,105)	(115,855)
Total shareholders’ deficiency		(115)	(988)
Total liabilities and shareholders’ deficiency		$ 23,764	$ 24,445

Nature of operations and going concern (note 1)
Commitment and contingencies (note 22)
Subsequent events (note 24)

Approved by the Board of Directors

__________”Mark Bailey”_____________ Director_________”Javier Reyes”__________ Director

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

Core Gold Inc.

Consolidated Statements of Loss and Comprehensive Loss

(amount expressed in thousands of United States dollars, except where indicated)

		Year ended December 31,	
	Notes	**2018**	**2017**
Operating Revenue			
		$ 27,270	$ 18,185
Operating Costs			
Cost of sales	16	(22,842)	(18,454)
Depreciation and depletion	8	(3,191)	(2,727)
		1,237	(2,996)
Expenses			
General and administration – liquidation		(1,898)	(303)
General and administration		(1,913)	(4,203)
Insurance		(38)	(70)
Salaries and wages		(1,240)	(1,388)
Professional fees		(1,343)	(1,480)
Stock-based compensation	15	(716)	(481)
Loss from operations		(5,911)	(10,921)
Finance expense	17	(2,075)	(886)
Derivative liability gain – warrants	13	1,769	326
Impairment – mineral properties	8	-	(10,278)
Impairment – exploration properties	9	-	(933)
Foreign exchange (loss) gain		(33)	412
Net loss and comprehensive loss for the year		(6,250)	(22,280)
Loss per share – basic and diluted		$ (0.05)	$ (0.23)
Weighted average shares outstanding (000’s) – basic and diluted		132,618	95,383
Total shares issued and outstanding (000’s)		146,047	114,136

Core Gold Inc.

Consolidated Statement of Changes in Shareholders' Equity (Deficiency)

(amount expressed in thousands of United States dollars, except where indicated)

	Notes	Number of Shares ('000)	Share Capital	Subscription receivable reserve	Reserves	Convertible debenture reserve	Deficit	Total Equity
Balance at December 31, 2017		114,136	$ 99,464	$ (309)	$ 15,567	$ 145	$ (115,855)	$ (988)
Net loss for the year		-	-	-	-	-	(6,250)	(6,250)
Proceeds collected from private placement	15	-	-	309	-	-	-	309
Proceeds collected from exercise of warrants	15	3,000	345	-	-	-	-	345
Shares to be issued	15	20,288	4,719	-	-	-	-	4,719
Shares for debt	15	7,522	1,774	-	-	-	-	1,774
Shares for debt – issuance costs	15	-	(1,235)	-	-	-	-	(1,235)
Private placement - issuance costs	15	-	(29)	-	-	-	-	(29)
Equity portion – warrant exercised	15	-	313	-	-	-	-	313
Shares issued on conversion of convertible debentures	15	1,101	221	-	-	(10)	-	211
Stock-based compensation	15	-	-	-	716	-	-	716
Balance at December 31, 2018		146,047	$ 105,572	$ -	$ 16,283	$ 135	$ (122,105)	$ (115)

	Notes	Number of Shares ('000)	Share Capital	Subscription receivable reserve	Reserves	Convertible debenture reserve	Deficit	Total Equity
Balance at December 31, 2016		87,829	$ 94,920	$ -	$ 15,086	$ 47	$ (93,575)	$ 16,478
Net loss for the year		-	-	-	-	-	(22,280)	(22,280)
Share issuance – private placement		26,307	4,759	(309)	-	-	-	4,450
Share issuance – debt settlement		-	(215)	-	-	-	-	(215)
Equity portion – convertible debenture		-	-	-	-	98	-	98
Stock-based compensation		-	-	-	481	-	-	481
Balance at December 31, 2017		114,136	$ 99,464	$ (309)	$ 15,567	$ 145	$ (115,855)	$ (988)

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

Core Gold Inc.

Consolidated Statement of Cash Flows

(amount expressed in thousands of United States dollars, except where indicated)

	2018	2017
Cash flows from operating activities		
Net loss for the year	$ (6,250)	$ (22,280)
Items not affecting cash		
Depreciation and depletion	3,191	2,727
Stock-based compensation	716	481
Warrant liability	(1,769)	(326)
Impairment – exploration and evaluation properties	-	933
Impairment – mineral properties	-	10,278
Foreign exchange	(109)	10
Finance cost – loss on debt settlement	479	-
Finance cost – convertible debenture accretion	258	156
Finance cost - ARO	76	63
Loss on settlement of shares	259	-
Other income	-	(81)
Change in non-cash operating working capital		
(Increase) decrease increase in accounts receivable, prepaid expenses and other long-term assets	(1,777)	305
(Decrease) increase in accounts payables	(3,065)	1,373
(Increase) decrease in inventory	(528)	502
Net cash used in operating activities	(8,519)	(5,859)
Cash flows from investing activities		
Expenditures - exploration and evaluation properties	(248)	-
Other assets – advances on land purchases	(387)	(228)
Proceeds from sale of building	-	550
(Expenditures) proceeds from leasing or sale of mineral concessions	(126)	250
Net cash (used in) provided by investing activities	(761)	572
Cash flows from financing activities		
Advance – sale of concessions	1,724	-
Proceeds from private placement, net	4,331	5,287
Proceeds – convertible debenture, net	-	1,077
Proceeds from warrants exercised	345	-
Proceeds from short term loans	1,960	-
Advance – short term debt	1,555	-
Repayment of loan payable	(1,600)	-
Net cash provided by financing activities	8,315	6,364
(Decrease) increase in cash	(965)	1,077
Cash – beginning of year	1,097	20
Cash – end of year	$ 132	$ 1,097
Supplemental cash flow information (note 19)		

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

1 Nature of operations and going concern

Nature of Operations

Core Gold Inc. (the "Company") was incorporated under the laws of the Yukon Territory on June 28, 2000. The Company is in the business of acquiring, exploring, developing and mining mineral concessions. All such concessions are currently situated in Ecuador. The address of the Company's corporate head office and principal place of business is Suite 1201 – 1166 Alberni Street, Vancouver, British Columbia, Canada, V6E 3Z3.

Mining in Ecuador

On April 18, 2008, Ecuador`s Constitutional Assembly passed a Constituent Mandate resolution (the "Mining Mandate"), which provided, among other provisions, for the suspension of mineral exploration activities for 180 days, or until a new Mining Law was approved. In January 2009, the new Mining Act was published. In November 2009, the regulations and procedures to operate under the new Mining Act were signed by the President of Ecuador and published in the Official Registry, after which time the new Mining Act and Regulations (collectively, the "Mining Law") were enacted. The Mining Law was further amended in July 2013 to distinguish between small, medium and large-scale operations. The Mining Law provides that operations mining up to 300 tonnes of mined material per day on an individual concession may be categorized as a smaller scale operation and are required to pay a fixed royalty of 3%; operations mining between 301 and 1,000 tonnes of mined material per day on an individual concession may be categorized as a medium scale operation and are required to pay a fixed royalty of 4%; and operations mining in excess of 1,000 tonnes of mined material per day on an individual concession are categorized as large scale operations and are required to enter into an exploitation contract with the government which sets out specific terms and conditions of the particular operation, including the royalty between 5% and 8% and the application of a windfall tax.

To date, the Company has obtained small scale mining licenses for five concessions at its Zaruma Gold Project and three concessions on the Dynasty Project. Such licenses permit the Company to mine up to 300 tonnes per day from each concession which has obtained the small-scale mining license at a royalty rate of 3%, payable to the Ecuador government, and no windfall tax on the extraction and sale of precious metals. Although these concessions are the focus of the Company's mine development plans, there is no assurance that the Company will be able to obtain additional small scale mining licenses for other concessions to the extent they may become necessary based on the Company's development plans in the future.

The Company's other principal projects are expected to fall into either the medium or a large-scale operation category and may therefore require the Company to enter into exploitation contracts for these projects in the future. There is no assurance that the Company will be able to agree on the terms and conditions an exploitation contract with the government. In the event that an exploitation contract with the government is determined to adversely impact the viability such other projects, it may be necessary, in the future, to re-evaluate the carrying value of the Company's mine exploration and evaluation properties and certain other capital assets.

Going Concern

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As mentioned below, there are conditions and matters which indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern. In the event the Company is unable to produce sufficient precious metals for sale in the future or secure additional working capital from debt or equity financings or through the profitable sale of capital assets, these consolidated financial statements may require adjustments relating to the recoverability and classification of recorded assets and liabilities.

As at December 31, 2018, the Company's accounts payable includes some balances which are significantly overdue, including income taxes, royalties, IVA and other withholding taxes owed to the Ecuador Government, who have seized the Company's bank accounts in order to garnish deposits to pay down the payables. The Company is currently negotiating to defer these amounts. These negotiations are ongoing and there is no assurance they will be successful. During the year ended December 31, 2018, the Company incurred a net loss of $6,250 (2017 - $22,280) and as at December 31, 2018, the Company had a working capital deficit of $16,583 (December 31, 2017 - $19,258). Continuing operations are dependent upon the Company's ability to maintain profitable operations and generate sufficient cash flow from the sale of precious metals or secure additional working capital from external sources as required, neither of which is assured. The recoverability of properties, plant and equipment is dependent on the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to initiate and complete development.

Subsequent Transaction with Titan Minerals Limited ("Titan")

On February 23, 2019, the Company entered into a binding arrangement (the "Arrangement Agreement") with Titan to which Titan will acquire all the issued and outstanding Company common shares by way of a share exchange ("the Merger") . See Note 24 for additional details.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The Board of Directors has approved the audited consolidated financial statements on April 29, 2019.

New Accounting Standards Issued but Not Yet Effective

IFRS 16 – Leases ("IFRS 16")

On January 6, 2016, the IASB issued IFRS 16, Leases. IFRS 16 specifies the methodology to recognize, measure, present and disclose leases. IFRS 16 replaces IAS 17 Leases and the effective date for reporting periods beginning on or after January 1, 2019 with early adoption permitted. For lessees, IFRS 16 will bring most leases onto the consolidated statements of financial position under a single model, eliminating the distinction between operating and finance leases. Lessors will continue accounting for leases under a dual lease classification model, and the classification between operating and finance leases will determine how and when a lessor will recognize revenue, and what assets would be recorded.

The Company will be adopting IFRS 16 on January 1, 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. Comparative figures are not restated to reflect the adoption of IFRS 16. Additionally, the Company will be adopting the exemption for leases with a lease term of 12 months or less and for leases that are low value. The Company expects the adoption of this standard to increase assets by recording a right-of-use asset upon adoption. There will also be an increase to liabilities as a corresponding liability will also be recorded in the consolidated financial statements. The Company also expects an impact from the reclassification of lease expense from operating expense and general and administration expense to depreciation expense and interest expense. Cash flows from operating activities will increase as payments will be reclassified to cash flows from investing activities. There will be a potential impact on financing cash flows as a result of any leasing arrangements entered into.

New Accounting Standards Adopted during the year

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

IFRS 15, Revenue from Contracts with Customers was adopted on January 1, 2018. The standard introduces a single, principles-based, five-step model for the recognition of revenue when control of goods is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The amended standard did not have an impact on the financial statements.

IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9, In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments.

The amended standard was adopted on January 1, 2018 and the Company adopted IFRS 9 retrospectively without restatement of comparative amounts on January 1, 2018, as allowed through the practical expedient. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

3 Summary of significant accounting Policies

Principles of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Significant inter-company transactions and balances have been eliminated upon consolidation.

Name of Subsidiary	Place of Incorporation	Percentage Ownership
Empire Sun Investment Limited	British Virgin Islands	100%
Elipe S.A.	Ecuador	100%
Polimines Corporation	Panama	100%
Golden Valley Planta S.A.	Ecuador	100%
GV Gold Holding Ltd.	Canada	100%
Green Valley Resources-GVR, SA	Ecuador	100%
Greentrade Ecuador Overseas Inc.	Panama	100%
Operaciones Greentrade S.A.	Ecuador	100%
Operaciones Greenmining S.A.	Ecuador	100%
Minsupport S.A.	Ecuador	100%

Foreign currency translation

The presentation currency and the functional currency of the Company and all of the Company's operations is the United States Dollar ("USD"). The Company's foreign currency transactions are translated into USD at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities are translated using period end exchange rates with any gains and losses included in the determination of operating results. Non-monetary assets and liabilities are translated using historical rates.

Revenue recognition

Revenue from the sale of gold and silver is recognized when the quantity of metal sold and the sales price are fixed, title has passed to the buyer and collection is reasonably assured. Revenue is measured at the fair value of the consideration received or receivable.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated using all "in the money" options, warrants and equivalents assumed to have been exercised at the beginning of the period and proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

Inventory

Gold and silver dore, gold and silver in-process and stockpiled mined material inventories are recorded at the lower of average cost and net realizable value. The cost of finished goods and gold and silver in-process includes direct materials, direct labour, depreciation of mining assets and depreciation of mining and processing plant and equipment. Net realizable value is the estimated selling price less applicable selling expenses.

Materials and supplies inventories are valued at the lower of average cost and net realizable value.

Mineral Properties, Plant and Equipment

Exploration and evaluation properties

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation. Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically viable project has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mines under construction within mine properties, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

Development properties

When economically viable projects have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as mines under construction and classified as a component of mine properties, plant and equipment. Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Commercial production is deemed to have occurred when management determines that, amongst other items, the completion of operational commissioning of major mine components has been reached, operating results are being achieved consistently for a period of time, and there are indicators that these operating results will continue.

Once commercial production has been achieved at a project, exploration and development expenditure is amortized on a unit-of-production basis over the measured and indicated resources expected to be extracted economically and included as part of the production cost.

When further development expenditure is incurred in respect of a mine property subsequent to the commencement of commercial production, such expenditure is capitalized as part of the mine property only when substantial new future economic benefits are established, otherwise such expenditure is classified as part of the cost of production.

Plant and equipment

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depreciation methods and useful lives are reviewed at each annual reporting date and adjusted as appropriate. Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Depreciation is provided using the straight-line method over the following terms:

Office and exploration equipment	5 years
Vehicles	3 years
Mining equipment	5 years
Drill rigs	5 years
Plant	10 years
Office buildings	20 years

Provision for closure and restoration

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the decommissioning and reclamation of mine properties, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. A liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for reclamation and rehabilitation obligations is estimated using expected cash flows and is discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows.

In subsequent periods, the liability is adjusted for any changes in the amount or timing of the estimated future cash costs and for the accretion of discounted underlying future cash flows. The unwinding of the effect of discounting the provision is recorded as an expense in the profit or loss.

Stock-based compensation

Certain employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of stock options. The cost of these stock options is measured using the estimated fair value at the date of the grant determined using the Black-

Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Expected volatility is estimated with reference to the historical volatility of the share price of the Company.

These estimates involve inherent uncertainties and the application of management's judgment. The costs are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. The corresponding credit for these costs is recognized in contributed surplus in shareholders' equity.

Stock-based compensation arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Impairment on non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years.

Income taxes

The Company recognizes the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted, or substantively enacted, tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. Deferred tax assets are recognized to the extent that recovery is estimated to be probable.

Financial Instruments – Recognition and Measurements

(i) *Non-derivative financial assets*

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and certain receivables are measured at amortized cost with subsequent impairments recognized in profit or loss.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(ii) Non-derivative financial liabilities

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, convertible debentures, due to related party, and loans payable are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in profit or loss.

(iii) Derivative financial instruments

The Company issues warrants exercisable in a currency other than the Company's functional currency and as a result, the Company's derivative warrant liability is considered a derivative financial instrument.

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in profit or loss. Transaction costs are recognized in profit or loss as incurred.

Segment reporting

The chief operating decision-maker has been identified as the Chief Executive Officer of the Company (the "CEO"). The Company has identified one reportable segment (the exploration, mine development and extraction of precious metals, primarily gold). All such concessions and substantially all the capital assets and revenues of the Company are situated in one geographic area, Ecuador, as at the reporting date.

4 Estimates, risks and uncertainties

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates and, as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future period affected.

The key sources of estimation uncertainty and judgments used in the preparation of theses consolidated financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and earnings within the next financial year, are discussed below:

a) Mineral resource estimation

The carrying value and recoverability of mineral properties requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. The determination of mineral resources also requires the use of estimates. The Company estimates its mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101, Standards for Disclosure of Mineral Projects. There are numerous uncertainties inherent in estimating mineral resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of resources and may result in changes to resource estimates.

b) Inventories

Management makes estimates of recoverable quantities in stockpiled mined material, in-process material and gold and silver dore to determine the average costs of finished goods sold during the period and the value of inventories in the Company's Statement of Financial

Position. Net realizable value tests are performed at each reporting period based on the estimated future sales price of the gold and silver dore, based on the prevailing and long-term gold prices, less estimated costs to complete production and bring the gold and silver dore to selling condition.

The recoverable quantity of mined material in stockpiles is estimated based on tonnage added and removed from the stockpiles, the amount of contained gold ounces based on assay data, and the estimated recovery percentage based on the historical recoveries obtained in the expected processing method. Stockpiled mined material tonnage and estimated grade is reconciled to periodic surveys.

c) Provision for closure and restoration

In estimating the provision for closure and restoration, the Company makes assumptions about activities that occur many years into the future including the cost and timing of such activities. The ultimate financial impact is not clearly known as decommissioning costs and techniques are constantly changing, as are legal, regulatory, environmental, political, safety and other such considerations. In arriving at accounts recorded, numerous assumptions and estimates are made on ultimate settlement amounts, inflation factors, discount rates, timing and expected changes in legal, regulatory, environmental, political, and safety requirements.

d) Units-of-production (“UOP”) amortization

The Company uses estimated economical measured and indicated resources as the basis for determining the amortization of certain mineral property and capitalized mine development expenditures. This results in an amortization charge proportional to the anticipated remaining mine life. These calculations require the use of estimates and assumptions, including the amount of measured and indicated resources.

e) Income Taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

f) Stock-based compensation

Stock-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company’s stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

g) Asset’s carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of value in use and fair value less costs to sell 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 make a decision based on the best available information at each reporting period.

h) Warrant valuation

The fair value of the warrants is calculated using the Black-Scholes Option Pricing Model. The option pricing model requires the input of highly speculative assumptions, including the expected future price volatility of a Company’s shares. Changes in these assumptions can materially affect the fair value estimate and, therefore, existing models do not necessarily provide a reliable single measure of the fair value of the Company’s warrants.

i) Commercial production

Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Commercial production is deemed to have occurred when management determines that, amongst other items, the completion of operational commissioning of major mine components has been reached, operating results, which includes the grade and volume of material mined, are being achieved consistently for a period of time, and there are indicators that these operating results will continue, all of which involve management judgments.

5 Receivables and prepaid expenses

	December 31, 2018	December 31, 2017
Other receivables	$ 12	$ 12
Prepaid expenses		
Prepaid – taxes	1,896	-
Prepaid – other	133	96
Advances – employees	74	108
Advances – suppliers	978	577
	$ 3,093	$ 793

6 Financial instruments

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	Fair Value Hierarchy Level	December 31, 2018	December 31, 2017
Financial assets			
Receivables			
Cash [(1)]	N/A	$ 132	$ 1,097
Other receivables [(1)]	N/A	12	12
Financial liabilities			
Other financial liabilities			
Accounts payable & accrued liabilities [(1)]	N/A	14,385	15,735
Convertible debenture - Vertex[(3)]	N/A	1,000	988
Convertible debenture - Credipresto[(3)]	N/A	1,756	1,789
Related party loan[(3)]	N/A	545	545
Loans payable[(3)]	N/A	3,876	3,416
Derivative			
Warrant liability [(2)]	Level 3	967	1,686

(1) The carrying value of cash, receivables and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these items.

(2) The Company applies a standard Black-Scholes model to value the warrant liability in Note 13.

(3) Loans payable and convertible debentures are presented on an amortized cost basis and will be accreted to their face value at their effective interest rates, over the term to maturity.

Fair value measurements

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during the year ended December 31, 2018.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and receivables. The Company deposits cash with high quality financial institutions as determined by rating agencies in Canada, for which management believes the risk of loss to be minimal. The Company holds minimal balances in banks in Ecuador.

Receivables mainly consist of sales tax refunds from the Federal Governments of Canada and Ecuador. Management believes that the credit risk concentration with respect to receivables is minimal.

Foreign Currency Risk

The Company's operations in Canada and Ecuador create exposure to foreign currency fluctuation. Some of the Company's operating expenditures are incurred in Canadian dollars, and the fluctuation of the US dollar in relation to the Canadian dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's financial assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

A portion of the Company's cash, receivables and accounts payable and accruals are denominated in the Canadian dollar and are therefore subject to fluctuation in exchange rates, however these balances are not large enough to expose the Company to significant foreign exchange risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

Interest Rate Risk

The Company maintains short-term deposits in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations thereon. The Company has interest bearing debt and may be subject to interest rate risk.

Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors gold and other commodity prices to determine the appropriate course of action to be taken by the Company.

In the normal course of business, the Company enters into contracts and performs business activities that give rise to commitments for future minimum payments. The following table summarizes the contractual maturities of the Company's financial liabilities and operating and capital commitments at December 31, 2018 and December 31, 2017:

December 31, 2018	Current – within 1 year	Non-current – 1 to 3 years
Accounts payables and accrued liabilities	$ 14,385	$ -
Convertible debenture – Credipresto	1,756	-
Loans payable	3,876	-
Related party loan	545	-
Convertible debenture - Vertex	1,000	-
	$ 21,562	$ -

December 31, 2017	Current – within 1 year	Non-current – 1 to 3 years
Accounts payables and accrued liabilities	$ 15,735	$ -
Advance – Credipresto	1,789	-
Loan payable	3,416	-
Related party loan	545	-
Convertible debenture - Vertex	988	-
	$ 22,473	$ -

7 Inventory

	December 31, 2018	December 31, 2017
Consumables	$ 727	$ 332
Work in progress – gold inventory	191	613
Finished goods – gold inventory	836	380
	$ 1,754	$ 1,325

8 Properties, plant and equipment

Net carrying costs at December 31, 2018 and December 31, 2017 are as follows:

	Zaruma Mines (a)	Plant and Equipment	Dynasty Goldfields	Land and Buildings	Total
Cost					
Balance as at December 31, 2016	$ 29,043	$ 34,156	$ -	$ 3,292	$ 66,491
Reclassification	-	-	14,370	-	14,370
Asset retirement obligation – asset	311	194	315	-	820
Disposal/lease	(250)	-	-	(550)	(800)
Balance as at December 31, 2017	**29,104**	**$ 34,350**	**14,685**	**2,742**	**80,881**
Expenditures	**-**	**-**	126	387	513
Balance as at December 31, 2018	**$ 29,104**	**$ 34,350**	**$ 14,811**	**$ 3,129**	**$ 81,394**
Accumulated Depreciation and Depletion					
Balance as at December 31, 2016	$ (21,845)	$ (24,491)	$ -	$ (282)	$ (46,618)
Impairment	(7,259)	(3,019)	-	-	(10,278)
Depreciation and depletion	-	(2,733)	(219)	(31)	(2,983)
Balance as at December 31, 2017	**(29,104)**	**(30,243)**	**(219)**	**(313)**	**(59,879)**
Depreciation and depletion	-	(2,737)	(330)	(27)	(3,094)
Balance as at December 31, 2018	**$ (29,104)**	**$ (32,980)**	**$ (549)**	**$ (340)**	**$ (62,973)**
Net Book Value					
At December 31, 2017	$ -	$ 4,107	$ 14,466	$ 2,429	$ 21,002
At December 31, 2018	**$ -**	**$ 1,370**	**$ 14,262**	**$ 2,789**	**$ 18,421**

During the year ended December 31, 2018, $144 (2017 - $236) of depreciation and $13 (2017 - $18) of depletion are capitalized in work in progress and finished goods inventory.

a) Zaruma Gold Project

The Zaruma Gold Project comprises 36 concessions, located in the El Oro Province of southwestern Ecuador, in the vicinity of the towns of Zaruma and Portovelo. As at December 31, 2018, 34 of the concessions are 100% owned, one is 50% owned and one is 25% owned and subject to a concession sharing arrangement. The Company has title to the remaining concession and has paid the majority of applicable option payments on this concession.

Two of the concessions are subject to a 1% net smelter return ("NSR") royalty payable to a company managed by an ex-director, three concessions are subject to a 2% NSR royalty and 30 are subject to a 1.5% NSR royalty. The Company has no work obligations with respect to the project concessions.

The Company is aware of actions taken by other parties to secure ownership of a concession within the Zaruma Gold Project and access certain other concessions. The Company expects that these actions are unlawful and has taken steps to protect its interest.

During the year ended December 31, 2017, the Company entered into an agreement for leasing (ranging from a duration of 4 to 10 years) of 324 hectares of the Company's non-core mining concessions that were part of the Zaruma Project for a total of $250, realized against property, plant and equipment. There were no comparable transactions during the year ended December 31, 2018.

b) Impairment

Assets are reviewed at each reporting period and tested for impairment when events or changes in circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Assets are grouped at the lowest level for which there are separately identifiable cash inflows or cash generating units.

The recoverable amounts of the Company's cash generating units ("CGUs"), which include mineral properties, plant and equipment are determined where facts and circumstances provide impairment indicators. The recoverable amounts are based on either the CGUs future after-tax cash flows expected to be derived from the Company's mineral properties or based on the fair value less cost to sell the asset.

At December 31, 2017, the company fully impaired the Zaruma project by $7,259 and related equipment by $3,019 based on identified indicators of impairment. There was no impairment recorded on the Company's equipment associated with the plant and Dynasty property, as they are considered to be a separate CGU, as it was supported by its fair value in use during the years ended December 31, 2017.

For the year ended December 31, 2018, there were no impairments recorded.

9 Exploration and evaluation assets

	Dynasty Project	Linderos Project
Balance as at December 31, 2016	**$ 15,303**	**$ -**
Write-down, abandoned properties	(933)	-
Reclassification (note 8)	(14,370)	-
Balance as at December 31, 2017	**$ -**	**$ -**
Mineral concession rights	**-**	248
Balance as at December 31, 2018	**$ -**	**$ 248**

Title to exploration and evaluation properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and, to the best of its knowledge, titles to all of its properties, except as described below, are properly registered and in good standing.

Linderos Project

The Linderos project is an exploration property located in Macara county, Loja province, southern Ecuador. It is composed of 4 contiguous concessions located southwest of the Company's Dynasty Goldfield project.

Dynasty Project

The Dynasty Project, also known as the Dynasty Copper-Gold Belt consists of 20 100% owned concessions.

Five of the project concessions are subject to a 1% NSR royalty, payable to a company managed by an ex-director. The Company has no work obligations with respect to the project property.

On April 27, 2016, the Company entered into a definitive three-year agreement with Green Oil S.A., an Ecuadorean company, to act as contractor for the development of specific mining concessions within the Dynasty project. The contractor will have the right to mine open pitable surface material only and the Company retains the right to explore and develop all underground mineralization. The contractor will be responsible for securing the mineralized material during transport and tracking truck loads to the Zaruma mill. The contractor's compensation will be based on the cash equivalent of 35% of refined gold sales and 10% of refined silver sales. During the year ended December 31, 2017 the compensation related to refined gold was increased to 40% unless the sale price was above $1,350 at which point the compensation would revert back to the original 35%. As part of the agreement, Green Oil S.A. provided the Company with advanced resources for a total of $448 which was used for working capital purposes as well as payment of outstanding indebtedness to the Ecuadorean Government and suppliers. This balance is repayable to Green Oil S.A. upon production.

During the year ended December 31, 2017, the Company began production from the Dynasty Project and therefore reclassified the balance from exploration and evaluation directly to properties, plant and equipment as the project did not require a development phase as there was direct access with the open pit.

The Company abandoned several concessions located at the Dynasty Project during the year ended December 31, 2017. Costs that had been previously capitalized relating to these concessions amounting to $933 were written-off.

10 Accounts payable and accrued liabilities

	December 31, 2018	December 31, 2017
Trade payable	$ 8,216	$ 9,600
Green Oil S.A. payable	684	395
Payroll related payable and accruals	1,217	1,479
Government payable – IVA, Taxes, Royalty, Concessions	1,344	3,074
Office sold – deposit	500	-
Deferred income on proposed concession disposals	1,995	-
Royalty and other	429	1,187
	$ 14,385	$ 15,735

11 Loans payable

	Vertex Loan A (a)	Vertex Loan B (a)	Vertex Loan C (a)	Equipment Loan (b)	Related Party Loan (c)	Credipresto Bridge Loan (d)	Short term loan (e)	Total
Carrying value – December 31, 2016	**$ -**	**$ 1,500**	**$ 1,500**	**$ 416**	**$ 545**	**$ -**	**$ -**	**$ 3,961**
Long term portion	$ -	$ -	$ (1,500)	$ -	$ -	$ -	$ -	$ (1,500)
Current portion	$ -	$ 1,500	$ -	$ 416	$ 545	$ -	$ -	$ 2,461
Carrying value – December 31, 2017	$ -	**$ 1,500**	**$ 1,500**	**$ 416**	**$ 545**	**$ -**	**$ -**	**$ 3,961**
Additional lending	-	-	-	-	-	1,600	1,960	3,560
Repayment	-	(1,500)	-	-	-	(1,600)	-	(3,100)
Transaction cost	-	-	-	-	-	(88)	-	(88)
Accretion expense	-	-	-	-	-	88	-	88
Carrying value – December 31, 2018	-	-	1,500	416	545	-	1,960	4,421
Current portion	$ -	**$ -**	**$ 1,500**	**$ 416**	**$ 545**	**$ -**	**$ 1,960**	**$ 4,421**

Common shares, share purchase warrants noted below are in denominated in thousands.

a) Vertex Loan Payable

Vertex Loan A

On June 22, 2015, the Company entered into a note purchase agreement with Vertex Managed Value Portfolio and Vertex Enhanced Income Fund (together, "Vertex"), for the issuance of promissory notes to Vertex in the aggregate principal amount of $4,000 ("Vertex Loan A") maturing on May 31, 2016.

Vertex Loan A accrues interest at a rate of 16% per annum, payable monthly, which at the Company's election may be capitalized and added to the principal amount. Principal is repayable in eight monthly installments commencing on October 30, 2015, subject to the Company's right to prepay the Notes at any time after November 30, 2015, without penalty. The Notes are secured by a pledge of the shares of the Company's indirect wholly-owned subsidiary, Elipe S.A., which holds certain of the Company's mining concessions in Ecuador.

In connection with the financing, Vertex was paid a cash fee in an amount equal to 3% of the aggregate principal amount of the Notes ($120) and received 600 common share purchase warrants ("Warrant"). Each Warrant entitles the holder thereof, for a period of 24 months, to acquire one common share of the Company at a price equal to CAD$0.73, subject to the certain terms and conditions. The warrants were valued at $69, and recorded as a Derivative Liability, using the Black Scholes pricing model assuming a risk-free interest rate of 0.7%, expected life of 1.0 years and an annualized volatility of 48.73%.

On October 30, 2015, the Company and Vertex amended the terms of the Notes. Under the amended terms, repayments of principal under the promissory notes issued pursuant to the financing have been deferred by nine months such that principal is now repayable by the Company in eight equal monthly installments commencing on July 29, 2016 and ending on February 28, 2017. Additionally, in consideration for the deferral, the expiry date of the 600 warrants has been extended from June 22, 2017 to March 22, 2018. The original exercise price of the Warrants has also been amended from CAD$0.73 to CAD$0.31 per share. Other terms of the original Note Agreement remain unchanged.

As a result of amending the warrants, additional transaction costs of $36 were recognized as a Derivative Liability using the Black Scholes pricing model assuming a risk-free rate of 0.57%, expected life of 2.4 years and an annualized volatility of 60.29%. The change in terms did not constitute a substantial modification and accordingly the notes were not considered extinguished.

Restructuring Agreement – Vertex Loan B and Vertex Loan C

On September 15, 2016, the Company closed the restructuring agreement on Vertex Loan A. Pursuant to the Restructuring Agreement, the Company issued the following securities to Vertex in exchange for cancellation of the existing debt owed to Vertex:

- Secured $1,500 promissory notes incurring interest at 12% with a one-year maturity date ("Vertex Loan B");
- Secured $1,500 promissory notes incurring interest at 12% with a two-year maturity date ("Vertex Loan C");
- $1,000 freely assignable convertible promissory notes incurring interest at 12% with a two-year maturity date, convertible into Shares at CAD$0.30 per share (subject to a fixed foreign exchange rate of CAD$1.2895/US$1.00), secured by a second lien pledge of all of the issued and outstanding capital of Elipe S.A. (the "Convertible Note")(see note 12(a));
- Share purchase warrants ("Warrant") with an expiry date of September 15, 2018, to purchase an aggregate of 2,400 shares, with an exercise price per warrant equal to CAD$0.15 (the "Additional Warrants").
- 600 outstanding share purchase warrants were repriced from CAD$0.31 to CAD$0.15 and were extended to September 15, 2018.

The Company assessed this restructuring as an extinguishment of debt. As such, the Company de-recognized debt of $3,948 related to the Vertex Loan A and recognized new debt of $1,500 related to Vertex Loan B, $1,500 related to Vertex Loan C, and $953 related to the Convertible Note. The Company recognized the difference between the new and old debt along with transaction costs incurred on restructuring as a loss on debt extinguishment. As part of this debt restructuring the Company incurred transaction costs in cash of $136, the valuation of the 2.4 million Additional Warrants issued as $296 (see note 13(iii)), and the valuation of the modification of 600 warrants as $13 (see note 13(iv)) for total transaction costs of $445.

On February 1, 2018, the Company settled the Vertex Loan B in common shares (see note 15(a)(x)). On September 17, 2018, Vertex agreed to extend the maturity of the Vertex Loan C to December 31, 2018. On December 19, 2018, Vertex agreed to extend the maturity of the Vertex Loan C to March 31, 2019. The loan is currently due and management is renegotiating the terms.

As at December 31, 2018, Vertex Loan C is presented as a current liability as it is due within a year.

b) Equipment Loan

The Company entered into a loan with Atlas Copco Finance to finance the purchase of Atlas Copco machinery in the aggregate amount of $600. The loan is repayable monthly over three years, bears interest at 8.5% and is secured by the Atlas Copco equipment purchased. The loan is currently due in full and the Company is currently renegotiating the repayment terms. As at December 31, 2018, the balance outstanding is $416 (December 31, 2017 - $416).

c) Related Party Loan

As at December 31, 2018, the Company had a related party loan of $545 with an ex-director of the Company.

The related party loans are non-interest bearing, unsecured and due on demand.

d) Credipresto Short Term Bridge Loan

On April 25, 2018, the Company secured a short-term bridge loan with Credipresto for $1,600. The proceeds were advanced to the Company during the month of January 2018. The loan accrues interest at a rate of 15% per annum, with a 7 month maturity date (July 31, 2018), and secured by a third lien pledge of all of the issued and outstanding capital of Elipe S.A.

In connection with the debenture, Credipresto was paid a cash fee in the amount equal to 2% of the debenture ($32) and received 800 share purchase warrants ("Debt Warrant").

Each Debt Warrant entitles the holder thereof, for a period of 12 months, to acquire one common share of the Company at a price equal to CAD$0.365, subject to the certain terms and conditions. The warrants were valued at $43, and recorded as a Derivative Liability, using the Black Scholes pricing model assuming a risk-free interest rate of 1.69%, expected life of 1.0 year and an annualized volatility of 85%.

Total debt issuance cost was $88 including the cash fee, fair value of the warrants and direct professional fees.

As at December 31, 2018, the loan has been repaid in full.

e) Short Term Loan

(i) On July 9, 2018 the Company entered into a short-term loan with a private lender for $500. The loan was repayable in full in 6 months, bearing an annualized interest rate of 30% and is unsecured. In December 2018 the term of the loan was extended to June 27, 2019.

(ii) On August 6, 2018 the Company entered into a short-term loan with a private lender for $1,000. The loan was repayable in full in 6 months, bearing an annualized interest rate of 30% and is unsecured. In January 2019, the term of the loan was extended to May 19, 2019.

(iii) On November 13, 2018 the Company entered into a short-term loan with a private lender for $460. The loan was repayable in full in 6 months, bearing an annualized interest rate of 26% and is unsecured. In April 2019, the term of the loan was extended to September 26, 2019.

12 Convertible debentures

Convertible debenture – carrying value	December 31, 2018	December 31, 2017
Vertex - $1,000 (a)	$ 1,000	$ 988
Credipresto - $1,000 (b)	997	951
Credipresto - $500 A (c)	475	381
Credipresto - $500 B (d)	284	457
Total carrying value	2,756	2,777
Less: current portion	**(2,756)**	**(2,777)**
Long term portion	**-**	**-**

a) Vertex Convertible debt - $1,000	December 31, 2018	December 31, 2017
Opening balance	$ 988	$ 958
Accretion expense	12	30
Total carrying value	1,000	988

On September 15, 2016, the Company closed the restructuring agreement on Vertex Loan A, creating a $1,000 convertible debenture (see note 11). The $1,000 convertible note is convertible into common shares of the Company at CAD$0.30 per share (subject to the fixed foreign exchange rate of CAD$1.2895/US$1.00) until September 15, 2018. Based on the discount factor of 15% over the term of two years, the equity portion was valued at $47. On September 17, 2018, Vertex agreed to extend the maturity of the convertible debt to December 31, 2018. On December 19, 2018, Vertex agreed to extend the maturity of the Vertex Loan C to March 31, 2019. The loan is currently due and management is renegotiating the terms.

For year ended December 31, 2018, accretion for the debenture was $12 (2017 – $30). Interest accrued for year ended December 31, 2018 was $115 (2017 - $155).

b) Credipresto convertible debt - $1,000	December 31, 2018	December 31, 2017
Opening balance	$ 951	$ 923
Additions	-	77
Equity portion	-	(49)
Finance cost (CAD$50)	-	(38)
Accretion expense	46	38
Total carrying value	997	951

On January 27, 2017, the Company completed $1,000 convertible secured subordinated debenture with Credipresto ($923 advanced to the Company as at December 31, 2016) with the following key terms: 2-year maturity, 12% interest per annum, CAD$0.25/share conversion rate (based on CAD$1.3104/US$1.00), secured through a pledge of all the issued and outstanding share capital of Elipe S.A., an indirect wholly owned subsidiary of the Company, ranking behind the Vertex loans outstanding, and $38 (CAD$50) finance fee. Based on the discount factor of 15% over the term of two years, the equity portion was valued at $49.

For year ended December 31, 2018, accretion was $46 (2017 – $38). Interest accrued year ended December 31, 2018 was $231 (2017 - $111).

c) Credipresto convertible debt - $500 A	December 31, 2018	December 31, 2017
Opening balance	$ 381	$ -
Additions	-	500
Equity portion	-	(25)
Transaction cost	-	(160)
Accretion expense	94	66
Total carrying value	$ 475	381

On April 3, 2017, the Company completed $500 convertible secured subordinated debenture with Credipresto with the following key terms: 2-year maturity, 12% interest per annum, CAD$0.25/share conversion rate (based on CAD$1.3322/US$1.00), secured through a pledge of all the issued and outstanding share capital of Elipe S.A., an indirect wholly owned subsidiary of the Company, ranking behind the Vertex loans outstanding. Based on the discount factor of 15% over the term of two years, the equity portion was valued at $25.

Transaction cost includes the $155 (see note 13(i)), fair value of 750 share purchase warrants, and direct transaction cost of $5.

For year ended December 31, 2018, accretion was $94 (2017 – $66). Interest accrued for year ended December 31, 2018 was $105 (2017 - $45).

d) Credipresto convertible debt - $500 B	December 31, 2018	December 31, 2017
Opening balance	$ 457	$ -
Additions	-	500
Debt converted (see note 15(a)(iii)(iv)(vi))	(211)	
Equity portion	-	(24)
Transaction cost	-	(41)
Accretion expense	38	22
Total carrying value	$ 284	457

On April 25, 2017, the Company completed $500 convertible secured subordinated debenture with Credipresto with the following key terms: 2-year maturity, 12% interest per annum, CAD$0.26/share (based on CAD$1.3516/US$1.00) conversion rate, secured through a pledge of all the issued and outstanding share capital of Elipe S.A., an indirect wholly owned subsidiary of the Company, ranking behind the Vertex loans outstanding. Based on the discount factor of 15% over the term of two years, the equity portion was valued at $24.

Transaction cost includes the $37(see note 13(ii)), fair value of 250 share purchase warrants, and direct transaction cost of $4.

For year ended December 31, 2018, accretion was $38 (2017 – $22). Interest accrued for year ended December 31, 2018 was $88 (2017 - $41).

During the year ended December 31, 2018, $211 of the convertible debenture were converted into common shares (see note 15(a)). $211 and $10 (from equity portion in shareholder’s equity) were reclassified into share capital (total $221).

13 Derivative warrant liability

All share purchase warrants disclosed are denominated in thousands.

As at December 31, 2018, the Company has the follow share purchase warrants outstanding:

	Number of warrants ('000)	Weighted average exercise price (CAD$)	Warrant liability (US$)
Balance, December 31, 2016	3,000	$ 0.15	$ 324
Warrants issued – private placement June 30, 2017 (note 15(a)(xi))	2,967	0.45	404
Warrants issued – convertible debenture (see (i) and note 12 (c))	750	0.33	155
Warrants issued – convertible debenture (see (ii) and note 12 (d))	250	0.35	37
Warrants issued – private placement July 14, 2017 (note 15(a)(xii))	1,642	0.45	111
Warrants issued – private placement August 3, 2017 (note 15(a)(xiii))	811	0.45	72
Warrants issued – private placement September 5, 2017 (note 15(a)(xiv))	1,277	0.45	140
Warrants issued – private placement September 15, 2017 (note 15(a)(xv))	1,016	0.45	120
Warrants issued – private placement October 13, 2017 (note 15(a)(xvi))	1,790	0.45	245
Warrants issued – private placement December 18, 2017 (note 15(a)(xvii))	1,582	0.45	165
Warrants issued – private placement December 28, 2017 (note 15(a)(xviii))	2,066	0.45	215
Foreign exchange impact	N/A	N/A	24
Change in fair value (v)	N/A	N/A	(326)
Balance, December 31, 2017	17,151	$ 0.39	$ 1,686
Warrants issued – shares for debt, February 1, 2018 (note 15(a)(x))	3,761	$ 0.45	478
Warrants issued – private placement April 2, 2018 (note 15(a)(ix))	2,706	0.45	346
Warrants issued – bridge loan, April 25, 2018 (note 15(a)(viii))	800	0.365	43
Warrants issued – private placement May 4, 2018 (note 15(a)(vii))	2,255	0.45	288
Warrants issued – private placement May 29, 2018 (note 15(a)(v))	548	0.45	81
Warrants exercised – September 15, 2018 (note 15(a)(ii))	(3,000)	0.15	(313)
Warrants issued – private placement September 28, 2018 (note 15(a)(i))	4,635	0.45	269
Foreign exchange impact	N/A	N/A	(142)
Change in fair value (v)	N/A	N/A	(1,769)
Balance, December 31, 2018	28,856	$ 0.44	$ 967

Expiry date	Number of warrants ('000)	Exercise price (CAD$)
June 30, 2019	2,967	$ 0.45
April 3, 2019	750	$ 0.33
April 25, 2019	250	$ 0.35
July 14, 2019	1,642	$ 0.45
August 3, 2019	811	$ 0.45
September 5, 2019	1,277	$ 0.45
September 15, 2019	1,016	$ 0.45
October 13, 2019	1,790	$ 0.45
December 18, 2019	1,582	$ 0.45
December 28, 2019	2,066	$ 0.45
February 1, 2020	3,761	$ 0.45
April 2, 2020	2,706	$ 0.45
April 25, 2019	800	$ 0.365
May 4, 2020	2,255	$ 0.45
May 29, 2020	548	$ 0.45
September 28, 2020	4,635	$ 0.45
	28,856	$ 0.44

i) In connection to the issuance of the convertible debenture (see note 12(c)), the Company issued 750 share purchase warrants with an exercise price of CAD$0.33 and an expiry date of April 3, 2019. The fair value of the warrants, $155, were estimated using the Black-Scholes Model with the following assumption – 123% volatility, 0.76% risk free rate, 0% dividend rate and an expected life of 2 years. These warrants were not exercised and expired subsequent to year end.

ii) In connection to the issuance of the convertible debenture (see note 12(d)), the Company issued 250 share purchase warrants with an exercise price of CAD$0.35 and an expiry date of April 25, 2019. The fair value of the warrants, $37, were estimated using the Black-Scholes Model with the following assumption – 123% volatility, 0.76% risk free rate, 0% dividend rate and an expected life of 2 years. These warrants were not exercised and expired subsequent to year end.

iii) On September 15, 2016, the Company entered into a restructuring agreement with Vertex. On closing, the Company issued 2,400 share purchase warrants that have an exercise price of CAD$0.15 and an expiry date of September 15, 2018. The warrants were assigned a fair value of $296 using the Black-Scholes Pricing Model with the follow assumptions – 110% volatility, 0.5% risk free rate, 0% dividend rate and an expected life of 2 years. The fair value related to the warrants issued are capitalized as debt issuance cost related to the restructure.

iv) In addition to the warrants issuance noted in (iii), the Company also repriced the existing 600 warrants from CAD$0.31 to CAD$0.15 and extended the expiry to September 15, 2018. The change in fair value of $13 related the repricing were estimated using the Black-Scholes Model with the following assumption – 110% volatility, 0.5% risk free rate, 0% dividend rate and an expected life of 2 years. This balance was expensed on extinguishment of debt.

v) The fair value of the warrants is calculated using the Black-Scholes Option Pricing Model. The option pricing model requires the input of highly speculative assumptions, including the expected future price volatility of a Company's shares. Changes in these assumptions can materially affect the fair value estimate and, therefore, existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

For the year ended December 31, 2018 and 2017, the Company used the following weighted average assumptions for the Black-Scholes Option Pricing Model to revaluate the warrant liability as at December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Expected option life	1.01 years	1.51 years
Expected stock price volatility	87%	115%
Dividend payment during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil
Risk free interest rate	1.84%	1.09%
Weighted average strike price	$ 0.44	$ 0.39
Weighted average fair value per warrant	$ 0.04	$ 0.12
Weighted average share price	$ 0.24	$ 0.27

14 Provision for closure and restoration

	December 31, 2018	December 31, 2017
Zaruma Gold Project (a)	$ 1,011	$ 950
Dynasty Goldfields (b)	339	324
	$ 1,350	$ 1,274

a) **Zaruma Gold Project**

	December 31, 2018	December 31, 2017
Balance, beginning of the year	$ 950	$ 391
Accretion expense	61	54
Change in estimate	-	505
Balance, end of the year	$ 1,011	$ 950

The Company's environmental permit at the Zaruma Gold Project requires that it reclaim any land disturbed during the mine and plant construction and operations. Although the timing and the amount of the actual expenditures are uncertain, the Company has estimated the present value of the future reclamation obligation arising from its activities to December 31, 2018 to be $1,011 (December 31, 2017- $950). The present value of the future reclamation obligation assumes an inflation rate of 2.0% (2017 – 2.0%) and a discount rate of 8.0% (2017 – 8.0%), an undiscounted amount to settle the obligation of $2,282 (2017 - $2,282) and the commencement of reclamation activities after the life of mine, which is estimated at 15 years. Accretion expense of $61 was recognized during year ended December 31, 2018 (December 31, 2017 - $54).

b) **Dynasty Goldfields**

	December 31, 2018	December 31, 2017
Balance, beginning of the year	$ 324	$ -
Additional liability accrued	-	315
Accretion expense	15	9
Balance, end of the year	$ 339	$ 324

The Company's environmental permit at the Dyansty Goldfields Project requires that it reclaim any land disturbed during the mine and plant construction and operations. Although the timing and the amount of the actual expenditures are uncertain, the Company

has estimated the present value of the future reclamation obligation arising from its activities to December 31, 2018 to be $339 (December 31, 2017 - $324). The present value of the future reclamation obligation assumes an inflation rate of 2.0% (2017 – 2.0%) and a discount rate of 8.0% (2017 – 8.0%), an undiscounted amount to settle the obligation of $778 (2017 - $778) and the commencement of reclamation activities after the life of mine, which is estimate at 15 years. Accretion expense of $15 was recognized during the year ended December 31, 2018 (December 31, 2017 - $9).

15 Share capital

All disclosures related to common shares, share purchase options and share purchase warrants are denominated in thousands ('000).

a) Authorized and issued shares

As at December 31, 2018, the Company had an unlimited number of authorized common shares and 146,047 shares outstanding (December 31, 2017 – 114,136).

Fiscal 2018 – December 31, 2018

(i) On September 28, 2018, the Company closed a non-brokered private placement of 9,270 units at CAD$0.30 per unit for aggregate proceeds of $2,143 (CAD$2,781). Each unit is comprised of one common share of the Company and one half of one common share purchase warrant (each whole common share purchase warrant). Each warrant entitles the holder to purchase one common share at a price of CAD$0.45 that expires on September 28, 2020, subject to acceleration in the event that the closing price of the common shares are CAD$0.60 or higher over a period of ten consecutive trading days. The fair value of the warrants, $269, were estimated using the Black-Scholes Model with the following assumption – 78% volatility, 2.16% risk free rate, 0% dividend rate and an expected life of 2 years.

(ii) On September 15, 2018, Vertex converted 3,000 share purchase warrants (note 11(a)) for 3,000 common shares at CAD$0.15 per share for aggregate gross proceeds of $345 (CAD$450). The difference between the fair value on date of exercise and cash received, $313 has reduced the warrant liability.

(iii) On June 7, 2018, Credipresto partially converted $47 of the $500 convertible secured subordinated debenture (note 12(d)) for 241 common shares at CAD$0.26 per share.

(iv) On May 31, 2018, Credipresto partially converted $4 of the $500 convertible secured subordinated debenture (note 12(d)) for 19 common shares at CAD$0.26 per share.

(v) On May 29, 2018, the Company closed a non-brokered private placement of 1,095 units at CAD$0.30 per unit for aggregate proceeds of $256 (CAD$329). Each unit is comprised of one common share of the Company and one half of one common share purchase warrant (each whole common share purchase warrant). Each warrant entitles the holder to purchase one common share at a price of CAD$0.45 that expires on May 29, 2020, subject to acceleration in the event that the closing price of the common shares are CAD$0.60 or higher over a period of ten consecutive trading days. The fair value of the warrants, $81, were estimated using the Black-Scholes Model with the following assumption – 122% volatility, 1.85% risk free rate, 0% dividend rate and an expected life of 2 years.

(vi) On May 15, 2018, Credipresto partially converted $160 of the $500 convertible secured subordinated debenture (note 12(d)) for 841 common shares at CAD$0.26 per share.

(vii) On May 4, 2018, the Company closed a non-brokered private placement of 4,510 units at CAD$0.30 per unit for aggregate proceeds of $1,062 (CAD$1,353). Each unit is comprised of one common share of the Company and one half of one common share purchase warrant (each whole common share purchase warrant). Each warrant entitles the holder to purchase one common share at a price of CAD$0.45 for a period of 2 years following the date of issuance (expires on May 4, 2020), subject to acceleration in the event that the closing price of the common shares are CAD$0.60 or higher over a period of ten consecutive trading days. The fair value of the warrants, $288, were estimated using the Black-Scholes Model with the following assumption – 124% volatility, 1.90% risk free rate, 0% dividend rate and an expected life of 2 years.

(viii) On April 25, 2018, the Company closed a secured $1,600 bridge loan with Credipresto. In connection with the bridge loan, the Company issued 800 share purchase warrants with an exercise price of CAD$0.365 per common share with an expiration date of April 25, 2019. The fair value of the warrants, $43, were estimated using the Black-Scholes Model with the following assumption – 85% volatility, 1.69% risk free rate, 0% dividend rate and an expected life of 1 year.

(ix) On April 2, 2018, the Company closed a non-brokered private placement of 5,413 units at CAD$0.30 per unit for aggregate proceeds of $1,258 (CAD$1,623). Each unit is comprised of one common share of the Company and one half of one common share purchase warrant (each whole common share purchase warrant). Each warrant entitles the holder to purchase one common share at a price of CAD$0.45 for a period of 2 years following the date of issuance (expires on April 2, 2020), subject to acceleration in the event that the closing price of the common shares are CAD$0.60 or higher over a period of ten consecutive trading days. The fair value of the warrants, $346, were estimated using the Black-Scholes Model with the following assumption – 125% volatility, 1.95% risk free rate, 0% dividend rate and an expected life of 2 years.

(x) On February 1, 2018, the Company settled an aggregate of US$1,500 owing to Vertex through a share for debt transaction. The Company has extinguished the principal owing through the issuance to Vertex of an aggregate of 7,522 units of the Company as a deemed price of CAD$0.25 per unit. Each unit is comprised of one common share of the Company and one-half of one warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company at a price of CAD$0.45 per share until February 1, 2020. The fair value of the warrants, $478, were estimated using the Black-Scholes Model with the following assumption – 124% volatility, 1.79% risk free rate, 0% dividend rate and an expected life of 2 years. A loss of settlement of debenture of $752 was recognized as finance cost (note 17).

Fiscal 2017

(xi) On June 30, 2017, the Company closed a non-brokered private placement for gross proceeds of $1,372 (CAD$1,780) by issuing 5,935 units at CAD$0.30 per unit. $265 (CAD$345) of the private placement were non-cash and used to settle accounts payable. Each unit consists of one common share and one-half share purchase warrant (2,967) with an exercise price of CAD$0.45 that expires on June 30, 2019. The expiry date is subject to acceleration in the event that the closing price of the Company's common shares is CAD$0.60 per share or higher over a period of 10 consecutive trading days ("Acceleration Clause"). The fair value of the warrants, $404, were estimated using the Black-Scholes Model with the following assumption – 123% volatility, 1.09% risk free rate, 0% dividend rate and an expected life of 2 years. The share issuance cost for the transaction was $70.

(xii) On July 14, 2017, the Company closed a private placement for gross proceeds of $776 (CAD$985) by issuing 3,285 units at CAD$0.30 per unit. $47 (CAD$58) of the private placement were non-cash and used to settle accounts payable. Each unit consists of one common share and one-half share purchase warrant (1,642) at a price of CAD$0.45 that expires on July 14, 2019. The warrants are subjected to the Acceleration Clause. The fair value of the warrants, $111, were estimated using the Black-Scholes Model with the following assumption – 83% volatility, 1.09% risk free rate, 0% dividend rate and an expected life of 2 years. The share issuance cost for the transaction was $41.

(xiii) On August 3, 2017, the Company closed a private placement for gross proceeds of $386 (CAD$487) by issuing 1,622 units at CAD$0.30 per unit. Each unit consists of one common share and one-half share purchase warrant (811) at a price of CAD$0.45 that expires on August 3, 2019. The warrants are subjected to the Acceleration Clause. The fair value of the warrants, $72, were estimated using the Black-Scholes Model with the following assumption – 86% volatility, 1.09% risk free rate, 0% dividend rate and an expected life of 2 years.

(xiv) On September 5, 2017, the Company closed a private placement for gross proceeds of $614 (CAD$766) by issuing 2,555 units at CAD $0.30 per unit. $108 (CAD$131) of the private placement were non cash and used to settle accounts payable. Each Unit consists of one common share and one-half share purchase warrant (1,277) at a price of CAD$0.45 that expires on September 5, 2019. The warrants are subjected to the Acceleration Clause. The fair value of the warrants, $140, were estimated using the Black-Scholes Model with the following assumption – 93% volatility, 1.09% risk free rate, 0% dividend rate and an expected life of 2 years. The share issuance cost for the transaction was $44.

(xv) On September 15, 2017, the Company closed a private placement for gross proceeds of $501 (CAD$609) by issuing 2,033 units at CAD$0.30 per unit. Each Unit consists of one common share and one-half share purchase warrant (1,016) at a price of CAD$0.45 (2 years expiry). The warrants are subjected to the Acceleration Clause. The fair value of the warrants, $120, were estimated using the Black-Scholes Model with the following assumption – 90% volatility, 1.09% risk free rate, 0% dividend rate and an expected life of 2 years. The share issuance cost for the transaction was $5.

(xvi) October 13, 2017, the Company closed a private placement for gross proceeds of $860 (CAD$1,074) by issuing 3,581 units at CAD$ $0.30 per unit. Each Unit consists of one common share and one-half share purchase warrant (1,790) at a price of CAD$0.45 (2 years expiry). The warrants are subjected to the Acceleration Clause. The fair value of the warrants, $245, were estimated using the Black-Scholes Model with the following assumption – 124% volatility, 1.09% risk free rate, 0% dividend rate and an expected life of 2 years.

(xvii) December 18, 2017, the Company closed a private placement for gross proceeds of $737 (CAD$948) by issuing 3,163 units at CAD$ $0.30 per unit. Each Unit consists of one common share and one-half share purchase warrant (1,582) at a price of CAD$0.45 (2 years expiry). The warrants are subjected to the Acceleration Clause. The fair value of the warrants, $165, were estimated using the Black-Scholes Model with the following assumption – 125% volatility, 1.09% risk free rate, 0% dividend rate and an expected life of 2 years. The share issuance cost for the transaction was $4.

(xviii) December 28, 2017, the company closed a private placement for gross proceeds of $985 (CAD$1,240) by issuing 4,133 units at CAD$ $0.30 per unit. $309 (CAD$390) was received subsequent to December 31, 2017. Each Unit consists of one common share and one-half share purchase warrant (2,066) at a price of CAD$0.45 (2 years expiry). The warrants are subjected to the Acceleration Clause. The fair value of the warrants, $215, were estimated using the Black-Scholes Model with the following assumption – 125% volatility, 1.09% risk free rate, 0% dividend rate and an expected life of 2 years. The share issuance cost for the transaction was $51.

b) Stock options

On August 17, 2017, the Company has adopted a share option plan for which options to acquire up to 10% of the issued share capital, at the award date, may be granted to eligible optionees from time to time. Generally, share options granted have a maximum term of five years, and a vesting period and exercise price determined by the directors. The exercise price may not be less than the closing quoted price of the Company's common shares traded through the facilities of the exchange on which the Company's common shares are listed. As at December 31, 2018, the remaining share options available for issue under the plan were 1,117 (December 31, 2017 – 2,985).

During the year ended December 31, 2018, the Company granted a total of 6,060 stock options, which consists of:

(i) On February 27, 2018, the Company granted 3,525 options with a fair value of $538. The fair value per option is $0.15.

(ii) On May 15, 2018, the Company granted 250 options with a fair value of $44. The fair value per option is $0.18.

(iii) On October 1, 2018, the company granted 2,285 options with a fair value of $438. The fair value per option is $0.19.

The Company uses a fair value method of accounting for all stock-based payments. Under this method, the Company recorded a stock-based compensation expense of $716 (2017 - $481) for year ended December 31, 2018 for options granted and vested. The fair value of the stock options is estimated as at the date of the grant using the Black-Scholes pricing model with the following weighted average assumptions for year ended December 31:

	2018	2017
Risk-free interest rate	1.89%	-
Expected life	5 years	-
Annualized volatility	96%	-
Dividend rate	nil	-

The continuity of incentive stock options issued and outstanding is as follows:

	December 31, 2018		December 31, 2017	
	Number of Shares ('000)	Weighted average exercise price (CAD$)	Number of Shares ('000)	Weighted average exercise price (CAD$)
Outstanding – beginning of year	8,428	$ 0.39	8,428	$ 0.39
Granted	6,060	0.30	-	-
Cancelled/expired	(1,000)	0.64	-	-
Outstanding – end of year	13,488	$ 0.34	8,428	$ 0.39

The following table discloses the number of options and vested options outstanding as at December 31, 2018:

Number of options ('000s)	Number of options vested ('000s)	Exercise price CAD$	Expiry Date
1,353	1,353	0.92	21-Nov-2019
6,075	6,075	0.23	07-Dec-2021
3,525	1,763	0.30	27-Feb-2023
250	125	0.31	15-May-2023
2,285	579	0.30	1-Oct-2023
13,488	9,895	0.34	

16 Cost of sales

	December 31, 2018	December 31, 2017
Changes in inventories	$ (164)	$ (994)
Consumables	3,320	2,558
Equipment maintenance	164	54
Utilities	1,159	1,540
Concessions	400	697
Salaries and benefits	3,192	3,002
Mining and processing costs and other	14,771	11,597
Total cost of sales	**$ 22,842**	**$ 18,454**

17 Finance expense

	December 31, 2018	December 31, 2017
Accretion of restoration provision (note 14)	$ 76	$ 63
Accretion of convertible debenture (note 12)	190	156
Loss (gain) loss on debt extinguishment (note 15)	752	(58)
Accretion loan payable (note 11)	88	-
Interest expense and other	742	652
Bank charges and other	227	73
Total finance expense	**$ 2,075**	**$ 886**

18 Related party transactions

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length. Key management personnel include officers, directors, or companies with common directors of the Company.

The Company incurred the following expenses with key management personnel during the year ended December 31, are as follows:

	2018	2017
Salary and wages, management fees (a)(b)	$ 873	$ 588
Stock-based compensation	409	348

a) As at December 31, 2018, the related party loan outstanding was $545 (December 31, 2017 - $545), see note 11 for details.

b) During the year ended December 31, 2017, the Company settled $265 of salary and wages with an officer with 1,150,000 units from the June 30, 2017 private placement. There was no comparable transaction for the year ended December 31, 2018.

c) Credipresto's (see note 11 and 12 for related transactions) senior management member is also currently a director of the Company.

d) As at December 31, 2018 there was $343 (December 31, 2017 - $343) included in accounts payable and accrued liabilities owing to an ex-director of the Company.

19 Supplemental cash flow information

	December 31, 2018	December 31, 2017
Convertible debenture – equity portion	$ (10)	$ 98
Warrants issued – principal converted to share capital	221	-
Reclassification of exploration and evaluation assets to property, plant and equipment	-	14,370
Convertible debenture – warrants issuance	43	192
Deprecation capitalized – inventory	112	236
Depletion capitalized – inventory	13	18
Addition liability accrued – ARO applied to property plant and equipment	-	820
Share issuance – proceeds receivable	-	309
Share issuance – share for debt	1,774	420
Share issuance – derivative liability warrants	984	1,472

20 Capital management

The Company's capital currently consists of common shares, options and warrants. As the Company is in the early stage production phase for the year ended December 31, 2018, its principal source of funds is currently from the production and sale of precious metals and it is not subject to any externally imposed capital restrictions. The Company's capital management objectives are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to have sufficient capital to be able to meet the Company's property development and exploration plans. These objectives have not changed during the year ended December 31, 2018.

21 Segmented disclosure

The Company operates in two geographical and three operating segments. The operating segments are managed separately based on the nature of operations. Prior to January 1, 2017, exploration and development was primarily Dynasty Project and mining operations was primarily Zaruma Mine (see note 8); both segments are located in Ecuador. During the year ended December 31, 2017, the Company started production at the Dynasty Project and the balance was reclassified into properties, plant and equipment and therefore included in mining operations. During the year ended December 31, 2018, the company capitalized $248 capitalized exploration costs associated with the Linderos Project. Corporate is located in Canada.

All of the Company's revenue is generated in Ecuador. Other selected financial instrument information by geographical segment is as follows:

	As at December 31, 2018				As at December 31, 2017			
	Corporate	Mining Operation	Exploration	Total	Corporate	Mining Operations	Exploration	Total
Cash	$ 84	$ 48	$ -	**$ 132**	$ 353	$ 744	$ -	**$ 1,097**
Other receivables and prepaids	53	3,040	-	**3,093**	108	685	-	**793**
Inventory	-	1,754	-	**1,754**	-	1,325	-	**1,325**
Exploration and evaluation assets	-	-	248	**248**	-	-	-	**-**
Property, plant and equipment	-	18,421	-	**18,421**	-	21,002	-	**21,002**
Other assets	-	116	-	**116**	-	228	-	**228**
Total Assets	**$ 137**	**$ 23,379**	**$ 248**	**$ 23,764**	**$ 461**	**$ 23,984**	**$ -**	**$ 24,445**
Accounts payable and accrued labilities	1,549	12,836	-	**14,385**	2,009	13,726	-	**15,735**
Loans and convertible debt	7,177	-	-	**7,177**	6,322	416	-	**6,738**
Warrant liability	967	-	-	**967**	1,686	-	-	**1,686**
Asset retirement obligation	-	1,350	-	**1,350**	-	1,274	-	**1,274**
Total liabilities	**$ 9,693**	**$ 14,186**	**$ -**	**$ 23,879**	**$ 10,017**	**$ 15,416**	**$ -**	**$ 25,433**

	December 31, 2018	December 31, 2017
Revenue		
Mining operations	$ 27,270	18,185
Loss before income taxes for the year		
Mining Operations	(2,989)	(19,268)
Corporate	(3,261)	(3,012)
	(6,250)	(22,280)

22 Commitment and contingencies

As at December 31, 2018, the Company has pending lawsuits that may result up to $3.5 million (December 31, 2017 - $3.5 million) in damages. The Company is currently working with its legal counsel and does not expect to settle this balance in full. The Company is subject to various investigations, claims, legal, labor and tax proceedings covering matters that arise in the ordinary course of business activities. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavorably for the Company. Certain conditions may exist as of the date the financial statements are issued that may result in a loss to the Company.

On March 11, 2019, the Company terminated the consulting agreement it had with its former CEO. This decision was made for cause, and as a result, no amounts for severance have been accrued as at December 31, 2018.

23 Income tax

	Year ended December 31,	
	2018	**2017**
Loss before income taxes	$ (6,250)	$ (22,280)
Combined federal and provincial statutory income tax rate	27.0%	26.0%
Income tax (recovery) at statutory rates	$ (1,687)	$ (5,783)
Impact of different foreign statutory tax rates on earnings of subsidiaries and other	(494)	3,196
Non-deductible expenditures and non-taxable revenues	461	341
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(997)	-
Share issue cost	(77)	-
Change in unrecognized deductible temporary differences	2,794	2,246
Total income taxes	$ -	$ -

The significant deferred taxes assets and liabilities are as follows:

	2018	**2017**
Deferred tax assets (liabilities):		
Mine properties, plant and equipment	$ -	$ -
Non-capital losses	-	-
Net deferred tax liability	$ -	$ -

The significant components of the Company's deferred tax assets that have not been set up are as follows:

	2018	2017
Share issue costs	$ 126	$ 59
Mineral properties	32	6
Property and equipment	495	-
Asset retirement obligation	1,018	-
Derivatives	261	-
Non-capital losses	11,996	11,118
Total	$ 13,928	$ 11,183

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statement of financial position are as follows:

	2018	Expiry Date Range	2017	Expiry Date Range
Share issue costs	$ 466	2036-2040	$ 218	2036-2040
Exploration and evaluation assets	126	No expiry	-	-
Property and equipment	1,979	No expiry	-	-
Asset retirement obligation	4,071	No expiry	-	-
Derivatives	967	No expiry	-	-
Non-capital losses	46,704	2020-2038	46,801	2026-2037

24 Subsequent events

a) On February 23, 2019, the Company entered into a binding Arrangement Agreement, with Titan, pursuant, to which Titan will acquire all of the issued and outstanding Company common shares by way of a share exchange.

The Merger will be affected by means of a statutory plan of arrangement (the "Arrangement") under the Business Corporations Act (British Columbia).

Under the Arrangement:

- each Company shareholder will receive 20 fully paid ordinary shares in Titan pre-consolidation ("Titan Shares") for every 1 Company common share (the "Exchange Ratio"); and
- holders of Company Options and Warrants will receive options in Titan on comparable terms, taking into account the Exchange Ratio under the Merger.

If the Company's board of directors determines that any other transaction is a superior proposal, it may terminate the Merger with the payment of a break fee of CAD$500 to Titan. The break fee is also payable by the Company to Titan if, among other things, the Company does not hold its securityholder meeting within 120 days with some exceptions or if the Merger is not completed by July 31, 2019 and there is a pending acquisition proposal that the Company consummates within 12 months. In addition to the break fee, the termination of the arrangement agreement by the Company may result in the Company required to pay CAD$300 for expense reimbursement.

b) On March 25, 2019, the Company closed a $3,000 non-brokered private placement (the "Private Placement") with Titan, and amended the terms of the Arrangement Agreement between them pursuant to which Titan will acquire all of the issued and outstanding Company common shares by way of a court-approved share exchange plan of arrangement.

The Private Placement was conducted at a price of CAD$0.44 per Company share, a 100% premium to the current Company share price of CAD$0.22 as of March 22, 2019, being the last trading date prior to this announcement. Under the Private Placement, the Company issued a total of 9,151 common shares to Titan for total subscription proceeds of $3,000.

Under the Amending Agreement, Titan and the Company have agreed, among other things, to terminate the go-shop period in which the Company was permitted to solicit superior proposals and to increase the break fee payable by the Company to Titan in the event of a superior proposal from CAD$500 to $3,000.

c) Subsequent to year end December 31, 2018, Credipresto converted the remaining outstanding secured convertible debentures. The total shares issued on conversion were 9,115.