CORE GOLD INC.
Suite 1201 – 1166 Alberni Street
Vancouver, British Columbia V6E 3Z3
Canada

NOTICE

RE: CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (UNAUDITED)

The first quarter financial statements for the three months ended March 31, 2019 and 2018 have not been reviewed by the auditors of Core Gold Inc.

CORE GOLD INC.
"Sam Wong"
SAM WONG
Chief Financial Officer

Core Gold Inc.

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2019 and 2018 (unaudited)

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

Core Gold Inc.

Condensed Consolidated Interim Statements of Financial Position

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

	Note	March 31, 2019	December 31, 2018
Assets			
Current assets			
Cash	5	$ 2,056	$ 132
Receivables and prepaid expenses	4,5	3,458	3,093
Inventory	6	1,364	1,754
		6,878	4,979
Other long-term assets		123	116
Properties, plant and equipment	7	17,674	18,421
Exploration and evaluation properties	8	248	248
Total assets		$ 24,923	$ 23,764
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5,9	$ 14,208	$ 14,385
Convertible debenture - Vertex	11	1,000	1,000
Convertible debenture – Credipresto SA de CV SOFOM ENR (“Credipresto”)	11	-	1,756
Related party loan	10,16	545	545
Loans payable	5,10	3,876	3,876
		19,629	21,562
Derivative warrant liability	12	1,047	967
Provision for closure and restoration		1,374	1,350
Total liabilities		22,050	23,879
Shareholders’ equity (deficiency)			
Share capital	13	110,404	105,572
Reserves	13	16,405	16,418
Deficit		(123,936)	(122,105)
Total shareholders’ equity (deficiency)		2,873	(115)
Total liabilities and shareholders’ deficiency		$ 24,923	$ 23,764

Nature of operations and going concern (note 1)
Commitment and contingencies (note 20)

Approved by the Board of Directors

__________”Mark Bailey”____________ Director________”Javier Reyes”_________ Director

Core Gold Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

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

		Three Months Ended March 31,	
	Notes	2019	2018
Revenue		$ 4,915	$ 7,454
Operating Costs			
Cost of sales	14	(3,963)	(7,307)
Depreciation and depletion	7	(749)	(665)
		203	(518)
Expenses			
General and administration		(699)	(542)
Insurance		(17)	(10)
Salaries and wages		(314)	(208)
Professional fees		(545)	(333)
Stock-based compensation	13(b)	(87)	(200)
Loss from operations		(1,459)	(1,811)
Finance expense	15	(311)	(493)
Derivative liability (loss) gain – warrant liability	12	(60)	260
Foreign Exchange (loss) gain		(1)	25
Net loss and comprehensive loss for the year		(1,831)	(2,019)
Loss per share – basic and diluted		$ (0.01)	$ (0.02)
Weighted average shares outstanding (000's) – basic and diluted		149,393	115,095
Total shares issued and outstanding (000's)		164,313	121,658

Core Gold Inc.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (Deficiency)

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

	Notes	Number of Shares ('000)	Share Capital	Subscription receivable & subscriptions	Reserves	Convertible Debenture Reserve	Deficit	Total Shareholder (deficit) equity
Balance at December 31, 2018		146,047	$ 105,572	$ -	$ 16,283	$ 135	$ (122,105)	$ (115)
Net loss for the year		-	-	-	-	-	(1,831)	(1,831)
Proceeds received from private placement	13(a)	9,151	3,000	-	-	-	-	3,000
Convertible debenture – shares issued	13(a)	9,115	1,832	-	-	(100)	-	1,732
Stock-based compensation charges	13(b)	-	-	-	87	-	-	87
Balance at March 31, 2019		164,313	$ 110,404	$ -	$ 16,370	$ 35	$ (123,936)	$ 2,873

	Notes	Number of Shares ('000)	Share Capital	Subscription receivable & subscriptions	Reserves	Convertible Debenture Reserve	Deficit	Total Shareholder (deficit) equity
Balance at December 31, 2017		114,136	$ 99,464	$ (309)	$ 15,567	$ 145	$ (115,855)	$ (988)
Net loss for the year		-	-	-	-	-	(2,019)	(2,019)
Proceeds received from past private placement		-	-	309	-	-	-	309
Proceeds received for future private placement		-	-	1,164				1,164
Shares for debt		7,522	1,774	-	-	-	-	1,774
Share issuance costs – shares for debt		-	(486)	-	-	-	-	(486)
Stock-based compensation charges		-	-	-	200	-	-	200
Balance at March 31, 2018		121,658	$ 100,752	$ 1,164	$ 15,767	$ 145	$ (117,874)	$ (46)

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

	Three Months Ended March 31,	
	2019	**2018**
Cash flows from operating activities		
Net loss for the year	$ (1,831)	$ (2,019)
Items not affecting cash		
Depreciation and depletion	749	665
Stock-based compensation	87	200
Foreign exchange (gain)	(37)	(11)
Loss (gain) on fair value of derivative liability	60	(260)
Finance cost – convertible debenture accretion	31	39
Finance cost - ARO	24	19
Finance cost - loss on settlement of shares	-	260
Change in non-cash operating working capital		
(Increase) in accounts receivable, prepaid expenses and other long-term assets	(372)	(1,221)
(Decrease) in accounts payables	(174)	(1,051)
Decrease in inventory	387	449
Net cash used in operating activities	(1,076)	(2,930)
Cash flows from financing activities		
Advance received - private placement (note 13(a))	3,000	1,473
Advance received – loan payable	-	1,554
Net cash provided by financing activities	3,000	3,027
Increase in cash	1,924	97
Cash – beginning of period	132	1,097
Cash – end of period	$ 2,056	$ 1,194
Supplemental cash flow information (note 17)		

The accompanying notes are an integral part of these condensed consolidated interim 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 March 31, 2019 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 three months ended March 31, 2019, the Company incurred a net loss of $1,831 (2018 - $2,019) and as at March 31, 2019, the Company had a working capital deficit of $12,751 (December 31, 2018 – 16,583). 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.

Plan of Arrangement – February 23, 2019

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 $3,000 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.

2 Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018.

Other than as stated below, these unaudited condensed interim consolidated financial statements follow the same accounting policies and methods of applications as the most recent audited consolidated financial statements of the Company.

The Company's interim results are not necessarily indicative of its results for a full year.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on May 30, 2019.

New Accounting Standards and Amendments Adopted

IFRS 16 – Leases ("IFRS 16")

On January 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less), leases with certain variable lease payments and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate as at January 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount.

The Company has reviewed its lease obligations and all material equipment and office leases are 12 months or less; as a result, there is no material accounting impact upon adoption on January 1, 2019.

New accounting policy for leases under IFRS 16

The following is the accounting policy for leases as of January 1, 2019 upon adoption of IFRS 16:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

3 Estimates, risks and uncertainties

The preparation of unaudited condensed consolidated interim 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 these unaudited condensed consolidated interim 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.

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

4 Receivables and prepaid expenses

	March 31, 2019	December 31, 2018
Other receivables	$ 14	$ 12
Prepaid expenses		
Prepaid – taxes	2,294	1,896
Prepaid – other	64	133
Advances – employees	106	74
Advances – suppliers	980	978
	$ 3,458	$ 3,093

5 Financial instruments

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	Fair Value Hierarchy Level	March 31, 2019	December 31, 2018
Financial assets			
Receivables			
Cash [(1)]	N/A	$ 2,056	$ 132
Other receivables [(1)]	N/A	14	12
Financial liabilities			
Other financial liabilities			
Accounts payable & accrued liabilities [(1)]	N/A	14,208	14,385
Convertible debenture - Vertex[(3)]	N/A	1,000	1,000
Convertible debenture - Credipresto[(3)]	N/A	-	1,756
Related party loan[(3)]	N/A	545	545
Loans payable[(3)]	N/A	3,876	3,876
Derivative			
Warrant liability [(2)]	Level 3	1,047	967

(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 12.

(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 three months ended March 31, 2019.

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.

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

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 March 31, 2019 and December 31, 2018:

March 31, 2019	Current – within 1 year	Non-current – 1 to 3 years
Accounts payables and accrued liabilities	$ 14,208	$ -
Loans payable	4,421	-
Convertible debenture - Vertex	1,000	-
	$ 19,629	$ -

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	$ -

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

6 Inventory

	March 31, 2019	December 31, 2018
Consumables	$ 556	$ 727
Work in progress – gold inventory	175	191
Finished goods – gold inventory	633	836
	$ 1,364	$ 1,754

7 Properties, plant and equipment

Net carrying costs at March 31, 2019 and December 31, 2018 are as follows:

	Zaruma Mines (a)	Plant and Equipment	Dynasty Goldfields	Land and Buildings	Total
Cost					
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
Balance as at March 31, 2019	29,104	34,350	14,811	3,129	81,394
Accumulated Depreciation and Depletion					
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)
Depreciation and depletion	-	(685)	(56)	(6)	(747)
Balance as at March 31, 2019	(29,104)	(33,665)	(605)	(346)	(63,720)
Net Book Value					
At December 31, 2018	**$ -**	**$ 1,370**	**$ 14,262**	**$ 2,789**	**$ 18,421**
At March 31, 2019	**$ -**	**$ 685**	**$ 14,206**	**$ 2,783**	**$ 17,674**

During the three months ended March 31, 2019, $114 (2018 - $92) of depreciation and $9 (2018 - $10) 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 March 31, 2019, 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.

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

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.

b) Impairment

Assets are reviewed 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 three months ended March 31, 2019, there were no impairments recorded.

8 Exploration and evaluation assets

	Linderos Project
Balance as at December 31, 2017	**$ -**
Mineral concession rights	248
Balance as at December 31, 2018, March 31, 2019	**$ 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.

9 Accounts payable and accrued liabilities

	March 31, 2019	December 31, 2018
Trade payable	$ 7,332	$ 8,216
Green Oil S.A. payable	610	684
Payroll related payable and accruals	1,441	1,217
Government payable – IVA, Taxes, Royalty, Concessions	1,372	1,344
Office sold – deposit	500	500
Deferred income on proposed concession disposals	2,829	1,995
Royalty and other	124	429
	$ 14,208	$ 14,385

10 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**
Carrying value – March 31, 2019	$ -	**$ -**	**$ 1,500**	**$ 416**	**$ 545**	**$ -**	**$ 1,960**	**$ 4,421**
Current portion	$ -	**$ -**	**$ 1,500**	**$ 416**	**$ 545**	**$ -**	**$ 1,960**	**$ 4,421**

Common shares and 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 11(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, and the valuation of the modification of 600 warrants as $13 for total transaction costs of $445.

On February 1, 2018, the Company settled the Vertex Loan B in common shares (see note 13(a)(xv)). 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 March 31, 2019, Vertex Loan C is presented as 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. As at March 31, 2019, the balance outstanding is $416 (December 31, 2018 - $416).

c) Related Party Loan

As at March 31, 2019, 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.

During the year ended December 31, 2018, the loan was repaid in full.

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

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. Management is currently negotiating the terms of an extension.

(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.

11 Convertible debentures

Convertible debenture – carrying value	March 31, 2019	December 31, 2018
Vertex - $1,000 (a)	$ 1,000	$ 1,000
Credipresto - $1,000 (b)	-	997
Credipresto - $500 A (c)	-	475
Credipresto - $500 B (d)	-	284
Total carrying value	1,000	2,756
Less: current portion	**(1,000)**	**(2,756)**
Long term portion	**-**	**-**

a) Vertex Convertible debt - $1,000	March 31, 2019	December 31, 2018
Opening balance	$ 1,000	$ 988
Accretion expense	-	12
Total carrying value	1,000	1,000

On September 15, 2016, the Company closed the restructuring agreement on Vertex Loan A, issuing a $1,000 convertible debenture (see note 10). 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 loan to December 31, 2018. On December 19, 2018, Vertex agreed to extend the maturity of the Vertex loan to March 31, 2019. The loan is currently due, and management is renegotiating the terms.

For the three months ended March 31, 2019, accreted interest for the debenture was $nil (2018 – $3). Interest accrued for the three months ended March 31, 2019 was $30 (2018 - $30).

b) Credipresto convertible debt - $1,000	March 31, 2019	December 31, 2018
Opening balance	$ 997	$ 951
Accretion expense	3	46
Debt converted (see note 13(a)(iv)(v))	(1,000)	-
Total carrying value	$ -	$ 997

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

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 the three months ended March 31, 2019, accreted interest was $3 (2018 – $11). Interest accrued for the three months ended March 31, 2019 was $30 (2018 - $30). This debenture was converted into equity in full on February 14, 2019 (see note 13(a)(iv)(v)).

c) Credipresto convertible debt - $500 A	March 31, 2019	December 31, 2018
Opening balance	$ 475	$ 381
Additions	-	-
Equity portion	-	-
Accretion expense	24	94
Debt converted (see note 13(a)(ii))	(499)	-
Total carrying value	$ -	$ 475

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, fair value of 750 share purchase warrants, and direct transaction cost of $5.

For the three months ended March 31, 2019, accreted interest was $24 (2018 – $22). Interest accrued for the three months ended March 31, 2019 was $15 (2018 - $15). This debenture was converted into equity in full on March 29, 2019 (see note 13(a)(ii)).

d) Credipresto convertible debt - $500 B	March 31, 2019	December 31, 2018
Opening balance	$ 284	$ 457
Reclassified to other liabilities	(55)	-
Debt converted (see note 13(a)(viii)(ix)(xi))	-	(211)
Debt converted (see note 13(a)(i))	(233)	-
Accretion expense	4	38
Total carrying value	$ -	$ 284

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, fair value of 250 share purchase warrants, and direct transaction cost of $4.

During the year ended December 31, 2018, $211 of the convertible debenture was converted into common shares (see note 13(a)(viii)(ix)(xi)). For the three months ended March 31, 2019, accreted interest was $4 (2018 – $3).

Interest accrued for the three months ended March 31, 2019 was $9 (2018 - $15).

On February 29, 2019, $233 of the convertible debenture was converted into common shares (see note 13(a)(i)). The remaining amount was classified to other current liabilities and to be settled in cash subsequent to March 31, 2019.

12 Derivative warrant liability

All share purchase warrants disclosed are denominated in thousands.

As at March 31, 2019, 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 13(a)(xvi))	2,967	0.45	404
Warrants issued – convertible debenture (see (i) and note 11(c))	750	0.33	155
Warrants issued – convertible debenture (see (ii) and note 11(d))	250	0.35	37
Warrants issued – private placement July 14, 2017 (note 13(a)(xvii))	1,642	0.45	111
Warrants issued – private placement August 3, 2017 (note 13(a)(xviii))	811	0.45	72
Warrants issued – private placement September 1, 2017 (note 13(a)(xix))	1,277	0.45	140
Warrants issued – private placement September 15, 2017 (note 13(a)(xx))	1,016	0.45	120
Warrants issued – private placement October 13, 2017 (note 13(a)(xxi))	1,790	0.45	245
Warrants issued – private placement December 18, 2017 (note 13(a)(xxii))	1,582	0.45	165
Warrants issued – private placement December 28, 2017 (note 13(a)(xxiii))	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 13(a)(xv))	3,761	$ 0.45	478
Warrants issued – private placement April 2, 2018 (note 13(a)(xiv))	2,706	0.45	346
Warrants issued – bridge loan, April 25, 2018 (note 13(a)(xiii))	800	0.365	43
Warrants issued – private placement May 4, 2018 (note 13(a)(xii))	2,255	0.45	288
Warrants issued – private placement May 29, 2018 (note 13(a)(x))	548	0.45	81
Warrants exercised – September 15, 2018 (note 13(a)(vii))	(3,000)	0.15	(313)
Warrants issued – private placement September 28, 2018 (note 13(a)(vi))	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**
Foreign exchange impact	N/A	N/A	20
Change in fair value (v)	N/A	N/A	60
Balance, March 31, 2019	**28,856**	**$ 0.44**	**$ 1,047**

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

Expiry date	Number of warrants ('000)	Exercise price (CAD$)
April 3, 2019	750	$ 0.33
April 25, 2019	250	$ 0.35
April 25, 2019	800	$ 0.365
June 30, 2019	2,967	$ 0.45
July 14, 2019	1,642	$ 0.45
August 3, 2019	811	$ 0.45
September 1, 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
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 11(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 have expired subsequent to March 31, 2019.

ii) In connection to the issuance of the convertible debenture (see note 11(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 have expired subsequent to March 31, 2019.

iii) On September 15, 2016, the Company entered into a restructuring agreement (see note 10) 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. These warrants were exercised on September 15, 2018 (see note 13(a)(vii).

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 (see note 10). These warrants were exercised on September 15, 2018 (see note 13(a)(vii)).

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 three months ended March 31, 2019 and 2018, the Company used the following weighted average assumptions for the Black-Scholes Option Pricing Model to revaluate the warrant liability as at March 31, 2019 and 2018:

	March 31, 2019	March 31, 2018
Expected option life	0.77 years	1.26 years
Expected stock price volatility	100%	86%
Dividend payment during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil
Risk free interest rate	1.62%	1.63%
Weighted average strike price	$ 0.44	$ 0.39
Weighted average fair value per warrant	$ 0.04	$ 0.11
Weighted average share price	$ 0.26	$ 0.31

13 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 March 31, 2019, the Company had an unlimited number of authorized common shares and 164,313 shares outstanding (December 31, 2018 – 146,047).

Fiscal 2019

(i) On March 29, 2019, Credipresto converted $233 of the $500 convertible subordinated debenture (note 11(d)) for 1,209 common shares at CAD $0.26 per share.

(ii) On March 29, 2019, Credipresto converted the $500 convertible subordinated debenture (note 11(c)) for 2,664 common shares at CAD $0.25 per share.

(iii) On March 25, 2019, the Company closed a non-brokered private placement of 9,151 units at CAD$0.45 per unit for aggregate gross proceeds of $3,000 (CAD$4,021).

(iv) On February 14, 2019, Credipresto converted the remaining $500 of the $1,000 convertible secured subordinated debenture (note 11(b)) for 2,621 common shares at CAD$0.25 per share.

(v) On February 13, 2019, Credipresto partially converted $500 of the $1,000 convertible secured subordinated debenture (note 11(b)) for 2,621 common shares at CAD$0.25 per share.

Fiscal 2018

(vi) 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 (4,635). 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.

(vii) On September 15, 2018, Vertex converted 3,000 share purchase warrants (note 10(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.

(viii) On June 7, 2018, Credipresto partially converted $47 of the $500 convertible secured subordinated debenture (note 11(d)) for 241 common shares at CAD$0.26 per share.

(ix) On May 31, 2018, Credipresto partially converted $4 of the $500 convertible secured subordinated debenture (note 11(d)) for 19 common shares at CAD$0.26 per share.

(x) 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 (548). 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.

(xi) On May 15, 2018, Credipresto partially converted $160 of the $500 convertible secured subordinated debenture (note 11(d)) for 841 common shares at CAD$0.26 per share.

(xii) 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 (2,255). 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.

(xiii) 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.

(xiv) 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 (2,706). 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.

(xv) On February 1, 2018, the Company settled an aggregate of US$1,500 owing to Vertex Managed Value Portfolio and Vertex Enhanced Income Fund (collectively, "Vertex") through a share for debt transaction. The Company has extinguished the principal owing under the 2017 Notes through the issuance to Vertex of an aggregate of 7,522 units of the Company as a deemed price of C$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 C$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 $260 was recognized as finance cost (note 15).

Fiscal 2017

(xvi) On June 30, 2017, the Company closed a 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 payables. 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.

(xvii) 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 payables. 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.

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

(xviii) 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.

(xix) On September 1, 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 payables. 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.

(xx) 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.

(xxi) 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.

(xxii) 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.

(xxiii) 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 March 31, 2019, the remaining share options available for issue under the plan were 6,043 (December 31, 2018 – 1,117).

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 for the three months ended March 31, 2019 of $87 (2018 - $200). 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 period ended March 31, 2019:

	2019	2018
Risk-free interest rate	-	1.99%
Expected life	-	5 years
Annualized volatility	-	96%
Dividend rate	-	0.00%

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

	March 31, 2019		December 31, 2018	
	Number of Shares ('000)	Weighted average exercise price (CAD$)	Number of Shares ('000)	Weighted average exercise price (CAD$)
Outstanding – beginning of year	13,488	$ 0.34	8,428	$ 0.39
Granted	-	-	6,060	0.30
Cancelled/expired	(3,100)	0.30	(1,000)	0.64
Outstanding – end of year	10,388	$ 0.35	13,488	$ 0.34

The following table discloses the number of options and vested options outstanding as at March 31, 2019:

Number of options ('000s)	Number of options vested ('000s)	Exercise price CAD$	Expiry Date
1,353	1,353	$ 0.92	21-Nov-2019
4,575	4,575	0.23	07-Dec-2021
2,525	1,894	0.30	27-Feb-2023
250	125	0.31	15-May-2023
1,685	421	0.30	1-Oct-2023
10,388	8,368	$ 0.35	

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	

14 Cost of sales

	March 31, 2019	March 31, 2018
Changes in inventories	$ 218	$ 406
Consumables	382	596
Equipment maintenance	23	12
Utilities	199	316
Salaries and benefits	326	1,318
Mining and processing costs and other	2,815	4,659
Total cost of sales	**$ 3,963**	**7,307**

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

15 Finance expense

	March 31, 2019		March 31, 2018	
Accretion of restoration provision	$	24	$	19
Accretion of convertible debenture		31		39
Loss on debt extinguishment (note 13(a)(xv))		-		260
Interest expense and other		256		175
Total finance expense	**$**	**311**	**$**	**493**

16 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.

The Company incurred the following expenses with related parties during the three months ended March 31, are as follows:

	Three months ended March 31			
	2019		2018	
Salary and wages, management fees	$	156	$	160
Stock-based compensation		37		107

a) As at March 31, 2019, the related party loan outstanding was $545 (December 31, 2018 - $545), see note 10 for details.

b) Credipresto's (see note 10 and 11 for related transactions) senior management member is also currently a director of the Company.

c) As at March 31, 2019 there was $343 (December 31, 2018 - $343) included in accounts payable and accrued liabilities owing to an ex-director of the Company.

17 Supplemental cash flow information

	March 31, 2019		March 31, 2018	
Convertible debenture – equity portion	$	100	$	-
Convertible debenture – converted to common shares		1,732		-

18 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 three months ended March 31, 2019, 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 three months ended March 31, 2019.

19 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 is primarily Dynasty Project and mining operations is primarily Zaruma Mine (see note 7); 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 with no more exploration operating segment. Corporate is located in Canada. During the year ended December 31, 2018 and as at March 31, 2019, the company capitalized $248 of exploration costs associated with the Linderos Project. Corporate is located in Canada.

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

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

	As at March 31, 2019				As at December 31, 2018			
	Corporate	Mining Operation	Exploration	Total	Corporate	Mining Operations	Exploration	Total
Cash	$ 1,920	$ 136	$ -	**$ 2,056**	$ 84	$ 48	$ -	**$ 132**
Other receivables and prepaids	79	3,379	-	**3,458**	53	3,040	-	**3,093**
Inventory	-	1,364	-	**1,364**	-	1,754	-	**1,754**
Exploration and evaluation assets	-	-	248	**248**	-	-	248	**248**
Property, plant and equipment	-	17,674	-	**17,674**	-	18,421	-	**18,421**
Other assets	-	123	-	**123**	-	116	-	**116**
Total Assets	**$ 1,999**	**$ 22,676**	**$ 248**	**$ 24,923**	**$ 137**	**$ 23,379**	**$ 248**	**$ 23,764**
Accounts payable and accrued labilities	2,017	12,191	-	**14,208**	1,549	12,836	-	**14,385**
Loans and convertible debt	5,421	-	-	**5,421**	7,177	-	-	**7,177**
Warrant liability	1,047	-	-	**1,047**	967	-	-	**967**
Asset retirement obligation	-	1,374	-	**1,374**	-	1,350	-	**1,350**
Total liabilities	**$ 8,485**	**$ 13,565**	**$ -**	**$ 22,050**	**$ 9,693**	**$ 14,186**	**$ -**	**$ 23,879**

	March 31, 2019	March 31, 2018
Revenue		
Mining operations	$ 4,915	7,454
Loss before income taxes for the year		
Mining Operations	(557)	(961)
Corporate	(1,274)	(1,058)
	(1,831)	(2,019)

20 Commitment and contingencies

As at March 31, 2019, the Company has pending lawsuits that may result up to $3.5 million (December 31, 2018 - $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 March 31, 2019.