Gran Colombia Gold Corp.

Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

Management's Report

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

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

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

"Lombardo Paredes Arenas"
Chief Executive Officer

"Michael Davies"
Chief Financial Officer

Toronto, Canada
March 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Gran Colombia Gold Corp.

Opinion

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

- the consolidated statements of financial position as at December 31, 2019 and December 31, 2018
- the consolidated statements of operations for the years then ended
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

The engagement partner on the audit resulting in this auditors' report is Francis L. Klemenchuk.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
March 30, 2020

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

	Notes	As at December 31, 2019	As at December 31, 2018
ASSETS			
Current			
Cash and cash equivalents		$ 84,239	$ 35,645
Subscription Receipts cash in trust	24	4,837	-
Gold Trust Account	9a	5,760	3,210
Accounts receivable	14a	15,322	13,495
Derivative assets	14d	1	65
Inventories	5	24,311	15,836
Prepaid expenses and deposits		2,436	1,465
		136,906	69,716
Non-current			
Cash in trust	11c	751	731
Mining interests, plant and equipment	6	207,485	373,239
Investments and other assets	7	14,278	6,168
Total assets		$ 359,420	$ 449,854
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	8	$ 29,921	$ 21,672
Subscription Receipts payable	24	5,070	-
Income tax payable		28,788	18,038
Current portion of long-term debt	9	18,000	19,500
Current portion of lease obligations	10	701	43
Current portion of provisions	11	1,398	2,852
Amounts payable related to acquisitions of mining interests	22b	2,968	3,190
		86,846	65,295
Non-current			
Long-term debt	9	72,015	54,560
Lease obligations	10	1,556	-
Provisions	11	23,908	24,317
Warrant liabilities	12c	38,700	13,798
Deferred income taxes		18,747	46,208
Total liabilities		241,772	204,178
Equity			
Share capital	12b	446,015	434,831
Share purchase warrants	12c	-	4,212
Contributed surplus		176,094	172,596
Accumulated other comprehensive loss		(109,046)	(101,712)
Deficit		(395,415)	(264,251)
Total equity		117,648	245,676
Total liabilities and shareholders' equity		$ 359,420	$ 449,854

Contingencies **(Note 11b, 14)**
Subsequent events **(Notes 9a, 12b, 24)**

On behalf of the Board of Directors:

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

See accompanying notes to the consolidated financial statements.

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

	Notes	Years ended December 31, 2019	2018
Revenue	15	$ 326,480	$ 268,525
Costs and expenses			
Cost of sales	16	189,559	179,650
Impairment charge	6	175,989	-
General and administrative		15,679	10,636
Bluenose RTO Transaction costs	24	273	-
Gain on assignment of mining interest		-	(2,376)
Share-based compensation	12g	2,157	903
Social contributions	8	6,937	4,861
(Loss) income from operations		(64,114)	74,851
Other income (expense)			
Finance income		1,064	877
Finance costs	17	(13,109)	(30,046)
Foreign exchange (loss) gain		(1,073)	192
Loss from equity accounting in associates	7	(2,015)	(171)
Loss on financial instruments	18	(32,539)	(28,412)
		(47,672)	(57,560)
(Loss) income before income tax		(111,786)	17,291
Income tax (expense) recovery			
Current	13	(45,469)	(30,893)
Deferred	13	26,091	10,223
		(19,378)	(20,670)
Net loss		**$ (131,164)**	**$ (3,379)**
Per share			
Basic	20	$ (2.65)	$ (0.10)
Diluted		(2.65)	(0.11)
Basic weighted average number of common shares outstanding		49,474,772	34,675,311

See accompanying notes to the consolidated financial statements.

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

	Notes	Years ended December 31, 2019	2018
Net loss		**$ (131,164)**	**$ (3,379)**
Other comprehensive income (loss):			
Items that will not be reclassified to profit in subsequent periods:			
Unrealized loss on investment in Amilot, net of $nil tax (2018 - $nil)	7	(2)	(96)
Unrealized (loss) gain on Gold Notes due to change in credit risk, net of tax of $982 (2018 - $981)	9a	(4,058)	2,722
Unrealized loss on Convertible Debenture due to change in credit risk, net of $nil tax (2018 - $nil)	9b	(46)	-
Actuarial gain on health plan obligation, net of $nil tax (2018 - $nil)	11	90	324
Items that may be reclassified to profit in subsequent periods:			
Foreign currency translation adjustment (nil tax effect)		(3,318)	(28,004)
Comprehensive loss		**$ (138,498)**	**$ (28,433)**

See accompanying notes to the consolidated financial statements.

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

	Notes	Years ended December 31, 2019	2018
Common shares			
Balance, beginning of period	12	$ 434,831	$ 384,440
Exercise of options	12	6,200	119
Issuance of common shares on Private Placement		5,090	-
Share issue cost		(106)	-
Issuance of common shares on conversion of Former Convertible Debentures	12	-	50,272
Balance, end of period		446,015	434,831
Share purchase warrants			
Balance, beginning and end of period	12c	4,212	6,317
Expiry of warrants		(4,212)	(2,105)
Balance, end of period		-	4,212
Contributed surplus			
Balance, beginning of period		172,596	171,133
Exercise of options		(1,481)	(31)
Expiry of warrants		4,212	2,105
Former Convertible Debentures converted to common shares		-	(1,514)
Share-based compensation		767	903
Balance, end of period		176,094	172,596
Accumulated other comprehensive loss			
Balance, beginning of period		(101,712)	(76,658)
Actuarial gain on health plan obligation, net of nil tax	11	90	324
Unrealized loss on investment in Amilot, net of nil tax	7	(2)	(96)
Unrealized (loss) gain on Gold Notes due to changes in credit risk, net of tax	9a	(4,058)	2,722
Unrealized loss on Convertible Debentures due to changes in credit risk, net of tax	9b	(46)	-
Foreign currency translation adjustment		(3,318)	(28,004)
Balance, end of period		(109,046)	(101,712)
Deficit			
Balance, beginning of period		(264,251)	(260,872)
Net loss		(131,164)	(3,379)
Balance, end of period		(395,415)	(264,251)
Total equity		**$ 117,648**	**$ 245,676**

See accompanying notes to the consolidated financial statements.

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

	Notes	Years ended December 31, 2019	2018
Operating Activities			
Net loss		$ (131,164)	$ (3,379)
Adjusted for the following items:			
Depreciation, depletion and amortization	6	32,370	28,895
Impairment charge	6	175,989	-
Provision for doubtful accounts	14a	-	113
Gain on assignment of mining interest	7	-	(2,376)
Share-based compensation	12g	2,157	903
Finance income		(1,064)	(877)
Finance costs	17	13,109	30,046
Foreign exchange		384	(586)
Loss on financial instruments	18	32,539	28,412
Loss from equity accounting in associate	7	2,015	171
Provision for environmental fees	11	(721)	2,174
Environmental fees paid	11	(1,236)	(4,130)
Payments of health obligations	11	(812)	(873)
Payment of rehabilitation obligations	11	(114)	(98)
Current income tax expense		45,469	30,893
Deferred income tax recovery		(26,091)	(10,223)
Changes in non-cash operating working capital items	19	(4,110)	261
Operating cash flows before taxes		138,720	99,326
Income taxes paid		(35,444)	(19,683)
Net cash provided by operating activities		103,276	79,643
Investing Activities			
Additions to mining interests, plant and equipment	6	(42,665)	(35,603)
Acquisitions of investments in associates	7	(3,946)	(3,867)
Gold X Convertible Debentures acquired	7	(5,000)	-
Proceeds received from sale of refinery interest		-	804
Net cash used in investing activities		(51,611)	(38,666)
Financing Activities			
Net proceeds from Convertible Debentures	9a	13,654	-
Net proceeds from 2019 Private Placement	12b	11,124	-
Net proceeds from issuance of Gold Notes	9a	-	67,382
Repayment of Gold Notes, including Gold Premium	9a	(21,373)	(9,742)
Increase in Gold Trust Account	9a	(2,205)	(3,093)
Premiums paid for commodity hedging contracts related to repayment of the Gold Notes	14d	(281)	(379)
Repayment of Former Convertible Debentures	9c	-	(64,850)
Decrease in cash in trust for Former Convertible Debentures	9c	-	11,916
Payment of lease obligations		(988)	(392)
Net interest paid		(6,886)	(8,428)
Exercises of stock options	12d	4,234	88
Repurchases of 2024 Warrants	12c	(252)	-
Net cash used in financing activities		(2,973)	(7,498)
Impact of foreign exchange rate changes on cash and cash equivalents		(98)	(1,106)
Increase in cash and cash equivalents		**48,594**	**32,373**
Cash and cash equivalents, beginning of period		35,645	3,272
Cash and cash equivalents, end of period		**$ 84,239**	**$ 35,645**

See accompanying notes to the consolidated financial statements.

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

1. NATURE OF OPERATIONS

Gran Colombia Gold Corp. and its subsidiaries (collectively the "Company") are engaged in the acquisition, exploration, development and operation of gold properties, primarily in Colombia. The Company is incorporated under the laws of the Province of British Columbia. The head office of the Company is located at 401 Bay Street, Suite 2400, PO Box 15, Toronto, Ontario, M5H 2Y4 and its registered office is at 1166 Alberni Street, Suite 1604, Vancouver, British Columbia, V6E 3Z3. The Company also has offices in Medellin and Bogota, Colombia.

2. BASIS OF PRESENTATION

These financial statements, approved by the Board of Directors on March 30, 2020, have been prepared in accordance with International Financial Reporting Standards ("IFRS"').

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation

These financial statements comprise the financial results of the Company, including its subsidiaries at December 31, 2019 and 2018. The Company and its principal subsidiaries, all of which have a December 31 year end, are as follows:

Entity	Property/ function	Registered	Functional currency(1)	Interest as at December 31, 2019	2018
Gran Colombia Gold Corp.	Corporate	Canada	USD		
Gran Colombia Gold, S.A.	Corporate	Panama	USD	100%	100%
Gran Colombia Gold Segovia S.A. Sucursal	Segovia Operations	Colombia	COP	100%	100%
Caldas Gold Marmato, S.A.S (formerly Gran Colombia Gold Marmato, S.A.S.)	Marmato Zona Baja	Colombia	COP	100%	100%
Minerales Andinos de Occidente, S.A.S.	Marmato Zona Alta	Colombia	COP	100%	100%
Minera Croesus S.A.S.	Marmato Zona Alta	Colombia	COP	100%	100%
Gran Colombia Gold Titribi Sucursal	Zancudo	Colombia	COP	100%	100%

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

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

The consolidated financial statements also include the Company's equity interests, as outlined in Note 7, in Gold X Mining Corp. ("Gold X", formerly Sandspring Resources Ltd.) and Western Atlas Resources Inc. ("Western Atlas") which are accounted for using the equity method.

Foreign currency translation

a) Functional and presentation currencies

Items included in the financial statements of each entity consolidated by the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of each of the Company's significant subsidiaries is disclosed in the table under

"Consolidation" above. The financial statements are presented in U.S. dollars as the Company believes this will facilitate comparison with other mining and resource companies.

b) Transactions and balances

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

c) Group companies

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

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

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

Segment reporting

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

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

Business combinations

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of operations.

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, term deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included in liabilities as bank indebtedness.

Gold Trust Account

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

Accounts receivable

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

Inventories

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

Mining Interests, plant and equipment

a) Exploration and evaluation ("E&E") assets

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

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

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

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

b) Property, plant and equipment

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

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

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

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

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

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

Associates

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

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

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

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

Borrowing costs

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

Current and deferred income tax

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

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Decommissioning liabilities

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

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

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

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

Post-retirement benefits – health plan obligations

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

Provisions for other liabilities and charges

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

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

Revenue recognition

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

Share-based payments

The Company has several equity-settled and cash-settled share-based compensation plans under which it issues either equity instruments or makes cash payments based on the value of the underlying equity instrument of the Company. The Company's share-based compensation plans are comprised of the following:

a) Stock option plan

The Company records equity-settled share-based payments under which the entity receives services from employees, consultants and directors as consideration for stock options granted by the Company. For employees and others providing similar services, the total amount to be expensed is based on the fair value of the options granted. The fair value is determined using the Black-Scholes model on grant date. Measurement inputs include share price on measurement date, exercise price, expected volatility, expected life, expected dividends, expected forfeiture rate and the risk-free interest rate.

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

b) Deferred share units ("DSU")

DSUs were adopted by the Company in 2019 as the equity-based instrument under the long-term incentive plan ("LTIP") for its non-executive directors. Each DSU represents the right for a non-executive director to receive a cash payment (subject to withholdings) when they cease to be a director of the Company. The cash payment is equal to the product of (i) the vested number of DSUs held and (ii) the volume-weighted average market price of the Company's common shares for the five business days preceding such date.

The DSUs represent a financial liability as they can only be settled in cash upon the departure of the directors. As such, the DSUs granted and vested are initially recognized at their fair value as share-based compensation with a corresponding amount recorded in accounts payable and accrued liabilities on the statement of financial position. The DSU liability is subsequently remeasured to its fair value at each period end with the change in fair value during the period recognized as share-based compensation. Unvested DSUs are recognized as share-based compensation over the vesting period using the straight-line method.

c) Performance share units ("PSU")

PSUs were adopted by the Company in 2019 as an equity-based instrument under the LTIP for its senior management. PSUs represent a right for the holder to receive a cash payment (subject to withholdings) on vesting. PSUs will generally have a three-year cliff vesting under the plan. PSUs are not convertible into common shares of the Company. The cash payment is equal to the product of (i) the number of vested PSUs held, (ii) the volume-weighted average market price of the Company's common shares for the five business days preceding such date and (iii) a performance multiplier. The performance multiplier will vary from 0% to 200% depending on the relative performance of the Company's total shareholder return compared to its selected peer group.

The PSUs represent a financial liability as they can only be settled in cash on vesting. The fair value of the PSUs granted is recognized as share-based compensation in the statement of operations over the vesting period with a corresponding amount recorded in accounts payable and accrued liabilities in the statement of financial position. Subsequently, at each reporting date and on settlement, the PSU liability is remeasured to its fair value with the change in fair value during the period recognized as share-based compensation.

Earnings per share

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

Provided that they are not anti-dilutive, diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. This method assumes that proceeds received from the exercise of stock options and warrants and any unamortized share-based compensation amounts are used to repurchase common shares at the prevailing market rate. The dilutive effect of the 2018, 2020, 2024 Debentures and the Convertible Debentures (Note 9) is calculated using the if-converted method. Under the if-converted method, the debentures are assumed to be converted at the beginning of the period, and the resulting common shares are included in the denominator of the diluted earnings per share calculation for the entire period being presented. Interest expense, net of any income tax effects, is added back to the numerator for purposes of the if-converted calculation.

Financial instruments

Financial assets are classified according to their contractual cash flow characteristics and the business models under which they are held. On initial recognition, a financial asset is classified as: amortized cost, fair value through profit and loss ("FVTPL") or fair value through other comprehensive income ("FVOCI").

Financial assets are measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the objective of the Company's business model is to collect the contractual cash flows; and 2) the asset's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in other comprehensive income with no reclassification to profit and loss. The election is made on an investment-by-investment basis.

All financial assets not measured at amortized cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as FVTPL, directly attributable transaction costs. Measurement of financial assets in subsequent periods depends on whether the financial asset has been classified as amortized cost, FVTPL or FVOCI. Fair value of financial liabilities subsequent to initial recognition depends on whether they are classified as amortized cost or FVTPL. Financial assets and financial liabilities classified as amortized cost are measured subsequent to initial recognition using the effective interest method.

Loss allowances for "expected credit losses" are recognized on financial assets measured at amortized cost, contract assets and investments in debt instruments measured at FVOCI, but not to equity investments. A loss event is not required to have occurred before a credit loss is recognized.

The Company has classified and measured its financial instruments as follows:

Cash and cash equivalents	Amortized cost
Accounts receivables	Amortized cost
Gold X Warrants	FVTPL
Gold X Convertible Debenture	FVTPL
Investment in Amilot Capital Inc. ("Amilot")	FVTOCI
Accounts payable and accrued liabilities	Amortized cost
Leases	Amortized cost
DSU and PSU liabilities	FVTPL
Gold Notes	FVTPL
Convertible Debentures	FVTPL
2024 Warrants liability	FVTPL
2019 PP Warrants liability	FVTPL

Financial assets and liabilities that are recognized in the statement of financial position at fair value are classified in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

With the availability of quoted prices ins an active market, the Company changed the classification of the 2024 Warrants liability in 2019 from Level 2 to Level 1 in the fair value hierarchy. The Gold X Warrants, Gold X Convertible Debenture, Gold Notes, DSU and PSU liabilities and 2019 PP Warrants are classified as Level 2 in the fair value hierarchy as the fair values have been determined based on inputs, including gold prices, time value, volatility factors, risk-free rate, stock price and credit spread, which can be substantially observed or corroborated in the marketplace.

Impairment

Financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Non-financial assets

Assets that are subject to amortization and E&E assets are reviewed for impairment, or reversal of impairment, as the case may be, whenever events or changes in circumstances indicate there is a change in the recoverability of the carrying amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows (cash generating units or "CGUs"), which are typically the individual mining projects. The estimates used for impairment reviews are based on detailed mine plans and operating budgets, modified as appropriate to meet the requirements of IAS 36, *Impairment of Assets*.

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

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

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

New Accounting Standards Adopted by the Company

IFRS 16 Leases ("IFRS 16")

On January 1, 2019 the Company adopted IFRS 16, which introduces a comprehensive model to identify, recognize, measure, and present lease arrangements. The Company has adopted IFRS 16 using the modified retrospective approach. Under this approach, the comparative information has not been restated and the reclassifications and adjustments arising from the new leasing rules are recognized in the opening statement of financial position on January 1, 2019. The details of the accounting policy changes and the quantitative impact of these changes are described below.

New accounting policy

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct to use of the asset if either:
    - the Company has the right to operate the asset; or
    - the Company has designed the asset in a way that predetermines how and for what purpose it will be used.

If a contract is assessed to contain a lease, the Company recognizes a lease liability with a corresponding right-of-use ("ROU") asset on the date at which the leased asset is available for use by the Company. The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the interest rate implicit in the lease. If the implicit rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that it would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost and decreased by lease payments made over the lease period. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Company's estimate of any residual amount payable, or if applicable, the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

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

The ROU asset is depreciated using the straight-line method from the recognition date to the earlier of the end of the useful life of the asset or the end of the lease term.

Payments associated with short-term leases and leases of low-value assets are expensed as they are incurred in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Impact on the Company's consolidated financial statements

Upon adoption of IFRS 16, the Company recognized $2.1 million of ROU assets under plant and equipment and an equal amount of lease obligations with no adjustment required to retained earnings, summarized as follows:

Operating lease commitments at December 31, 2018	$ 2,772
Discounted amount at January 1, 2019	2,102
Finance lease obligations at December 31, 2018	43
Total lease obligations recognized at January 1, 2019	$ 2,145

The Company used the following practical expedients as permitted under IFRS 16 in recognizing the leases:

- leases with less than 12 months of lease term were not recognized;
- leases of low value leased assets were not recognized;
- initial direct costs were excluded from measuring the ROU asset at the date of initial application; and
- a single discount rate was applied to a portfolio of leases with similar characteristics.

In measuring the lease obligations, the Company used its incremental borrowing rates as at January 1, 2019 to discount lease payments. The weighted-average discount rate applied is 12.54%.

The Company had one lease previously classified as a finance lease under IAS 17. On adoption of IFRS 16, the Company recognized the carrying amount of the lease asset and lease obligation immediately before transition as the carrying amount of the right of use asset and the lease obligation at the date of initial application. This lease expired during 2019.

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23"). The interpretation seeks to provide guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. On January 1, 2019, the Company adopted IFRIC 23, which did not have any effect on the Company's financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

a) Significant Judgments in the application of accounting policies

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

E&E assets

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

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

Assets' carrying values and impairment charges

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

Income taxes

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

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

b) Significant accounting estimates and assumptions

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

Mineral reserves and resources

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

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

Impairment

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

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

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

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

Amortization of mineral properties

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

Fair values of financial assets and liabilities

The Gold X Warrants and the Gold X Convertible Debenture, the Gold Notes, the Convertible Debentures and the Warrant Liabilities have all been designated at FVTPL. Fair values have been determined based on a valuation methodology that captures all of the features of the respective notes and debentures in a set of partial differential equations that are then solved numerically to arrive at the value of these financial instruments. The fair value estimates are based on numerous assumptions including, but not limited to, commodity prices, time value, volatility factors, risk-free rates and credit spreads. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's financial position and results of operations.

Decommissioning liabilities

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

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

5. INVENTORIES

	December 31, 2019	December 31, 2018
Mineral inventories	$ 10,237	$ 5,101
Materials and supplies	14,074	10,735
	$ 24,311	$ 15,836

During the year ended December 31, 2019, the total cost of inventories recognized in the statement of operations amounted to $190.3 million (2018 - $177.4 million).

6. MINING INTERESTS, PLANT AND EQUIPMENT

	Mineral properties	Plant and equipment	ROU plant and equipment	Construction in progress	E&E assets	Total
Year ended December 31, 2019						
Opening net book value	$ 98,623	$ 47,148	$ 15	$ 15,686	$ 211,767	$ 373,239
ROU assets recognized on January 1, 2019 (Note 2)	-	-	2,102	-	-	2,102
Additions	24,233	6,787	852	6,507	7,199	45,578
Reversal of amounts payable for acquisition of mining interest	-	-	-	-	(142)	(142)
Transfers	1,013	5,884	-	(6,897)	-	-
Decrease in decommissioning liability	(549)	-	-	-	-	(549)
Depreciation and amortization	(26,170)	(6,933)	(820)	-	-	(33,923)
Exchange difference	(802)	(313)	(7)	(44)	(1,665)	(2,831)
Impairment charge	-	(1,009)	-	-	(174,980)	(175,989)
Closing net book value	$ 96,348	$ 51,564	$ 2,142	$ 15,252	$ 42,179	$ 207,485
As at December 31, 2019						
Cost	$ 229,457	$ 86,917	$ 2,882	$ 44,349	$ 221,596	$ 585,201
Accumulated depreciation, amortization and impairment charges	133,109	35,353	740	29,097	179,417	377,716
Net book value	$ 96,348	$ 51,564	$ 2,142	$ 15,252	$ 42,179	$ 207,485
Year ended December 31, 2018						
Opening net book value	$ 104,147	$ 40,294	$ 316	$ 25,505	$ 234,314	$ 404,576
Additions	16,704	5,966	-	11,862	2,363	36,895
Reversal of amounts payable for acquisition of mining interests	-	-	-	-	(6,291)	(6,291)
Transfers	8,781	11,002	-	(19,783)	-	-
Increase in decommissioning liability	1,398	-	-	-	-	1,398
Depreciation and amortization	(24,002)	(6,131)	(302)	-	-	(30,435)
Exchange difference	(8,405)	(3,983)	1	(1,898)	(18,619)	(32,904)
Closing net book value	$ 98,623	$ 47,148	$ 15	$ 15,686	$ 211,767	$ 373,239

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

As at December 31, 2018

	Mineral properties	Plant and equipment	ROU Plant and equipment	Construction in progress	E&E assets	Total
Cost	$ 206,756	$ 74,194	$ 1,300	$ 45,852	$ 216,599	$ 544,701
Accumulated depreciation, amortization and impairment charges	108,133	27,046	1,285	30,166	4,832	171,462
Net book value	$ 98,623	$ 47,148	$ 15	$ 15,686	$ 211,767	$ 373,239

A summary of the net book value is as follows:

	Mineral properties	Plant and equipment	ROU Plant and equipment	Construction in progress	E&E assets	Total
As at December 31, 2019						
Segovia Operations	$ 96,348	$ 41,730	$ 1,916	$ 15,252	$ 814	$ 156,060
Marmato Project	-	9,795	117	-	41,365	51,277
Corporate	-	39	109	-	-	148
Total	$ 96,348	$ 51,564	$ 2,142	$ 15,252	$ 42,179	$ 207,485
As at December 31, 2018						
Segovia Operations	$ 98,623	$ 37,736	$ 15	$ 15,686	$ -	$ 152,060
Marmato Project	-	9,355	-	-	211,767	221,122
Corporate	-	57	-	-	-	57
Total	$ 98,623	$ 47,148	$ 15	$ 15,686	$ 211,767	$ 373,239

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

	2019	2018
Cost of sales expense	$ 32,312	$ 28,875
General and administrative expenses	58	20
Total charged to operations	32,370	28,895
Increase in inventories	550	387
Capitalized depreciation	1,003	1,153
	$ 33,923	$ 30,435

Impairment

During the fourth quarter of 2019, the Company determined that the proposed spin-out of the Zona Baja part of the Marmato Project through the Bluenose RTO Transaction (see note 24), along with the assessment of the prospects for the Zona Alta and Echandia mining titles, were indicators that the recoverable amount of the Marmato Project CGU may be less than its carrying amount of approximately $194.8 million.

In the Bluenose RTO Transaction, the arm's length fair value assigned to the Marmato Mining Assets in Zona Baja was $44.2 million. With the spin-out of Zona Baja, including its operating mine, the Company reassessed the separate fair value of the Zona Alta and Echandia mining titles on a stand-alone basis. The Company has no exploration operations in Zona Alta or Echandia and has not been able to establish its own mining operations in these areas due to the presence of illegal miners who have not only impeded any mining operations by the Company in the area but have also curtailed access to it. In addition, in May 2018, as a consequence of these ongoing impediments to establishing mining operations, along with certain related matters associated with its Segovia Operations, the Company had filed a request for institution of arbitration proceedings with the International Centre for Settlement of Investment Disputes against the Republic of Colombia ("FTA Claim"). The arbitration proceedings center on claims against Colombia for its non-compliance with its obligations under the Free Trade Agreement which effectively continues to preclude the Company from establishing operations in Zona Alta and Echandia. The arbitration proceedings are in process; however, a decision on the matter is expected to be more than 12 months away.

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

In light of the various factors considered by the Company in evaluating its inability to develop Zona Alta and Echandia, the Company concluded that, even if it could sell such assets, the estimated fair value (less cost of disposal) realizable through a potential sale process at the present time would be negligible. As such, at December 31, 2019, the Company recorded an impairment charge in the amount of $176.0 million ($153.6 million net of tax), of which $1.0 million related to plant and equipment and the balance of $175.0 million related to E&E assets of its Marmato Project CGU. There are numerous uncertainties inherent is estimating the recoverable amount for the Marmato Project CGU and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

7. INVESTMENTS

	Gold X			Western Atlas		Amilot	Total
	Common Shares(1)	Warrants	Convertible Debenture	Common Shares(1)	Warrants	Common Shares(2)	
As at December 31, 2017	$ -	$ -	$ -	$ -	$ -	$ 118	$ 118
Purchases of units	5,524	719	-	-	-	-	6,243
Share of loss	(171)	-	-	-	-	-	(171)
FVTPL	-	78	-	-	-	-	78
FVOCI	-	-	-	-	-	(96)	(96)
Exchange difference	-	-	-	-	-	(4)	(4)
As at December 31, 2018	5,353	797	-	-	-	18	6,168
Purchases of units	1,458	1,336	-	922	230	-	3,946
Purchase of Convertible Debenture	-	-	5,000	-	-	-	5,000
Share of loss	(2,015)	-	-	-	-	-	(2,015)
FVTPL	-	1,197	-	-	(17)	-	1,180
FVOCI	-	-	-	-	-	(2)	(2)
Exchange difference	-	-	-	-	-	1	1
As at December 31, 2019	$ 4,796	$ 3,330	$ 5,000	$ 922	$ 213	$ 17	$ 14,278

(1) The investments in common shares of Gold X and Western Atlas are accounted for using the equity method.
(2) The investment in Amilot is accounted for as a financial asset and measured at FVOCI.

a) Gold X

At December 31, 2019, the Company holds a 20.7% equity interest in Gold X (2018 – 16.7%). Gold X is a Canadian, TSXV-listed, junior mining company currently moving toward a feasibility study for its Toroparu Project in the western Guyana gold district and also holds a 100% interest in the Chicharron silver-gold project located in the Company's mining title at Segovia. On November 28, 2019, Gold X consolidated its issued and outstanding common shares and warrants on the basis of one new common share and warrant for every eight common shares and warrants then outstanding. All references to Gold X shares, warrants and per share amounts herein have been restated to a post-consolidation basis.

During 2019 and 2018 the Company acquired the following common shares and warrants:

- In July 2018, the Company acquired a total of 3,875,000 common shares and 2,000,000 share purchase warrants of Gold X. Each warrant entitles the holder to purchase one additional common share of Gold X at CA$3.20 for a period of 60 months. As consideration, the Company paid CA$4.0 million (equivalent to approximately $3.1 million) in cash and assigned its 30% carried participating interest in the Chicharron Project to Gold X. The Company recorded a gain of $2.4 million related to the assignment of the participating interest.
- In October 2018, the Company acquired an additional 500,000 common shares of Gold X in a private transaction with an unrelated party for cash consideration of CA$1.0 million (equivalent to approximately $0.8 million).
- In February 2019, the Company acquired an additional 312,500 common shares of Gold X in a private transaction with an unrelated party for cash consideration of CA$0.7 million (equivalent to approximately $0.5 million).

- In June 2019, the Company acquired 1,350,000 units and 650,000 subscription receipts in a private placement at a price of CA$1.00 per unit and subscription receipt, for total cash consideration of CA$2.0 million (approximately $1.5 million). Each unit issued through this private placement consisted of one common share and one share purchase warrant entitling the holder to purchase one additional share at CA$1.32 for a period of five years. In November 2019, after receiving approval from the shareholders of Gold X, the subscription receipts were converted into an additional 650,000 common shares and 650,000 share purchase warrants exercisable at CA$1.32 that expire on June 12, 2024.
- In August 2019, the Company acquired 625,000 units in a private placement at a price of CA$1.60 per unit for total cash consideration of CA$1.0 million (approximately $0.8 million). Each unit issued in this private placement consisted of one common share and one share purchase warrant entitling the holder to purchase one additional share at CA$2.80 that expire on August 27, 2024.

As at December 31, 2019, the Company owned a total of 7,312,500 common shares and 4,625,000 share purchase warrants (the "Gold X Warrants) of Gold X. The Gold X Warrants consist of (i) 2,000,000 share purchase warrants exercisable at CA$3.20 per share that expire on July 20, 2023, (ii) 2,000,000 share purchase warrants exercisable at CA$1.32 per share that expire on June 12, 2024, and (iii) 625,000 share purchase warrants exercisable at CA$2.80 per share that expire on August 27, 2024.

During the year ended December 31, 2019, the Company recorded a loss of $2.0 million from its share of Gold X's results (2018 – $0.2 million).

The Gold X Warrants are derivative instruments and have been designated at FVTPL. During the year ended December 31, 2019, the Company recorded a gain of approximately $1.2 million representing the total fair value increase adjustment for the Gold X Warrants (2018 – $0.1 million). The fair value of the Gold X Warrants at December 31, 2019 was $3.3 million, determined using the Black-Scholes pricing model and level 2 fair value inputs, including expected share price volatilities averaging 77%, risk free interest rate of 1.71% and dividend yield of 0%.

On December 24, 2019 the Company advanced $5.0 million to Gold X in exchange for a convertible debenture (the "Gold X Convertible Debenture") having a term of 36 months and bearing interest at 10% per annum, compounded semi-annually and payable annually. The interest is payable in shares at the option of the Company. If the Company doesn't elect payment in shares, the interest is payable in cash. Gold X has the option to defer interest payments until maturity with additional interest accruing at a rate of 10% per annum, compounded semi-annually. At any time prior to maturity, the Company has the right to convert all or any part of the outstanding amount of the Gold X Convertible Debenture into common shares of Gold X at a conversion price of CA$3.20 per share. The Gold X Convertible Debenture subject to a hold period which will expire on April 4, 2020. At any time during the life of the Gold X Convertible Debenture, Gold X has the option to prepay all or any portion of the outstanding amount, including deferred interest. However, the Company has the option to convert the Gold X Convertible Debenture into shares prior to such prepayment.

The Gold X Convertible Debenture is a financial asset and has been designated at FVTPL. As such, the Gold X Convertible Debenture was recorded at fair value at inception, being equal to the principal amount and price paid, and is subsequently remeasured with the change in fair value being recognized in the statement of operations. The fair value of the Gold X Convertible Debenture at December 31, 2019 of $5.0 million has been determined using the Cox Ross Rubinstein binomial tree model and level 2 fair value inputs that capture all the features of the Gold X Note, including the early redemption option, share price volatility of 70.6%, CAD risk free interest rate of 2.0%, USD risk free interest rate of 1.67%, dividend yield of 0% and credit spread of 7.5%.

b) Western Atlas

On October 9, 2019, the Company completed the acquisition of 15,910,588 units of Western Atlas at a price of CA$0.085 per unit for a total amount of CA$1.35 million in cash. Each unit comprised one common share and one-half common share purchase warrant. Each full warrant ("Western Atlas Warrant") is exercisable at CA$0.20 for a period of two years. The common shares acquired by the Company represent approximately 19.89% of the outstanding common shares of Western Atlas.

The Company has determined that it holds significant influence by virtue of its equity ownership interest and its board participation and will account for its investment in Western Atlas using the equity method. As Western Atlas is listed on the TSXV, pursuant to which financial reporting typically occurs later than it does for the Company, which is listed on the Toronto Stock Exchange ("TSX"), the Company will use Western Atlas' financial statements reported for the quarter ended three months earlier in determining its share of the profit or loss from Western Atlas commencing in the first quarter of 2020.

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

In addition, the Company signed a Share Purchase Agreement dated October 7, 2019 to sell all of the outstanding shares of Medoro Resources International Ltd. ("Medoro") in the future to Western Atlas, subject to certain conditions. On January 10, 2020, Western Atlas received approval for the transaction from its shareholders. The completion of the transaction remains subject to, among other things, the approval of the TSXV. The sale price for the acquisition of Medoro by Western Atlas will be satisfied by the issuance to the Company of 59,115,555 common shares of Western Atlas. Medoro is an indirect wholly-owned subsidiary of the Company which held mining rights to the Lo Increible 4A and Lo Increible 4B concessions near the town of El Callao, Bolivar State, Venezuela (the "Increible Project") and is seeking their restitution by the current interim government of Venezuela. The closing of the Medoro sale transaction will also be subject to and take place upon the occurrence of (i) the current government of Venezuela being replaced by an internationally recognized and democratically elected government and (ii) completion of the lawful transfer and registration of transfer to Medoro (or to one or more of Medoro's Venezuelan subsidiaries) of the Increible Project by Venezuelan authorities of competent jurisdiction. The closing of the Medoro sale transaction must occur no later than October 9, 2021 (the "Deadline"). Should the closing not occur by the Deadline, the Share Purchase Agreement may be terminated.

The Western Atlas Warrants are derivative instruments and have been designated at FVTPL. During the year ended December 31, 2019, the Company recorded a loss of less than $0.1 million representing the total fair value adjustment for the Western Atlas Warrants. The fair value of the Western Atlas Warrants at December 31, 2019 was approximately $0.2 million, determined using the Black-Scholes pricing model and level 2 fair value inputs, including expected share price volatility of 131%, risk free interest rate of 1.71%, dividend yield of 0% and an expected life of 2 years.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2019	December 31, 2018
Trade payables related to operating, general and administrative expenses	$ 16,303	$ 13,475
Trade payables related to capital expenditures	4,618	2,771
Segovia social contributions payable (a)	2,134	2,292
Other non-income taxes payable	2,158	1,347
DSU and PSU liabilities (Note 12e and 12f)	1,435	-
Other provisions and accrued liabilities	3,273	1,787
Total accounts payable and accrued liabilities	$ 29,921	$ 21,672

a) Segovia social contributions

With respect to Segovia Operations, the Company makes contributions to a trust account to fund local social programs in each quarter in which it produces a minimum of 15,000 ounces of gold. The contribution rate is $4 per ounce of gold production at the minimum gold price of $700 per ounce and increases by $2 per ounce for each $50 increment in the price of gold. Based on the Company's gold production during the year ended December 31, 2019, the Company incurred a total expense for social contributions of $6.9 million (2018 – $4.9 million).

9. LONG-TERM DEBT

	Maturity	Currency	Principal Amount	Interest Rate	December 31, 2019	December 31, 2018
Gold Notes	2024	USD	$ 68,750	8.25%	$ 68,961	$ 74,060
Convertible Debentures	2024	CA	20,000	8.00%	21,054	-
Total					90,015	74,060
Less: current portion					18,000	19,500
Non-current portion					$ 72,015	$ 54,560

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

On April 30, 2018, the Company completed a private placement of 97,992 units for aggregate proceeds of $97,992,000 (the "Gold Notes Offering") to retire a portion of its Former Convertible Debentures ahead of maturity (Note 9c). Each unit consisted of $1,000 principal amount of Gold Notes and 124 common share purchase warrants (the "2024 Warrants") of the Company (12,151,008 warrants in aggregate). Each 2024 Warrant has an exercise price of CA$2.21 and entitles the holder to purchase one common share of the Company at any time prior to the maturity of the Gold Notes on April 30, 2024.

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

The key terms of the Gold Notes include:

- The Gold Notes bear cash interest at a rate of 8.25% per annum payable monthly in arrears on the last day of each month.

- The principal repayments on a quarterly basis (the "Amortizing Payment") on January 31, April 30, July 31 and October 31 of each year.

- An amount of physical gold will be set aside monthly by the Company in a trust account (the "Gold Trust Account"). The Company must deposit certain number of gold ounces into the Gold Trust account every year as described below. The Amortizing Payments will be determined such that each principal repayment represents one-quarter of the applicable annual number of physical gold ounces required to be accumulated in the Gold Trust Account for that year multiplied by $1,250 per ounce of gold.

- Within five business days after the 15th day of each of January, April, July, and October (the "Measurement Dates"), the gold accumulated in the Gold Trust Account will be sold such that:

    - If the afternoon per ounce London Bullion Market Association Gold Price (the "London PM Fix") on the Measurement Dates is above $1,250 per ounce, the Company will make a cash payment to the holders of the Gold Notes equal to that number of gold ounces sold multiplied by the London PM Fix, representing the sum of the Amortizing Payment for the applicable quarter and a Gold Premium. The Gold Premium is the portion of the gold sales proceeds attributed to the excess of the London PM Fix over $1,250 per ounce and will not reduce the principal amount of the Gold Notes outstanding.
    - If the London PM Fix is below $1,250 per ounce of gold, the Company will make a cash payment to the holders of the Gold Notes equal to the applicable Amortizing Payment. Any shortfall in the proceeds from the sale of the gold ounces below $1,250 per ounce will be paid by the Company.

- The Gold Notes are non-callable for the first three years; however, the Company may redeem part or all of the outstanding Gold Notes subject to certain restrictions and at pre-determined premiums to the face amount.

- The Gold Notes are secured by the Company's property and interests in the Segovia Operations and the Marmato Project, subject to certain exceptions (including the release of certain security relating to the Marmato Project that was transferred to Caldas Gold in connection with the Bluenose RTO Transaction).

- The Gold Notes trade on the TSX under the symbol "GCM.NT.U".

Since the trading volumes of the Gold Notes is not considered sufficient to be representative of fair values, the fair value of the Gold Notes has been determined based on Monte-Carlo simulations that capture all the features of the Gold Notes, including the holders' right to receive the Gold Premium and the Company's options to early redeem the outstanding Gold Notes prior to maturity, gold price volatility of 14.7% (2018 – 13.4%), and credit spread of 13.01% (2018 – 12.6%).

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

The table below summarizes changes in the number and fair value of the Gold Notes outstanding during the periods ended December 31, 2019 and 2018:

	Number of Gold Notes	Amount
Principal amount issued on April 30, 2018	97,992	$ 97,992
Fair value ascribed to the 2024 Warrants (Note 9b)	-	(14,292)
Fair value allocated to Gold Notes on issuance	97,992	83,700
Change in FVTPL (Note17)	-	3,805
Change in FVOCI due to changes in credit risk	-	(3,703)
Principal repayments	(9,742)	(9,742)
As at December 31, 2018	88,250	74,060
Change in FVTPL (Note17)	-	9,361
Change in FVOCI due to changes in credit risk	-	5,040
Principal repayments	(19,500)	(19,500)
As at December 31, 2019	68,750	68,961
Less: current portion	18,000	18,000
Non-current portion	50,750	$ 50,961

During the year ended December 31, 2019, the Company completed four scheduled quarterly amortizing payments of the Gold Notes representing aggregate cash payments of approximately $21.4 million to the holders of the Gold Notes. Of the total amount paid, $19.5 million was applied to reduce the principal amount of the Gold Notes based on $1,250 per ounce and the excess amount of $1.9 million was paid as Gold Premium (Note 17).

Scheduled amortizing payments of the Gold Notes outstanding as of December 31, 2019 at $1,250 per ounce are as follows:

	2020	2021	2022	2023	2024	Total
Gold ounces	14,400	12,600	12,000	11,000	5,000	55,000
Principal repayments	$ 18,000	$ 15,750	$ 15,000	$ 13,750	$ 6,250	$ 68,750

On January 31, 2020, the Company completed the next scheduled Amortizing Payment of the Gold Notes totaling approximately $6.0 million, of which approximately $4.9 million was applied to reduce the principal amount of the Gold Notes outstanding to approximately $63.9 million and the balance of approximately $1.1 million was allocated to Gold Premium.

On February 6, 2020, the Company announced that it will use a portion of the net proceeds of the 2020 Private Placement (Note 12b) to redeem 30%, equivalent to approximately $19.2 million of the aggregate principal amount outstanding, of the Gold Notes on March 31, 2020 (the “Redemption Date”), reducing the aggregate principal amount outstanding to approximately $44.7 million. The redemption price will be equal to 100% of the aggregate principal amount of the Gold Notes redeemed plus the Applicable Premium calculated in accordance with the provisions of the Gold Notes Indenture of approximately 10.32%. After completion of the early redemption, the remaining scheduled amortizing payments of the Gold Notes as of the Redemption Date will be as follows:

	Balance of 2020	2021	2022	2023	2024	Total
Gold ounces	7,350	8,820	8,400	7,700	3,500	35,770
Principal repayments	$ 9,188	$ 11,025	$ 10,500	$ 9,625	$ 4,375	$ 44,713

Gold Trust Account

As at December 31, 2019, there were 3,900 ounces of gold held in the Gold Trust Account with a carrying value of $5.8 million, being the lower of cost and net realizable value (December 31, 2018 – 2,600 ounces; $3.2 million). These ounces were sold on January 15, 2020 to fund the Amortizing Payment of the Gold Notes on January 31, 2020 as noted above.

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

As disclosed in Note 14d, the Company currently has put option contracts at $1,250 per ounce in place related to the ounces of gold required to be sold to fund the Amortizing Payments of the Gold Notes at the end of April and July of 2020.

b) Convertible Debentures

On April 4, 2019, the Company closed a private placement of CA$20.0 million in aggregate principal amount (equivalent to approximately $14.9 million) of convertible unsecured subordinated debentures at a price of CA$1,000 per CA$1,000 principal amount of debentures (the "Convertible Debentures"). After costs and expenses, the net proceeds of the private placement amounted to approximately $13.7 million. The Convertible Debentures mature on April 5, 2024 and bear interest at a rate of 8.00% per annum, payable monthly in cash in arrears. At the holders' option, the Convertible Debentures may be converted into common shares of the Company at any time and from time to time, up to the maturity date, at a conversion rate of 210.53 common shares per CA$1,000 principal amount, subject to adjustment in certain circumstances, which equates to an initial conversion price of CA$4.75 per share.

On the first anniversary of the issuance date and on each subsequent yearly anniversary, the Company may, at its option and subject to applicable regulatory approval, on not more than one occasion during each 12-month period, redeem up to 10% of the aggregate principal amount of the Convertible Debentures then outstanding, at par plus accrued and unpaid interest, in cash on not less than 30 and not more than 60 days' prior written notice (during which period the holders of the Convertible Debentures may convert their debentures into common shares).

The Convertible Debentures are a financial liability and have been designated at FVTPL. As such, the Convertible Debentures were recorded at fair value at inception, being equal to the principal amount, and are subsequently remeasured with the change in fair value being recognized in the statement of operations, except the portion of the change in fair value due to changes in the Company's credit risk, which is recognized in the statement of other comprehensive income. The fair value of the Convertible Debentures at December 31, 2019 has been determined using the binomial pricing model and level 2 fair value inputs that capture all the features of the Convertible Debentures, including the early redemption option, share price volatility of 45.83%, risk free interest rate of 2.06%, dividend yield of 0%, and credit spread of 16.39%. From the date of issuance to December 31, 2019, the fair value of the Convertible Debentures increased by $5.5 million, of which less than $0.1 million related to the change in credit risk was recognized as a gain in the statement of other comprehensive income and the balance of $5.5 million was recorded as a loss on financial instruments (Note 18) in the statement of operations. Total fees and expenses of $1.4 million in relation to issuance of the Convertible Debentures have been expensed as finance costs in the statement of operations (Note 17).

	Number of Debentures		Amount
Principal amount issued on April 4, 2019	20,000	$	14,918
Change in FVTPL (Note15)	-		5,498
Change in FVOCI due to changes in credit risk	-		46
Exchange difference	-		592
As at December 31, 2019, non-current	20,000	$	21,054

c) Former Convertible Debentures

In 2018, the Company settled and repaid its Senior Unsecured Convertible Debentures due 2018 and Senior Secured Convertible Debentures due 2020 and 2024 (collectively, the "Former Convertible Debentures") through a series of transactions. These transactions included a total of $15.2 million aggregate principal amount of Former Convertible Debentures being converted by holders into a total of 7,761,988 common shares, the early settlement in April 2018 by the Company of $7.3 million aggregate principal amount of Former Convertible Debentures for $1.4 million in cash plus the issuance of 3,015,966 common shares to holders, early redemption in May 2018 of $63.4 million of Former Convertible Debentures with cash proceeds from the Gold Notes Offering and $22.9 million aggregate principal amount in exchange for units in the Gold Notes Offering, and a balance of $32.1 million of Former Convertible Debentures settled at maturity in August 2018 in exchange for 16,483,269 common shares.

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

In 2018, the Company recognized a loss on financial instruments totaling approximately $25.0 million associated with the early redemption and extinguishment of its Former Convertible Debentures (Note 18). As of December 31, 2018, there were no balances outstanding with respect to the Former Convertible Debentures.

10. LEASE OBLIGATIONS

	Maturity	Currency	Interest rate	December 31, 2019	December 31, 2018
Leases	2021 to 2026	COP	13.04%	$ 2,140	$ 43
Leases	2022	CAD	6.00%	117	-
Total lease obligations				2,257	43
Less: current portion				701	43
Non-current portion				$ 1,556	$ -

The Company adopted IFRS 16 on January 1, 2019 (Note 3) and recognized lease obligations for those contracts that were determined to contain leases. The Company's lease obligations are related primarily to plant and equipment used in mining operations in Colombia and office premises in Canada, with payments made on a monthly basis.

The table below summarizes the changes in lease obligations during the year ended December 31, 2019:

	Amount
As at December 31,2018	$ 43
Contracts recognized as leases at January 1, 2019 (Note 3)	2,102
Additions	855
Accretion (Note 17)	256
Lease payments	(988)
Exchange difference	(11)
As at December 31, 2019	$ 2,257

The undiscounted and discounted future lease payments are as follows:

	December 31, 2019	December 31, 2018
Undiscounted contractual payments		
Within one year	$ 953	$ 43
More than one year	1,938	-
Total undiscounted lease obligations	2,891	43
Amount representing interest	(634)	-
Lease obligations - discounted	$ 2,257	$ 43

The table below summarizes amounts recognized in earnings during the year ended December 31, 2019:

Depreciation expense for right-of-use assets	$ 820
Interest expense included in finance costs (note 17)	256
Variable lease payments not included in the measurement of lease liabilities	403
Expenses relating to short-term leases	56
Expenses relating to leases of low value assets, excluding short-term leases of low value assets	24
Total recognized in earnings	$ 1,559

During the year ended December 31, 2019, the Company recognized total payments in the consolidated statement of cash flows in the amount of $1.0 million.

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

Scheduled future lease payments, comprising principal and interest, are as follows:

	2020	2021	2022	2023	Thereafter	Total
Total payments	$ 953	$ 841	$ 431	$ 191	$ 475	$ 2,891

11. PROVISIONS

A summary of changes to provisions during the year ended December 31, 2019 is as follows:

	Decommissioning and rehabilitation	Environmental fees	Health plan obligations	Total
As at December 31, 2017	$ 7,113	$ 7,612	$ 14,078	$ 28,803
Recognized in period	1,866	2,174	-	4,040
Interest recognized in the period	-	118	-	118
Payments in the period	(98)	(4,130)	(873)	(5,101)
Accretion of discount (Note 17)	374	602	1,505	2,481
Effect of change in estimates	(468)	-	(324)	(792)
Exchange difference	(664)	(516)	(1,200)	(2,380)
As at December 31, 2018	8,123	5,860	13,186	27,169
Recognized in period (Note 11b, 15)	-	(721)	-	(721)
Effect of changes in estimates	(549)	-	(90)	(639)
Interest recognized in the period	-	21	-	21
Payments in the period	(114)	(1,236)	(812)	(2,162)
Accretion of discount (Note 17)	426	174	1,295	1,895
Exchange difference	(80)	(63)	(114)	(257)
As at December 31, 2019	7,806	4,035	13,465	25,306
Less: current portion	697	5	696	1,398
Non-current portion	$ 7,109	$ 4,030	$ 12,769	$ 23,908

a) Decommissioning and rehabilitation provision ("ARO")

Environmental obligations for the Company's Segovia Operations are governed by an environmental management plan which has been filed with the local environmental authority and is updated periodically. Although the Company is not currently required under its environmental management plan to prepare a comprehensive closure plan for the Segovia Operations, the Company has estimated the undiscounted costs to be incurred with respect to mine closure cost and reclamation activities to be approximately COP 26.9 billion, equivalent to approximately $8.2 million at the December 31, 2019 exchange rate. During 2018, the Company recorded an increase in its ARO provision of COP 6.1 billion (equivalent to approximately $1.9 million) associated with its estimated costs to close and rehabilitate tailings storage facilities in its Segovia Operations, of which approximately $0.1 million was spent in 2019 and the balance is expected to be incurred in 2020 through 2022.

The total ARO provision recorded represents management's best estimate of the future reclamation and remediation obligation for its Segovia Operations and its Marmato Project; however, the estimated amount is inherently uncertain and will be revised as further information becomes available. Actual future expenditures may therefore differ materially from the amounts currently provided.

Estimated costs underlying the Company's ARO provision have been discounted to their present value using the following assumptions:

	Expected date of expenditures	Inflation rate	Pre-tax risk free rate	Undiscounted cash flow
Segovia Operations	2020-2026	4.60%	4.68% to 6.08%	10,071
Marmato Project	2021	4.60%	4.99%	$ 789

b) Environmental fees

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

In July 2013, Corantioquia, the local environmental authority, issued a resolution assessing fees totalling COP 29.5 billion (equivalent to approximately $9.0 million at the December 31, 2019 exchange rate) for environmental discharges in 2010 and 2011 at tariff rates that significantly exceeded the applicable rates that the Company believes were in effect for those particular periods. In November 2013, after further appeal to Corantioquia to appropriately amend the assessments, the Company initiated proceedings in the Colombian judicial system to seek a reduction in the assessed fees. The matter is currently still in process in the judicial system. At December 31, 2019, the Company has a provision in the amount of COP 13.1 billion (approximately $4.0 million) related to the present value of its best estimate of the potential liability for these fees (December 31, 2018 – COP 12.5 billion or approximately $3.9 million).

In July 2018, Corantioquia issued a resolution assessing a fine in the amount of COP 3.7 billion (equivalent to approximately $1.1 million at the December 31, 2018 exchange rate) associated with the Company's construction of a tailings storage facility, known as "Pomarossa", on its property which operated between 2014 and 2017. Although the facility was not fully permitted at the time, it was constructed and operated in accordance with environmental norms and standards with minimal environmental impact and has since been fully rehabilitated. In September 2019, following the Company's appeal of the assessment, the fine was reduced to COP 1.5 billion (equivalent to approximately $0.4 million) and the reduction of approximately $0.7 million in the provision was recognized as a reduction of cost of sales (Note 16) in the year ended December 31, 2019. The Company paid, in full, the reduced amount of $0.4 million in October 2019.

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

c) Health plan obligations

The Company has an obligation related to its acquisition of the Segovia Operations in 2010 to fund the health plan contributions of certain participants in a Colombian pension plan. The health plan obligation of COP 44.1 billion (approximately $13.5 million) is based on an actuarial report prepared as at December 31, 2019, with an inflation rate of 3.91% and a discount rate of 8.9%. The Company is currently paying approximately COP 0.2 billion (approximately $0.1 million) monthly to fund the obligatory health plan contributions. At December 31, 2019, non-current cash in trust includes approximately $0.8 million deposited in a restricted cash account as security against this obligation (December 31, 2017 - $0.7 million).

12. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

b) Issued and fully paid

As at December 31, 2019 the Company had 53,559,006 common shares issued and outstanding (December 31, 2018 – 48,173,639 common shares).

During the year ended December 31, 2019, a total of 2,123,897 common shares were issued in exchange for the exercise of stock options (2018 – 46,667 common shares) and 600 common shares were issued for the exercise of 2024 Warrants (2018 – Nil). In 2018, the Company issued a total of 27,261,223 common shares to holders of the Former Convertible Debentures (Note 9c).

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

On June 12, 2019, the Company commenced a normal course issuer bid ("Common Share NCIB") for its common shares. The Common Share NCIB will remain open until the earlier of June 11, 2020 or the date on which the Company has purchased the maximum number of common shares permitted under the bid of 4,589,129 common shares, representing 10% of the issued and outstanding common shares in the public float as of June 4, 2019. Management of the Company will determine the actual number of common shares that may be purchased and the timing of any such purchases, subject to compliance with applicable TSX rules. Daily purchases will be limited to 33,055 common shares, other than block purchase exceptions. Purchases made pursuant to the bid will be made on the open market through the facilities of the TSX and/or alternative Canadian trading systems, and the price that the Company will pay for any such common shares will be the market price at the time of the acquisition. Subsequent to December 31, 2019, the Company purchased a total of 56,000 common shares for cancellation at an average price of CA$3.42 per under the Common Share NCIB.

On November 5, 2019, the Company completed a non-brokered private placement (the "2019 Private Placement") receiving gross proceeds of $11.4 million (CA$15.0 million) through the issuance of 3,260,870 units at a price of CA$4.60 per unit. Each unit consists of one common share of the Company and one common share purchase warrant ("2019 PP Warrant"). Each whole 2019 PP Warrant entitles the holder to acquire one common share of the Company at CA$5.40 per share expiring on November 5, 2023. A total of $6.3 million was allocated to the 2019 PP Warrants liability based on their fair value determined using the trading price at the date of closing of the transaction and the remaining $5.1 million of the gross proceeds was allocated to the common shares and recorded as a share capital.

Transactions costs related to 2019 Private Placement amounted to $0.2 million, of which $0.1 million was allocated to the 2019 PP Warrants and was recognized as an expense in the statement of operation. The remaining balance transaction costs of $0.1 million was allocated to share capital.

Subsequent to December 31, 2019, the Company issued a total of 110,767 common shares related to the exercise of stock options (Note 12d).

In addition, on February 6, 2020, the Company completed a private placement (the "2020 Private Placement") receiving gross proceeds of approximately $30.1 million (CA$40.0 million) through the issuance of 7,142,857 units of the Company at a price of CA$5.60 per unit. Each unit consists of one common share and one common share purchase warrant exercisable into a full common share at CA$6.50 per share expiring February 6, 2023. Refer to Note 9a regarding the use of a portion of the net proceeds for an early redemption 30% of the aggregate principal amount of the Gold Notes on March 31, 2020.

c) *Share purchase warrants*

The table below summarizes the changes in the number of issued and outstanding warrants and the associated warrant liability for the year ended December 31, 2019:

	2024 Warrants		2019 PP Warrants		Total
	Number	Amount	Number	Amount	Amount
Fair value allocated on issuance on April 30, 2018	12,151,008	$ 14,292	-	$ -	14,292
Fair value adjustment (Note 18)	-	(494)	-	-	(494)
As at December 31, 2018	12,151,008	$ 13,798	-	$ -	$ 13,798
Fair value allocated on issuance on November 5, 2019	-	-	3,260,870	6,295	6,295
Repurchase of warrants	(137,100)	(252)	-	-	(252)
Exercised during the period	(600)	-	-	-	-
Fair value adjustment (Note 18)	-	18,548	-	311	18,859
As at December 31, 2019	12,013,308	$ 32,094	3,260,870	$ 6,606	$ 38,700

2024 warrants

The 2024 Warrants associated with the Gold Notes represent a financial liability as the exercise price is denominated in Canadian dollars, different from the Company's US dollar functional currency. As such, they were recognized at fair value at inception and subsequently they are remeasured with the change in fair value being recognized in the statement of operations. The fair value of the 2024 Warrants as at December 31, 2019 was determined based on their last traded price, a level 1 fair value input, for the period of CA$3.47 (equivalent to approximately $2.67) per 2024 Warrant.

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

On June 12, 2019, the Company also commenced a normal course issuer bid ("2024 Warrant NCIB") for its 2024 Warrants. The 2024 Warrant NCIB will remain open until the earlier of June 11, 2020 or the date on which the Company has purchased the maximum number of 2024 Warrants permitted under the bid of 1,109,628 warrants, representing 10% of the issued and outstanding 2024 Warrants in the public float as of June 4, 2019. Management of the Company will determine the actual number of 2024 Warrants that may be purchased and the timing of any such purchases, subject to compliance with applicable TSX rules. Daily purchases will be limited to 6,328 warrants, other than block purchase exceptions. Purchases made pursuant to the bid will be made on the open market through the facilities of the TSX and/or alternative Canadian trading systems, and the price that the Company will pay for any such 2024 Warrants will be the market price at the time of the acquisition. From June 12, 2019 through December 31, 2019, the Company purchased a total of 137,100 warrants for cancellation at an average price of CA$2.41 per 2024 Warrant.

2019 PP Warrants

The 2019 PP Warrants associated with the 2019 Private Placement (Note 12b) represent a financial liability as the exercise price is denominated in Canadian dollars, different from the Company's US dollar functional currency. As such, they were recognized at fair value at inception and subsequently they are remeasured with the change in fair value being recognized in the statement of operations. The fair value of the 2019 PP Warrants as at December 31, 2019 was determined using the Black-Scholes option pricing model considering the following inputs; dividends expected nil, expected volatility 60.30%, risk-free interest rate 1.68%, expected life of 3.8 years.

Other Listed Warrants (GCM.WT.A)

On March 18, 2019, a total of 4,211,918 listed warrants exercisable into 280,795 common shares with an exercise price of CA$48.75 per share expired unexercised.

d) ***Stock option plan***

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

A summary of the change in the stock options outstanding during the years ended December 31, 2019 and 2018 is as follows:

	Outstanding	Weighted average exercise price per common share (CA$)
Balance, December 31, 2017	1,886,659	$ 3.06
Granted during the period	1,200,000	3.16
Exercised during the period	(46,667)	2.55
Forfeited during the period	(345,330)	2.55
Balance, December 31, 2018	2,694,662	3.24
Granted during the period	855,000	3.67
Exercised during the period	(2,123,897)	2.93
Forfeited during the period	(45,000)	27.60
Balance, December 31, 2019	1,380,765	$ 3.18

During the year ended December 31, 2019, holders exercised 1,067,997 stock options at an exercise price of CA$2.55 per share (2018 – 46,667 stock options), 720,000 stock options at an exercise price of CA$3.16 (2018

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

– Nil stock options) and 335,900 stock options with an exercise price of CA$3.67 (2018 – Nil stock options). The weighted average share price at the date of exercise for the stock options exercised during the year ended December 31, 2019 was CA$5.13 per share (2018 – CA$2.88 per share).

Subsequent to December 31, 2019, a total of 6,667 stock options at an exercise price of CA$2.55 per share and 104,100 stock options at an exercise price of CA$3.67 per share were exercised in January 2020.

A summary of the stock options granted and the share-based compensation expense recorded by the Company for the year period ended December 31, 2019 and 2018, including the inputs used in the determination of the fair values of the stock options using the Black-Scholes option pricing model, is as follows:

	Year ended December 31, 2019	2018
Number of stock options granted	855,000	1,200,000
Term	5 years	5 years
Vesting	Immediately	Immediately
Share-based compensation expense (Note 12g)	$ 2,157	$ 903
Per option	CA$1.19	CA$0.98
Weighted average Black-Scholes option pricing model inputs		
Market price of the shares at grant date	CA$3.67	CA$3.16
Exercise price	CA$3.67	CA$3.16
Dividends expected	Nil	Nil
Expected volatility	51%	48%
Risk-free interest rate	1.6%	1.9%
Expected life of options	2.5 years	2.5 years

The table below summarizes information about the stock options outstanding and the common shares issuable as at December 31, 2019:

Expiry date	Outstanding and exercisable options	Common shares issuable	Remaining contractual life in years	Exercise price (CA$/share)
April 1, 2021	96,666	96,666	1.3	$ 2.55
April 3, 2022	231,666	231,666	2.3	2.55
December 12, 2022	53,333	53,333	3.0	2.55
June 14, 2023	480,000	480,000	3.4	3.16
April 1, 2024	519,100	519,100	4.3	3.67
	1,380,765	1,380,765	2.8	$ 3.18

e) ***DSUs***

On April 1, 2019, the Company granted each of its six non-executive directors $150,000 of DSUs representing an initial two-year award under the DSU plan, of which 50% vested on the grant date and the other 50% will vest on April 1, 2020. If a director ceases to be a director, other than through a change of control, prior to the first anniversary of the initial grant, then 50% of the initial grant will be forfeited and will not be paid to the director. A total of 327,702 DSUs were granted on April 1, 2019 at a price of CA$3.67 per share.

A summary of changes to the DSU liability during the year ended December 31, 2019 is as follows:

	Amount
Balance, December 31, 2018	$ -
Granted and vested during the period	450
Unvested DSUs recognized in the period	337
Change in fair value	435
Balance, December 31, 2019	$ 1,222

The DSU liability at December 31, 2019 was determined based on the Company's closing share price, a level 1 fair value input, of CA$5.60 (approximately $4.31) per share.

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

As at December 31, 2019, the Company had 163,851 vested DSUs and 163,851 unvested DSUs outstanding.

f) ***PSUs***

On April 1, 2019, a total of 117,427 PSUs were granted to executive officers and senior management at a price of CA$3.67 per share and the PSUs will vest on March 31, 2022.

As at December 31, 2019, the Company had 117,427 unvested PSUs outstanding.

The fair value of the PSUs at December 31, 2019 was $7.25 per unit, determined using Monte Carlo simulations that capture all the features of the PSUs and level 2 fair value inputs. During the year ended December 31, 2019, the Company recorded share-based compensation expense of approximately $0.2 million related to the PSUs (Note 12g) resulting in a PSU liability of $0.2 million at December 31, 2019 (December 31, 2018 - $Nil).

g) ***Share-based compensation expense***

	Years ended December 31, 2019	2018
Stock options (Note 12d)	$ 767	$ 903
DSUs (Note 12e)	1,181	-
PSUs (Note 12f)	209	-
Total share-based compensation expense	$ 2,157	$ 903

13. INCOME TAX

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

	Years ended December 31, 2019	2018
(Loss) income before income taxes	$ (111,786)	$ 17,291
Canadian statutory income tax rate	26.5%	26.5%
Income tax (recovery) expense at statutory rate	(29,623)	4,582
Increase (decrease) in income tax provision resulting from:		
Differences in tax rates in foreign jurisdictions	7,948	8,377
Other non-deductible expenses	6,888	3,054
Share-based compensation	572	239
Tax impact of future tax rate differences	(1,051)	(4,674)
Increase in unrecorded deferred tax asset	10,370	9,092
Non-deductible portion of impairment charge	24,274	-
Income tax expense for the year	$ 19,378	$ 20,670
Current income tax expense	$ 45,469	$ 30,893
Deferred income tax recovery	(26,091)	(10,223)
Income tax expense for the year	$ 19,378	$ 20,670

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

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

	December 31, 2019	December 31, 2018
Deferred tax assets		
Tax loss carry forwards	$ -	$ 5,234
Provisions	989	577
Other	990	-
Deferred tax liabilities		
Mining interests, plant and equipment	(20,726)	(50,472)
Long-term debt	-	(377)
Other	-	(1,170)
Total deferred tax	$ (18,747)	$ (46,208)
Deferred tax asset	$ -	$ -
Deferred tax liability	(18,747)	(46,208)
Total deferred tax	$ (18,747)	$ (46,208)

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

	Years ended December 31, 2019	2018
Balance at the beginning of the year	$ 46,208	$ 59,504
Recognized in profit / loss	(26,087)	(10,223)
Recognized in other comprehensive loss	(1,374)	(3,073)
Balance at the end of the year	$ 18,747	$ 46,208

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

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

The Company has $10.5 million of ordinary losses in respect of its Colombian operations and E&E assets which do not expire and $45.0 million of non-capital losses in respect of its Canadian head office which expire in the years 2026 to 2039. The Company has other deductible temporary differences, totaling $20.4 million (December 31, 2018 - $7.9 million), for which no deferred tax assets have been recognized.

14. FINANCIAL RISK MANAGEMENT

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

a) ***Credit risk***

	December 31, 2019	December 31, 2018
Trade accounts receivable	$ 1,727	$ 4,707
VAT receivable	11,652	7,141
Other, net of allowance for doubtful accounts	1,943	1,647
Total accounts receivable	$ 15,322	$ 13,495

At December 31, 2019, the Company has an allowance for doubtful accounts of $0.1 million (December 31, 2018 - $0.1 million) related to other receivables.

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

The exposure to credit risk arises through the failure of a third party to meet its contractual obligations to the Company. The Company's exposure to credit risk arises primarily from the Company's cash balances, which are held with highly-rated Canadian and Colombian financial institutions, VAT and accounts receivable. Timing of collection on VAT receivable is in accordance with the company's bi-monthly filing. As at December 31, 2019 the company expects to recover the outstanding amount in the next 12 months.

In January 2019, the Company commenced delivery of all of its production under a new three-year refining agreement with an international customer from whom it receives 99.5% of the sales proceeds upon delivery of its production to an agreed upon transfer point in Colombia and the balance within a short settlement period thereafter. In the event that this new customer is unable to perform under the contractual arrangement, the Company does have other avenues through which it can sell its production.

b) ***Foreign currency risk***

The Company is exposed to foreign currency fluctuations in COP and Canadian dollars ("CA"). Such exposure arises primarily from expenditures that are denominated in currencies other than the functional currency. The Company monitors its exposure to foreign currency risks. To reduce its foreign currency exposure associated with operating expenses incurred in COP, the Company may enter into foreign currency derivatives to manage such risks. For the years ended December 31, 2019 and 2018, the Company did not utilize derivative financial instruments to manage foreign currency risk.

The following table summarizes, in USD equivalents, the Company's major currency exposures:

As at December 31, 2019	CA	COP
Cash	$ 9,266	$ 28,990
Accounts receivable	85	14,677
Cash in trust	-	751
Gold X Warrants	3,330	-
Accounts payable and accrued liabilities, including amounts payable related to acquisitions of mining interests	(1,472)	(30,403)
Convertible Debentures	(21,054)	-
Warrant liabilities	(38,700)	-
Lease obligations	(111)	(2,139)
Net financial (liabilities) assets	$ (48,656)	$ 11,876

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

Based on the net exposure at December 31, 2019, a 10% depreciation or appreciation of the CA against the USD would result in a $4.9 million increase or decrease in the Company's after-tax net income (2018 – $1.4 million) and a 10% depreciation or appreciation of the COP against the USD would result in a $1.2 million decrease or increase in the Company's other comprehensive income (2018 - $0.8 million increase or decrease).

c) ***Liquidity risk***

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

- *Accounts payable and accrued liabilities*: These arise during the normal course of business and are paid from operating cash flow, and except under certain exceptions, are usually due within no later than one month. The Company from time to time may also enter into payment plans to pay these amounts over extended periods, typically less than 12 months.

- *Amounts payable for acquisitions of mining interests*: Principally represents compensation agreements with artisanal miners at the Company's Marmato Project. Payments related to these compensation agreements have been suspended by the Company since 2013 and the Company is currently evaluating its options with respect to these compensation agreements in light of its future underground development activities through the proposed transaction with Bluenose (Note 24).
- *Lease obligations:* These obligations represent lease payments related to ROU assets over the life of the lease contracts (Note 10)
- *Long-term debt*: The Gold Notes are carried at fair value and are being settled by deposits of physical gold, representing less than 10% of the Company's projected gold production over the term of the Gold Notes, to the Gold Trust Account. The Convertible Debentures are also carried at fair value and no principal repayment is required until the date of maturity on April 5, 2024.

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

d) ***Impact of COVID-19***

Due to the worldwide COVID-19 outbreak, conditions may come into existence in future that could influence the Company's operations and impact the ability to generate operating cash flows and raise capital, if needed. Impacts that COVID-19 may have that could impact the Company include:

- global gold prices;
- demand for gold and the ability to refine and sell gold produced;
- the severity and the length of potential measures taken by governments to manage the spread of the disease and their effect on labour availability and supply lines;
- availability of government supplies, such as water and electricity;
- local currency purchasing power; or
- ability to obtain funding, if needed.

At the date of the approval of these consolidated financial statements, the Colombian government has implemented a national quarantine which commenced on March 25, 2020 and is expected to last until mid-April 2020, possibly longer. The quarantine has not yet impeded the normal operation of the business and the Company has implemented its business continuity plan. Management believes the business holds sufficient levels of materials and supplies to be able to maintain normal production without interruption at the present time. At March 27, 2020, there is sufficient physical gold in the Gold Trust Account to fulfill the quarterly amortizing payment of the Gold Notes on April 30, 2020. There is risk that a prolonged period of quarantine may affect the level of monthly production which in turn could adversely impact operating cash flow. Although the Company has cash balances, management is taking steps to slow down discretionary operating and capital expenditures to preserve its liquidity during this unusual situation.

e) ***Price risk***

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

The Company may enter into commodity hedging contracts from time to time to reduce its exposure to fluctuations in spot commodity prices. The Company is required under the covenants of the Gold Notes to use commercially reasonable efforts to put in place commodity hedging contracts (put options) which establish a minimum selling price of $1,250 per ounce for the physical gold being accumulated in the Gold Trust Account (Note 9a) which will be sold in each of the immediately subsequent four quarters to meet the Company's financial obligations for the quarterly amortizing payments on the Gold Notes.

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

At December 31, 2019, the Company had the following gold commodity hedging contracts in place:

Type of instrument	Maturity	Benchmark	Volume (gold ozs)	Strike price (per oz)	Fair value
Put option [(1)]	January 15, 2020	London Fix PM	3,900	$ 1,250	$ -
Put option	April 15, 2020	London Fix PM	3,900	1,250	-
Put option	July 13, 2020	London Fix PM	3,900	1,250	1.0
			11,700		$ 1.0

(1) Expired unexercised.

The Company has not designated the commodity hedging contracts as accounting hedges under IFRS 9. The commodity hedging contracts are carried at their fair value at the end of each reporting period with the change in fair value during the period recorded in gain or loss on financial instruments. During the year ended December 31, 2019, the Company recorded a loss of $0.3 million (2018 – $0.3 million) related to commodity hedging contracts in the statement of operations (Note 18). Subsequent to December 31, 2019, the January 15, 2020 put option expired unexercised.

f) Fair value risk

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

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

	Level 1	Level 2	Level 3	Total
As at December 31, 2019				
Financial assets				
Derivative assets (Note 14d)	$ -	$ 1	$ -	$ 1
Investments and other assets (Note 7)	-	3,560	-	3,560
Financial liabilities				
Gold Notes – current and non-current (Note 9a)	$ -	$ 69,961	$ -	$ 69,961
Convertible Debentures due 2024 (Note 9b)	-	21,054	-	21,054
2024 Warrants (Note 12c)	32,094	-	-	32,094
2019 PP Warrants (Note 12c)	-	6,606	-	6,606
As at December 31, 2018				
Financial assets				
Derivative assets (Note 13d)	$ -	$ 65	$ -	$ 65
Investments and other assets (Note 7)	-	815	-	815
Financial liabilities				
Gold Notes – current and non-current (Note 9b)	$ -	$ 74,060	$ -	$ 74,060
2024 Warrants (Note 12c)	-	$ 13,798	-	$ 13,798

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing their classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The fair values of cash and cash equivalents, cash in trust, accounts receivable, accounts payable and accrued liabilities, and taxes payable, approximate their carrying values due to the short term to maturity of these financial instruments.

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

g) ***Capital management***

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to develop its mining properties into production and to maintain investor, creditor and market confidence to sustain the future development of the business. The Company considers its capital structure to include equity attributable to its shareholders of $117.6 million (2018 – $245.7 million) and its long-term debt of $90.0 million (2018 – $74.1 million).

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may, from time to time, issue new shares, issue new debt (secured, unsecured, convertible and/or other types of debt instruments), acquire or dispose of assets or adjust its capital spending to manage its ability to continue as a going concern. As of December 31, 2019, other than certain restrictive covenants related to incurring additional indebtedness under the terms of the Gold Notes, the Company is not subject to any externally imposed capital requirements.

15. REVENUE

	Years ended December 31, 2019	2018
Gold	$ 323,057	$ 265,923
Silver	3,423	2,602
	$ 326,480	$ 268,525

16. COST OF SALES

	Years ended December 31, 2019	2018
Production costs	$ 144,496	$ 137,375
Production taxes	13,472	11,113
Allowance for doubtful accounts	-	113
Provision for environmental discharges (Note 11b)	(721)	2,174
Depreciation, depletion and amortization	32,312	28,875
	$ 189,559	$ 179,650

17. FINANCE COSTS

	Years ended December 31, 2019	2018
Interest expense	$ 7,864	$ 8,652
Gold Premium payment (note 9a)	1,873	-
Accretion of provisions (Note 11)	1,895	2,481
Debt financing costs (Notes 9a,9b)	1,420	7,759
Accretion of lease obligation (note 10)	256	-
Reversal of interest accrued on amount payable related to mineral interest (note 22b)	(199)	(1,561)
Accretion of Former Convertible Debentures	-	12,715
	$ 13,109	$ 30,046

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

18. GAIN (LOSS) ON FINANCIAL INSTRUMENTS

	Years ended December 31, 2019	2018
Gain on Gold X Warrants (note 7)	$ 1,197	$ 8
Loss on Western Atlas Warrants (note 7)	(17)	-
Gain on gold in Gold Trust Account (Note 9a)	345	117
Mark-to-market loss on commodity hedging contracts (Note 13d)	(346)	(314)
Loss on Gold Notes (Note 9a)	(9,361)	(3,805)
Loss on Convertible Debentures (note 9b)	(5,498)	-
(Loss) gain on 2024 Warrant liability (Note 12c)	(18,548)	494
Loss on 2019 PP Warrant liability (Note 12)	(311)	-
Losses on early redemption and extinguishment of Former Convertible Debentures (Note 9c)	-	(24,912)
	$ (32,539)	$ (28,412)

19. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	Years ended December 31, 2019	2018
Accounts receivable	$ (1,249)	$ (1,595)
Inventories	(8,004)	(4,105)
Prepaid expenses and deposits	(771)	376
Accounts payable and accrued liabilities	5,914	5,585
	$ (4,110)	$ 261

20. DILUTED LOSS PER SHARE

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

	Years ended December 31, 2019	2018
Net loss	$ (131,164)	$ (3,379)
Basic weighted average number of shares	49,474,772	34,675,311
Basic loss per common share	$ (2.65)	$ (0.10)

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

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

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

	Years ended December 31, 2019	2018
Net loss	$ (131,164)	$ (3,379)
Deduct:		
Mark-to-market gain on 2024 Warrant liability, net of tax	-	(494)
	$ (131,164)	$ (3,873)

	Years ended December 31, 2019	2018
Weighted average number of shares		
Basic	49,474,772	34,675,311
Effective of dilutive securities:		
Assumed conversion of share purchase Warrants	-	830,613
Diluted weighted average number of shares	49,474,772	35,505,924
Diluted loss per share	$ (2.65)	$ (0.11)

21. RELATED PARTY TRANSACTIONS

The following transactions with related parties occurred during the years ended December 31, 2019 and 2018:

Key management personnel compensation

Key management includes the Company's Executive Chairman, Chief Executive Officer, Chief Financial Officer, Legal Vice President and the non-executive directors. In addition to their salaries and annual bonuses or director fees, executive officers and directors also participate in the Company's LTIP, which includes the stock option plan, PSUs and DSUs, as applicable. During the year ended December 31, 2019, 375,000 stock options and 86,659 PSUs were granted to executive officers and 327,702 DSUs were granted to non-executive directors (December 31, 2017 - 893,329 stock options; Nil PSUs; Nil DSUs).

As at December 31, 2019, accounts receivable includes $0.5 million outstanding from a third party broker acting on behalf of a director and certain employees of the Company in regards to stock options exercised at the end of December 2019. These amounts were received in full at the beginning of January 2020.

Key management personnel compensation comprised the following:

	Years ended December 31, 2019	2018
Short-term employee benefits	$ 1,712	$ 1,598
Share-based compensation	2,326	682
	$ 4,038	$ 2,280

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

22. COMMITMENTS AND CONTINGENCIES

a) Arbitration related to termination of long-term supply agreement

The Company had a long-term supply agreement to sell all of its production to a single customer in Colombia, which was terminated in January 2019. On May 10, 2019, the Company received notice of a request to settle the dispute, as permitted under the supply agreement, under the Rules of Arbitration of the International Chamber of Commerce. In its notice of arbitration, the former customer has requested reinstatement of the supply agreement and damages related to the intervening period since the supply agreement was terminated. In the alternative, the former customer is claiming general damages in the amount of $50 million, or such other amount as may be determined prior to or at the arbitration, punitive and/or exemplary damages of $1 million, repayment of $0.2 million of disputed interest and reimbursement of costs and expenses related to the arbitration. The Company believes as a result of breach of performance by the former customer on numerous occasions that it had a justifiable basis for terminating the supply agreement and will vigorously defend its position in the arbitration proceedings. The Company believes that it is more likely than not that it will not have any liability from arbitration.

b) Marmato Project – Zona Alta and Echandia Commitments

(i) *Mining title contracts – title transfers approved*: As at December 31, 2019, the Company has a total of COP 0.9 billion, equivalent to $0.3 million (December 31, 2018 – COP 0.9 billion; $0.3 million), remaining to be paid under agreements to purchase additional mining titles related to the Marmato property which is included in amounts payable for acquisition of mining interests in current liabilities.

(ii) *Mining title contracts – title transfers pending approval*: The Company has three mining title contracts for which the approval for the transfer of title has not yet been obtained from the government authorities. If government approval is not obtained, the Company will no longer be required to make further payments. As at December 31, 2019, the Company has commitments under these contracts to spend an additional COP 14.9 billion ($4.5 million) (December 31, 2018 – COP 14.9 billion or $5.0 million) which has not been included in amounts payable for acquisition of mining interests.

(iii) *Amounts payable related to acquisition of mining interests*: As at December 31, 2019, a total of COP 9.7 billion ($2.9 million) including interest, is included in amounts payable for acquisition of mining interests related to agreements to compensate artisanal miners who would be required to cease mining activities at the Company's Marmato Project (December 31, 2018 – COP 9.5 billion; $2.9 million). Payments related to these agreements have been suspended since 2013 and the Company is continuing to seek a resolution to the outstanding obligations.

c) Claims

In the ordinary course of business, the Company is involved in and potentially subject to legal actions and proceedings. The Company records provisions for such claims when considered material and an outflow of resources is considered probable. No such provisions have been recorded by the Company.

The Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of these events could lead to reassessments. The Company records provisions for such claims when an outflow of resources is considered probable. No such provisions have been recorded by the Company.

23. SEGMENT DISCLOSURES

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

In each of the years ended December 31, 2019 and 2018, the Company's sales were made to one customer under a long-term supply agreement (Note 14). As at December 31, 2019 and 2018, other than investments in associates, all material non-current assets of the Company were located in Colombia.

24. BLUENOSE REVERSE TAKEOVER TRANSACTION

On February 25, 2020, the Company completed the spin-out of its Marmato Mining Assets (as defined below) to Bluenose Gold Corp. ("Bluenose" or "BN") through a reverse takeover ("RTO") transaction (the "Bluenose RTO Transaction"). The resulting issuer, named Caldas Gold Corp. ("Caldas Gold"), commenced trading on the TSX Venture Exchange ("TSXV") on February 28, 2020 under the symbol "CGC".

The Marmato Mining Assets principally comprise the existing producing underground gold mine (including the right to mine in the lower portion of the Echandia license area), the existing 1,200 tonnes per day processing plant and the area encompassing the Deeps mineralization, all located within the mining license area referred to as Zona Baja.

The Bluenose RTO Transaction

The Bluenose RTO Transaction was completed pursuant to an Amalgamation Agreement dated effective December 13, 2019 between the Company, GC Holdco, Caldas Finance Corp. ("CFC"), Bluenose and 1233316 B.C. Ltd. ("BN Subco"), a wholly-owned subsidiary of Bluenose incorporated on December 11, 2019 for the purpose of effecting the RTO. GC Holdco and CFC were incorporated on November 4, 2019 by the Company for the purpose of effecting the RTO and for undertaking two private placement equity financings that were completed prior to the RTO, as further described below. During the year ended December 31, 2019, the Company incurred approximately $0.3 million on costs in connection with the Bluenose RTO Transaction.

On December 13, 2019, the Company completed an internal reorganization resulting in CFC becoming the sole shareholder of Medoro Resources Colombia Inc. ("MRC"), a subsidiary of the Company which owns, through Caldas Gold Marmato S.A.S., all of the Marmato Mining Assets. The Company indirectly owned CFC through GC Holdco.

Prior to the RTO transaction, Bluenose consolidated its common shares on the basis of 10 BN pre-consolidation shares for 1 BN post-consolidation share and, as noted above, changed its name to Caldas Gold.

On completion of the Bluenose RTO Transaction, Bluenose acquired all of the shares of CFC from GC Holdco for CA$57.5 million (equivalent to approximately $44.2 million) which was satisfied by the issuance by Bluenose to GC Holdco of an aggregate of 28,750,100 Caldas Gold common shares (on a post-consolidation basis) having an ascribed price of CA$2.00 per post-consolidation BN common share.

Subsequent to the completion of the Bluenose RTO Transaction, the Subscription Receipt Financing and the Gran Colombia Private Placement (both financings as further described below), the shares held by the Company through GC Holdco represented approximately 71.8% of Caldas Gold.

Subscription Receipt Financing

On December 19, 2019, CFC completed a brokered private placement financing of 3,292,500 subscription receipts (the "Subscription Receipts Financing) at a price of CA$2.00 per subscription receipt for aggregate gross cash proceeds of approximately CA$6.6 million (equivalent to $5.1 million) included in Subscription Receipts payable at December 31, 2019. Pursuant to the Amalgamation Agreement, at the closing of the Bluenose RTO Transaction, which did not occur until subsequent to year end, subscription receipts would be exchanged for:

i. One post-consolidation common share of Caldas Gold, and
ii. One share purchase warrant of Caldas Gold with an exercise price of CA$3.00 per post-consolidation share expiring five years from the date of closing of the Subscription Receipt Financing.

In connection with the Subscription Receipts Financing, the agents received a cash commission of approximately $0.2 million (the "Agents' Commission") and 125,550 non-transferable broker warrants ("Broker Warrants"). Each Broker Warrant, exercisable at a price of CA$2.00 per Broker Warrant for a period of three years ending December 19, 2022 will entitle the Agents, after the closing of the Bluenose RTO Transaction, to purchase:

i. One post-consolidation common share of Caldas Gold, and
ii. One share purchase warrant of Caldas Gold with an exercise price of CA$3.00 per post-consolidation share expiring five years from the date of closing of the Subscription Receipt Financing.

At December 31, 2019, Subscription Receipts cash in trust of approximately $4.8 million represented the net proceeds from the Subscription Receipts Financing (the "Escrowed Proceeds") that were placed in escrow pending satisfaction of the Escrow Release Conditions, which included completion of the Bluenose RTO Transaction and the receipt of all required regulatory and third party approvals. On February 25, 2020, the Subscription Receipts Financing closed and the Escrowed Proceeds (and accrued interest less the balance of the Agents' Commission and additional expenses payable to the Agents) were released to Caldas Gold.

Gran Colombia Private Placement

Pursuant to the Amalgamation Agreement, on February 7, 2020, the Company, through GC Holdco, purchased 7,500,000 units of CFC in a non-brokered private placement basis at a price of CA$2.00 per unit, for gross cash proceeds of CA$15.0 million. At the time of the Bluenose RTO Transaction, each unit issued under the Gran Colombia Private Placement was exchanged for:

i. One post-consolidation common share of Caldas Gold, and
ii. One share purchase warrant of Caldas Gold with an exercise price of CA$3.00 per post-consolidation share expiring five years from the date of closing of the Subscription Receipt Financing.

Subsequent Open Market Purchases of Caldas Gold

The Company, through GC Holdco, acquired an aggregate of 1,295,100 common shares of Caldas Gold at an average price of CA$1.89 per share in the open market during the period from February 28, 2020 through March 16, 2020, inclusive, for an aggregate amount of CA$2.4 million. These purchases increased the common shares controlled by the Company to a total of 37,545,200, representing approximately 74.4% of the outstanding common shares of Caldas Gold. Assuming exercise of the 7,500,000 Caldas Gold share purchase warrants at CA$3.00 per share owned by the Company, it would have control and direction over 45,045,200 common shares representing approximately 77.7% of the then outstanding common shares of Caldas Gold, after giving effect to the exercise of the Company's warrants but assuming no exercise of any other outstanding warrants or options of Caldas Gold.