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

NOTICE

RE: CONDENSED CONSOLIDATED INTERIM FINANCIALS STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)

The first quarter financial statements for the three months ended March 31, 2018 and 2017 have not been reviewed by the auditors of Core Gold Inc.

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

Core Gold Inc.

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2018 and 2017 (unaudited)

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

Core Gold Inc.

Condensed Consolidated Interim Statements of Financial Position

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

	Note	March 31, 2018	December 31, 2017
Assets			
Current assets			
Cash	5	$ 1,194	$ 1,097
Receivables and prepaid expenses	4,5	1,925	793
Inventory	6	977	1,325
		4,096	3,215
Other long-term assets		320	228
Properties, plant and equipment	7	20,235	21,002
Total assets		$ 24,651	$ 24,445
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5,8	$ 14,686	$ 15,735
Convertible debenture - Vertex	10(a)	991	988
Convertible debenture – Credipresto SA de CV SOFOM ENR (“Credipresto”)	10	1,825	1,789
Loan advance – Credipresto	20(b)	1,554	-
Related party loan	9,15	545	545
Loans payable	5,8	1,916	3,416
		21,517	22,473
Derivative warrant liability	11	1,887	1,686
Provision for closure and restoration		1,293	1,274
Total liabilities		24,697	25,433
Shareholders’ equity (deficiency)			
Share capital	12	100,752	99,464
Reserves	12	17,076	15,403
Deficit		(117,874)	(115,855)
Total shareholders’ equity (deficiency)		(46)	(988)
Total liabilities and shareholders’ equity (deficiency)		$ 24,651	$ 24,445

Nature of operations and going concern (note 1)
Commitment and contingencies (note 19)
Subsequent events (note 20)

Approved by the Board of Directors

___________”Keith Piggott”______________ Director ________”Javier Reyes”__________ Director

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

Core Gold Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

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

		Three Months Ended March 31,	
	Notes	**2018**	**2017**
Revenue		$ 7,454	$ 1,010
Operating Costs			
Cost of sales	13	(7,307)	(2,370)
Depreciation and depletion	7	(665)	(701)
		(518)	(2,061)
Expenses			
General and administration		(542)	(188)
Insurance		(10)	(38)
Salaries and wages		(208)	(228)
Professional fees		(333)	(276)
Stock-based compensation	12	(200)	(141)
Loss from operations		(1,811)	(2,932)
Finance expense	14	(493)	(185)
Derivative liability gain (loss) – warrants	11	260	(465)
Impairment – exploration properties	7	-	(933)
Foreign Exchange gain		25	19
Other		-	50
Net loss and comprehensive loss for the year		(2,019)	(4,446)
Loss per share – basic and diluted		$ (0.02)	$ (0.05)
Weighted average shares outstanding (000's) – basic and diluted		115,095	87,829
Total shares issued and outstanding (000's)		121,658	87,829

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

Core Gold Inc.

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

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

	Notes	Number of Shares ('000)	Share Capital	Subscription receivable & subscriptions	Reserves	Convertible Debenture Reserve	Deficit	Total Shareholder (deficit) equity
Balance at December 31, 2017		114,136	$ 99,464	$ (309)	$ 15,567	$ 145	$ (115,855)	$ (988)
Net loss for the year		-	-	-	-	-	(2,019)	(2,019)
Proceeds received from past private placement		-	-	309	-	-	-	309
Proceeds received for future private placement	20(a)	-	-	1,164				1,164
Shares for debt	12	7,522	1,774	-	-	-	-	1,774
Share issuance costs – shares for debt	12	-	(486)	-	-	-	-	(486)
Stock-based compensation charges	12	-	-	-	200	-	-	200
Balance at March 31, 2018		121,658	$ 100,752	$ 1,164	$ 15,767	$ 145	$ (117,874)	$ (46)

	Notes	Number of Shares ('000)	Share Capital	Subscription receivable & subscriptions	Reserves	Convertible Debenture Reserve	Deficit	Total Shareholder (deficit) equity
Balance at December 31, 2016		87,829	$ 94,920	-	$ 15,086	$ 47	$ (93,575)	$ 16,478
Net loss for the period		-	-	-	-	-	(4,446)	(4,446)
Equity portion – convertible debenture		-	-	-	-	49		49
Share-based compensation charges		-	-	-	141	-		141
Balance at March 31, 2017		87,829	$ 94,920	-	$ 15,227	$ 96	$ (98,021)	$ 12,222

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

Core Gold Inc.
Condensed Consolidated Interim Statement of Cash Flow
(amount expressed in thousands of United States dollars, except where indicated) - unaudited

	Three Months Ended March 31, 2018	2017
Cash flows from operating activities		
Net loss for the year	$ (2,019)	$ (4,446)
Items not affecting cash		
Depreciation and depletion	665	701
Stock-based compensation	200	141
Impairment – exploration and evaluation properties	-	933
Foreign exchange gain	(11)	-
(Gain) loss on fair value of derivative liability	(260)	465
Finance cost – convertible debenture accretion	39	13
Finance cost - ARO	19	17
Finance cost - loss on settlement of shares	260	-
Other income	-	(53)
Change in non-cash operating working capital		
(Increase) decrease in accounts receivable, prepaid expenses and other long-term assets	(1,221)	791
(Decrease) Increase in accounts payables	(1,051)	459
Decrease in inventory	449	169
Net cash used in operating activities	(2,930)	(810)
Cash flows from investing activities		
Proceeds from sales or leasing of mineral concessions	-	250
Net cash provided by investing activities	-	250
Cash flows from financing activities		
Advance received - private placement	1,473	-
Advance received – loan payable	1,554	500
Proceeds from issuance of loan payable, net	-	77
Net cash provided by financing activities	3,027	577
Increase in cash	97	17
Cash – beginning of period	1,097	20
Cash – end of period	$ 1,194	$ 37
Supplemental cash flow information (note 16)		

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

1 Nature of operations and going concern

Nature of Operations

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

Name change and continuation from Yukon to British Columbia

On September 28, 2017, the Company's name changed to Core Gold Inc. and its common shares commenced trading on the TSX Venture Exchange and OTCQX under the new trading symbol "CGLD" and "CGLDF" respectively.

The Company launched new website at www.coregoldinc.com. Concurrent with the name change, the Company completed the continuation (the "Continuation") under the Business Corporations Act (British Columbia), and adopted new Notice of Articles and Articles of the Company in connection therewith. A copy of the new Articles is available under the Company's profile at www.sedar.com. The name change, and the Continuation were approved by shareholders at the Company's annual general and special meeting held on August 17, 2017. The CUSIP number assigned to the Company's common shares under its new name will be 21871K107.

Mining in Ecuador

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

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

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

Going Concern

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

As at March 31, 2018 the Company's accounts payable includes some balances which are significantly overdue, including income taxes, royalties, IVA and other withholding taxes owed to the Ecuador Government, who have seized the Company's bank accounts in order to garnish deposits to pay down the payables. The Company is currently negotiating to defer these amounts. These negotiations are ongoing and there is no assurance they will be successful. During the three months ended March 31, 2018, the Company incurred a net loss of \$2,019 (2017 - \$4,446) and as at March 31, 2018, the Company had a working capital deficit of \$17,421 (December 31, 2017 – 19,258). Continuing operations are dependent upon the Company's ability to maintain profitable operations and generate sufficient cash flow from the sale of precious metals or secure additional working capital from external sources as required, neither of which is assured. The recoverability of properties, plant and equipment is dependent on the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to initiate and complete development.

2 Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

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

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

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on May 30, 2018.

New Accounting Standards and Amendments Adopted

IFRS 15, Revenue from Contracts with Customers was adopted on January 1, 2018. The standard introduces a single, principles-based, five-step model for the recognition of revenue when control of goods is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Company evaluated the effect the standard had on its sales recorded in its unaudited condensed consolidated interim financial statements and determined there is no impact to the timing or amounts of revenue recognized in its states of operations.

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

The amended standard was adopted on January 1, 2018 and the impact to the Company's financial statements will be to classify its investments to fair value through profit or loss. The Company adopted IFRS 9 retrospectively without restatement of comparative amounts on January 1, 2018. Future changes in the fair value of these investments will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

New Accounting Standards Issued but Not Yet Effective

The following standard and amendment to existing standard was not yet effective as of March 31, 2018, and has not been applied in preparing these condensed consolidated interim financial statements:

IFRS 16 – Leases, was issued in January 2016 with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted. The Company is currently evaluating the effect the standard will have on its consolidated financial statements.

3 Estimates, risks and uncertainties

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

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

a) Mineral resource estimation

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

b) Inventories

Management makes estimates of recoverable quantities in stockpiled mined material, in-process material and gold and silver dore to determine the average costs of finished goods sold during the period and the value of inventories in the Company's Statement of Financial Position. Net realizable value tests are performed at each reporting period based on the estimated future sales price of the gold and silver dore, based on the prevailing and long-term gold prices, less estimated costs to complete production and bring the gold and silver dore to selling condition.

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

c) Provision for closure and restoration

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

d) Units-of-production ("UOP") amortization

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

e) Income Taxes

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

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

f) Stock-based compensation

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

g) Asset's carrying values and impairment charges

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

h) Warrant valuation

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

i) Commercial production

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

4 Receivables and prepaid expenses

	March 31, 2018	December 31, 2017
Other receivables	$ 51	$ 12
Prepaid expenses		
Prepaid – taxes	334	-
Prepaid – other	589	96
Advances – employees	63	108
Advances – suppliers	888	577
	$ 1,925	$ 793

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

5 Financial instruments

Fair values of financial instruments

The fair values of financial instruments are summarized as follows:

	Fair Value Hierarchy Level	March 31, 2018	December 31, 2017
Financial assets			
Receivables			
Cash [(1)]	Level 1	$ 1,194	$ 1,097
Other receivables [(1)]	N/A	51	12
Financial liabilities			
Other financial liabilities			
Accounts payable & accrued liabilities [(1)]	N/A	14,686	15,735
Convertible debenture - Vertex[(3)]	N/A	991	988
Convertible debenture - Credipresto[(3)]	N/A	1,825	1,789
Related party loan[(3)]	N/A	545	545
Advance – Credipresto [(3)]	N/A	1,554	-
Loan payable[(3)]	N/A	1,916	3,416
Derivative			
Warrant liability [(2)]	Level 3	1,887	1,686

(1) The carrying value of receivables and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these items. Cash is carried at fair value using level 1 measurements.

(2) The Company applies a standard Black-Scholes model to value the warrant liability in Note 11.

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

Fair value measurements

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

Credit Risk

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

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

Foreign Currency Risk

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

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

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

Liquidity Risk

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

Interest Rate Risk

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

Price Risk

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

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

March 31, 2018	**Current – within 1 year**	**Non-current – 1 to 3 years**
Accounts payables and accrued liabilities	$ 14,686	$ -
Convertible debenture – Credipresto	1,825	-
Loans payable	4,015	-
Convertible debenture - Vertex	991	-
	$ 21,517	$ -

December 31, 2017	**Current – within 1 year**	**Non-current – 1 to 3 years**
Accounts payables and accrued liabilities	$ 15,735	$ -
Advance – Credipresto	1,789	-
Loan payable	3,961	-
Convertible debenture	988	-
	$ 22,473	$ -

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

6 Inventory

	March 31, 2018	December 31, 2017
Consumables	$ 389	$ 332
Work in progress – gold inventory	240	613
Finished goods – gold inventory	348	380
	$ 977	$ 1,325

7 Properties, plant and equipment

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

	Zaruma Mines (a)	Plant and Equipment	Dynasty Goldfields	Land and Buildings	Total
Balance as at December 31, 2016	**29,043**	**$ 34,156**	**-**	**3,292**	**66,491**
Reclassification	-	-	14,370	-	14,370
Asset retirement obligation – asset	311	194	315	-	820
Disposal/lease	(250)	-	-	(550)	(800)
Balance as at December 31, 2017	**$ 29,104**	**$ 34,350**	**$ 14,685**	**$ 2,742**	**$ 80,881**
Balance as at March 31, 2017	**$ 29,104**	**$ 34,350**	**$ 14,685**	**$ 2,742**	**$ 80,881**
Balance as at December 31, 2016	**(21,845)**	**(24,491)**	**-**	**(282)**	**(46,618)**
Impairment	(7,259)	(3,019)	-	-	(10,278)
Depreciation and depletion	-	(2,733)	(219)	(31)	(2,983)
Balance as at December 31, 2017	**$ (29,104)**	**$ (30,243)**	**$ (219)**	**$ (313)**	**$ (59,879)**
Depreciation and depletion	-	(682)	(76)	(9)	(767)
Balance as at March 31, 2018	**$ (29,104)**	**$ (30,925)**	**$ (295)**	**$ (322)**	**$ (60,646)**
Net Book Value					
At December 31, 2017	**$ -**	**$ 4,107**	**$ 14,466**	**$ 2,429**	**$ 21,002**
At March 31, 2018	**$ -**	**$ 3,425**	**$ 14,390**	**$ 2,420**	**$ 20,235**

During the three months ended March 31, 2018, $92 (2017 - $nil) of depreciation and $10 (2017 - $nil) of depletion are capitalized in work in progress and finished goods inventory.

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

a) Zaruma Gold Project

The Zaruma Gold Project comprises 37 concessions, located in the El Oro Province of southwestern Ecuador, in the vicinity of the towns of Zaruma and Portovelo. As at March 31, 2018, 35 of the concessions are 100% owned, one is 50% owned and one is 25% owned and subject to a concession sharing arrangement. The Company has title to the remaining concession and has paid the majority of applicable option payments on this concession.

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

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

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

b) Impairment

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

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

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

For the three months ended March 31, 2017, there were no impairments recorded.

8 Accounts payable and accrued liabilities

	March 31, 2018	December 31, 2017
Trade payable	$ 10,067	$ 9,600
Green Oil S.A. payable	205	395
Payroll related payable and accruals	1,216	1,479
Government payable – IVA, Taxes, Royalty, Concessions	2,579	3,074
Royalty and other	619	1,187
	$ 14,686	$ 15,735

9 Loans payable

	Vertex Loan A (a)	Vertex Loan B (a)	Vertex Loan C (a)	Equipment Loan (b)	Related Party Loan (c)	Total
Carrying value – December 31, 2015	**$ 3,867**	**$ -**	**$ -**	**$ 432**	**$ 561**	**$ 4,860**
Long term portion	**$ (1,000)**	$ -	$ -	**$ (233)**	**$ -**	**$ (1,233)**
Current portion	**$ 2,867**	$ -	$ -	**$ 199**	**$ 561**	**$ 3,627**
Principal outstanding – December 31, 2015*	$ 4,000	$ -	$ -	$ 432	$ 561	$ 4,993
Restructure	(4,000)	1,500	1,500	-	-	(1,000)
Additional lending	-	-	-	-	684	684
Repayment	-	-	-	(16)	(700)	(716)
Carrying value – December 31, 2016	**$ -**	**$ 1,500**	**$ 1,500**	**$ 416**	**$ 545**	**$ 3,961**
Long term portion	$ -	**$ -**	**$ (1,500)**	**$ -**	**$ -**	**$ (1,500)**
Current portion	$ -	**$ 1,500**	**$ -**	**$ 416**	**$ 545**	**$ 2,461**
Carrying value – December 31, 2017	$ -	**$ 1,500**	**$ 1,500**	**$ 416**	**$ 545**	**$ 3,961**
Repayment (note 12(a)(i))	-	(1,500)	-	-	-	(1,500)
Carrying value – March 31, 2018	$ -	**$ -**	**$ 1,500**	**$ 416**	**$ 545**	**$ 2,461**
Current portion	$ -	**$ -**	**$ 1,500**	**$ 416**	**$ 545**	**$ 2,461**

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

*$133 unamortized cost was fully accreted upon the restructuring

a) Vertex Loan Payable

Vertex Loan A

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

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

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

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

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

Restructuring Agreement – Vertex Loan B and Vertex Loan C

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

- Secured $1,500 promissory notes incurring interest at 12% with a one-year maturity date (“Vertex Loan B”);
- Secured $1,500 promissory notes incurring interest at 12% with a two-year maturity date (“Vertex Loan C”);
- $1,000 freely assignable convertible promissory notes incurring interest at 12% with a two-year maturity date, convertible into Shares at CAD$0.30 per share (subject to a fixed foreign exchange rate of CAD$1.2895/US$1.00), secured by a second lien pledge of all of the issued and outstanding capital of Elipe S.A. (the “Convertible Note”)(see note 10(a));
- Share purchase warrants (“Warrant”) with an expiry date of September 15, 2018, to purchase an aggregate of 2,400 shares, with an exercise price per warrant equal to CAD$0.15 (the “Additional Warrants”).
- 600 outstanding share purchase warrants were repriced from CAD$0.31 to CAD$0.15 and were extended to September 15, 2018 (note 11).

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

On February 1, 2018, the Company settled the Vertex Loan B in common shares (see note 12(a)(i)). As at March 31, 2018, Vertex Loan C is presented as current liability is due within a year.

b) Equipment Loan

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

c) Related Party Loan

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

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

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

10 Convertible debentures

Convertible debenture – carrying value	March 31, 2018	December 31, 2017
Vertex - $1,000 (a)	$ 991	$ 988
Credipresto - $1,000 (b)	962	951
Credipresto - $500 A (c)	403	381
Credipresto - $500 B (d)	460	457
Total carrying value	2,816	2,777
Less: current portion	**(2,816)**	**(2,777)**
Long term portion	-	-

a) Vertex Convertible debt - $1,000	March 31, 2018	December 31, 2017
Opening balance	$ 988	$ 958
Accretion expense	3	30
Total carrying value	991	988

On September 15, 2016, the Company closed the restructuring agreement on Vertex Loan A, issuing a $1,000 convertible debenture (see note 9). The $1,000 convertible note is convertible into common shares of the Company at CAD$0.30 per share (subject to the fixed foreign exchange rate of CAD$1.2895/US$1.00) until September 15, 2018. Based on the discount factor of 15% over the term of two years, the equity portion was valued at $47.

For the three months ended March 31, 2018, accreted interest for the debenture was $3 (2017 – $6). Interest accrued for the three months ended March 31, 2018 was $30 (2017 - $30).

b) Credipresto convertible debt - $1,000	March 31, 2018	December 31, 2017
Opening balance	$ 951	$ 923
Additions	-	77
Equity portion	-	(49)
Finance cost (CAD$50)	-	(38)
Accretion expense	11	38
Total carrying value	962	951

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

For the three months ended March 31, 2018, accreted interest was $11 (2017 – $7). Interest accrued for the three months ended March 31, 2018 was $30 (2017 - $21).

c) Credipresto convertible debt - $500 A	**March 31, 2018**	**December 31, 2017**
Opening balance	$ 381	$ -
Additions	-	500
Equity portion	-	(25)
Transaction cost	-	(160)
Accretion expense	22	66
Total carrying value	403	381

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

Transaction cost includes the $155, fair value of 750 share purchase warrants, and direct transaction cost of $5.

For the three months ended March 31, 2018, accreted interest was $22 (2017 – $nil). Interest accrued for the three months ended March 31, 2018 was $15 (2017 - $nil).

d) Credipresto convertible debt - $500 B	**March 31, 2018**	**December 31, 2017**
Opening balance	$ 457	$ -
Additions	-	500
Equity portion	-	(24)
Transaction cost	-	(41)
Accretion expense	3	22
Total carrying value	460	457

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

Transaction cost includes the $37, fair value of 250 share purchase warrants, and direct transaction cost of $4.

For the three months ended March 31, 2018, accreted interest was $3 (2017 – $nil). Interest accrued for the three months ended March 31, 2018 was $15 (2017 - $nil).

11 Derivative warrant liability

All share purchase warrants disclosed are denominated in thousands.

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

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

	Number of warrants ('000)	Weighted average exercise price (CAD$)	Warrant liability (US$)
Balance, December 31, 2015	600	$ 0.31	$ 25
Warrants repriced (see (iv), and note 9)	600	0.15	13
Warrants issued (see (iii), and note 9)	2,400	0.15	296
Change in fair value	-	-	(10)
Balance, December 31, 2016	3,000	$ 0.15	$ 324
Warrants issued – private placement June 30, 2017 (note 12(a)(ii))	2,967	0.45	404
Warrants issued – convertible debenture (see (i) and note 10 (c))	750	0.33	155
Warrants issued – convertible debenture (see (ii) and note 10 (d))	250	0.35	37
Warrants issued – private placement July 14, 2017 (note 12(a)(iii))	1,642	0.45	111
Warrants issued – private placement August 3, 2017 (note 12(a)(iv))	811	0.45	72
Warrants issued – private placement September 5, 2017 (note 12(a)(v))	1,277	0.45	140
Warrants issued – private placement September 15, 2017 (note 12(a)(vi))	1,016	0.45	120
Warrants issued – private placement October 13, 2017 (note 12(a)(vii))	1,790	0.45	245
Warrants issued – private placement December 18, 2017 (note 12(a)(viii))	1,582	0.45	165
Warrants issued – private placement December 28, 2017 (note 12(a)(ix))	2,066	0.45	215
Foreign exchange impact	N/A	N/A	24
Change in fair value	N/A	N/A	(326)
Balance, December 31, 2017	17,151	$ 0.39	$ 1,686
Warrants issued – shares for debt, February 1, 2018 (note 12(a)(i))	3,761	$ 0.45	478
Foreign exchange impact	N/A	N/A	(17)
Change in fair value (v)	N/A	N/A	(260)
Balance, March 31, 2018	20,912	$ 0.40	$ 1,887

Expiry date	Number of warrants ('000)	Exercise price (CAD$)
September 15, 2018	3,000	$ 0.15
June 30, 2019	2,967	$ 0.45
April 3, 2019	750	$ 0.33
April 25, 2019	250	$ 0.35
July 14, 2019	1,642	$ 0.45
August 3, 2019	811	$ 0.45

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

September 5, 2019	1,277	$	0.45
September 15, 2019	1,016	$	0.45
October 13, 2019	1,790	$	0.45
December 18, 2019	1,582	$	0.45
December 28, 2019	2,066	$	0.45
February 1, 2020	3,761	$	0.45
	20,912	$	0.40

i) In connection to the issuance of the convertible debenture (see note 9(c)), the Company issued 750 share purchase warrants with an exercise price of CAD$0.33 and an expiry date of April 3, 2019. The fair value of the warrants, $155, were estimated using the Black-Scholes Model with the following assumption – 123% volatility, 0.76% risk free rate, 0% dividend rate and an expected life of 2 years.

ii) In connection to the issuance of the convertible debenture (see note 9(d)), the Company issued 250 share purchase warrants with an exercise price of CAD$0.35 and an expiry date of April 25, 2019. The fair value of the warrants, $37, were estimated using the Black-Scholes Model with the following assumption – 123% volatility, 0.76% risk free rate, 0% dividend rate and an expected life of 2 years.

iii) On September 15, 2016, the Company entered into a restructuring agreement (see note 9) with Vertex. On closing, the Company issued 2,400 share purchase warrants that have an exercise price of CAD$0.15 and an expiry date of September 15, 2018. The warrants were assigned a fair value of $296 using the Black-Scholes Pricing Model with the follow assumptions – 110% volatility, 0.5% risk free rate, 0% dividend rate and an expected life of 2 years. The fair value related to the warrants issued are capitalized as debt issuance cost related to the restructure.

iv) In addition to the warrants issuance noted in (iii), the Company also repriced the existing 600 warrants from CAD$0.31 to CAD$0.15 and extended the expiry to September 15, 2018. The change in fair value of $13 related the repricing were estimated using the Black-Scholes Model with the following assumption – 110% volatility, 0.5% risk free rate, 0% dividend rate and an expected life of 2 years. This balance was expensed on extinguishment of debt (see note 11).

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

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

	March 31, 2018	March 31, 2017
Expected option life	1.26 years	1.50 years
Expected stock price volatility	86%	133%
Dividend payment during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil
Risk free interest rate	1.63%	0.67%
Weighted average strike price	$ 0.39	$ 0.15
Weighted average fair value per warrant	$ 0.11	$ 0.35
Weighted average share price	$ 0.31	$ 0.45

12 Share capital

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

a) Authorized and issued shares

As at March 31, 2018, the Company had an unlimited number of authorized common shares and 121,658 shares outstanding (December 31, 2017 – 114,136).

(i) On February 1, 2018, the Company settled an aggregate of US$1,500 owing to Vertex Managed Value Portfolio and Vertex Enhanced Income Fund (collectively, "Vertex") through a share for debt transaction. The Company has extinguished the principal owing under the 2017 Notes through the issuance to Vertex of an aggregate of 7,522 units of the Company as a deemed price of C$0.25 per unit. Each unit is comprised of one common share of the Company and one-half of one warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company at a price of C$0.45 per share until February 1, 2020. The fair value of the warrants, $478, were estimated using the Black-Scholes Model with the following assumption – 124% volatility, 1.79% risk free rate, 0% dividend rate and an expected life of 2 years. A loss of settlement of debenture of $260 was recognized as finance cost (note 14).

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

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

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

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

(vi) On September 15, 2017, the Company closed a private placement for gross proceeds of $501 (CAD$609) by issuing 2,033 units at CAD$0.30 per unit. Each Unit consists of one common share and one-half share purchase warrant (1,016) at a price of CAD$0.45 (2 years expiry). The warrants are subjected to the Acceleration Clause. The fair value of the warrants, $120, were estimated using the Black-Scholes Model with the following assumption – 90% volatility, 1.09% risk free rate, 0% dividend rate and an expected life of 2 years. The share issuance cost for the transaction was $5. October 13, 2017, the Company closed a private placement for gross proceeds of $860 (CAD$1,074) by issuing 3,581 units at CAD$ $0.30 per unit. Each Unit consists of one common share and one-half share purchase warrant (1,790) at a price of CAD$0.45 (2 years expiry). The warrants are subjected to the Acceleration Clause. The fair value of the warrants, $245, were estimated using the Black-Scholes Model with the following assumption – 124% volatility, 1.09% risk free rate, 0% dividend rate and an expected life of 2 years.

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

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

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

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

b) Stock options

On August 17, 2017, the Company has adopted a share option plan for which options to acquire up to 10% of the issued share capital, at the award date, may be granted to eligible optionees from time to time. Generally, share options granted have a maximum term of five years, and a vesting period and exercise price determined by the directors. The exercise price may not be less than the closing quoted price of the Company's common shares traded through the facilities of the exchange on which the Company's common shares are listed. As at March 31, 2018, the remaining share options available for issue under the plan were 212 (December 31, 2017 – 2,985).

During the three months ended March 31, 2018, on February 27, 2018, the Company granted 3,525 options (2017 – $nil) with a fair value of $538 (2017 - $nil). The fair value per option is $0.15 (2017 - $nil).

The Company uses a fair value method of accounting for all stock-based payments. Under this method, the Company recorded a stock-based compensation expense for the three months ended March 31, 2017 of $200 (2017 - $141). The fair value of the stock options is estimated as at the date of the grant using the Black-Scholes pricing model with the following weighted average assumptions for period ended March 31, 2018

	2018	2017
Risk-free interest rate	1.99%	-
Expected life	5 years	-
Annualized volatility	96%	-
Dividend rate	0.00%	-

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

	March 31, 2018		December 31, 2017	
	Number of Shares (‘000)	**Weighted average exercise price (CAD$)**	**Number of Shares (‘000)**	**Weighted average exercise price (CAD$)**
Outstanding – beginning of year	8,428	$ 1.56	8,428	$ 0.39
Granted	3,525	0.30	-	-
Cancelled/expired	-	-	-	-
Outstanding – end of year	11,953	$ 0.37	8,428	$ 0.39

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

Number of options (‘000s)	**Number of options vested (‘000s)**	**Exercise price CAD$**	**Expiry Date**
1,353	1,353	$ 0.92	21-Nov-2019
1,000	1,000	0.64	16-Jul-2018
6,075	4,556	0.23	07-Dec-2021
3,525	881	0.30	27-Feb-2023
11,953	7,790	$ 0.37	

The following table discloses the number of options and vested options outstanding as at December 31, 2017:

Number of options (‘000s)	**Number of options vested (‘000s)**	**Exercise price CAD$**	**Expiry Date**
1,353	1,353	0.92	16-Jul-2018
1,000	1,000	0.64	21-Nov-2019
6,075	4,556	0.23	07-Dec-2021
8,428	6,909	0.39	

13 Cost of sales

	March 31, 2018	March 31, 2017
Changes in inventories	$ 406	$ -
Consumables	596	267
Equipment maintenance	12	43
Utilities	316	405
Concession payments	-	697
Salaries and benefits	1,318	743
Mining and processing costs and other	4,659	215
Total cost of sales	**$ 7,307**	**$ 2,370**

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

14 Finance expense

	March 31, 2018	March 31, 2017
Accretion of restoration provision	$ 19	$ 17
Accretion of convertible debenture	39	13
Loss on debt extinguishment (note 12(a)(i))	260	-
Interest expense and other	175	155
Total finance expense	**$ 493**	**$ 185**

15 Related party transactions

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

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

	Three months ended March 31	
	2018	**2017**
Salary and wages, management fees	$ 160	$ -
Stock-based compensation	107	70

a) As at March 31, 2018, the related party loan outstanding was $545 (December 31, 2017 - $545), see note 9 for details.

b) Credipresto's (see note 10 for convertible debenture details) senior management member is also currently a director of the Company.

c) As at March 31, 2017 there was $343 (December 31, 2017 - $343) included in accounts payable and accrued liabilities owing.

16 Supplemental cash flow information

	March 31, 2018	March 31, 2017
Convertible debenture – equity portion	$ -	$ 49
Convertible debenture – transferred from advance	-	923
Convertible debenture – transaction costs accrued	-	38
Sale of office – proceeds directly to settle liabilities	-	(500)
Sale of office – proceeds recorded in receivables	-	(100)

17 Capital management

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

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

18 Segmented disclosure

The Company operates in two geographical and three operating segments. The operating segments are managed separately based on the nature of operations. Prior to January 1, 2017, Exploration and development is primarily Dynasty Project and mining operations is primarily Zaruma Mine (see note 8); both segments are located in Ecuador. During the year ended December 31, 2017, the Company started production at the Dynasty Project and the balance was reclassified into properties, plant and equipment and therefore included in mining operations with no more exploration operating segment. Corporate is located in Canada.

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

	As at March 31, 2018				**As at December 31, 2017**			
	Corporate	**Mining Operation**	**Exploration**	**Total**	**Corporate**	**Mining Operations**	**Exploration**	**Total**
Cash and cash equivalent	$ 353	$ 841	$ -	**$ 1,194**	$ 353	$ 744	$ -	**$ 1,097**
Other receivables and prepaids	108	1,817	-	**1,925**	108	685	-	**793**
Inventory	-	977	-	**977**	-	1,325	-	**1,325**
Property, plant and equipment	-	20,235	-	**20,235**	-	21,002	-	**21,002**
Other assets	-	320	-	**320**	-	228	-	**228**
Total Assets	**$ 461**	**$ 24,190**	**$ -**	**$ 24,651**	**$ 461**	**$ 23,984**	**$ -**	**$ 24,445**
Accounts payable and accrued labilities	$ 2,189	$ 12,497	$ -	**$ 14,686**	$ 2,009	$ 13,726	$ -	**$ 15,735**
Loans and convertible debt	$ 6,415	$ 416	$ -	**$ 6,831**	$ 6,322	$ 416	$ -	**$ 6,738**
Warrant liability	$ 1,887	$ -	$ -	**$ 1,887**	$ 1,686	$ -	$ -	**$ 1,686**
Asset retirement obligation	$ -	$ 1,293	$ -	**$ 1,293**	$ -	$ 1,274	$ -	**$ 1,274**
Total liabilities	**$ 10,491**	**$ 14,206**	**$ -**	**$ 24,697**	**$ 10,017**	**$ 15,416**	**-**	**$ 25,433**

	March 31, 2018	**March 31, 2017**
Revenue		
Mining operations	$ 7,454	$ 1,010
Loss before income taxes for the year		
Mining Operations	(961)	(4,388)
Corporate	(1,058)	(58)
	(2,019)	(4,446)

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

19 Commitment and contingencies

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

Elipe S.A. ("Elipe"), the Company's wholly owned subsidiary, has experienced financial distress due to the level of payables and other liabilities (which includes, among other things, supplier payables, government payables and payroll remittances). The Company has been in extensive negotiations with the liability holder's government appointed representative (the "Representative") as part of its commitment to normalizing payables and stabilizing operations. If the Company does not rectify the situation in a timely manner, there is a risk that the Representative may take legal action against Elipe which may involve, among other things, dispositions of assets in order to fund outstanding liabilities.

Since the change in management in September 2016, new management has focused its efforts to rectify the situation with the Representative. On June 1, 2017, the Company signed a payment plan contract ("Payment Plan Contract") with the Representative to improve Elipe's financial condition.

The Payment Plan Contract allows the Company's Ecuadorian subsidiary to continue to conduct its mining operations and postpone any actions by the Representative against its assets, provided Elipe funds various outstanding liabilities on the following schedule:

Date	Payment	
Initiation of Payment Plan Contract (paid)	$	100
July 2017 to August 2017 (paid)	$	500 per month
September 2017 to October 2017 (paid)	$	550 per month
November 2017 to December 2017(paid)	$	600 per month
January 2018 to March 2018 (paid)	$	650 per month
April 2018 to May 2018 (see amendment below)	$	700 per month
June 2018 (see amendment below)	$	3,800
TOTAL	**$**	**10,550**

Subsequent to March 31, 2018, the Company amended the payment plan contract ("Amended Payment Plan Contract") to continue to conduct its mining operations and postpone any actions by the Representative against its assets, provided Elipe fund various outstanding liabilities on the revised schedule:

Date	Payment	
June 2018 to August 2018	$	400 per month
September 2018 to April 2019	$	712 per month
May 2019	$	724 per month
TOTAL	**$**	**7,620**

20 Subsequent events

a) On April 2, 2018, the Company closed a non-brokered private placement of 5,411,670 units ("Units") at C$0.30 per unit for aggregate proceeds of $1,258 (C$1,623). Each Unit is comprised of one common share of the Company and one half of one common share purchase warrant (each whole common share purchase warrant). Each warrant entitles the holder to purchase one common share at a price of C$0.45 for a period of two (2) years following the date of issuance (expires on April 2, 2020), subject to acceleration in the event that the closing price of the Common Shares are $0.60 or higher over a period of ten consecutive trading days.

b) On April 25, 2018, the Company closed a secured $1,600 bridge loan with Credipresto. The Debenture will have the following terms:

- Interest will accrue at a rate of 15% per annum
- 25% principal and accrued interest due on April 30, 2018
- 25% principal and accrued interest due on May 31, 2018
- 25% principal and accrued interest due on June 30, 2018
- Remaining principal and accrued interest due on July 31, 2018
- Subordinated security (senior security is currently with Vertex) with Elipe outstanding common shares.

In connection with the bridge loan, the Company pay a finance fee of $32 and issued 800,000 share purchase warrants with an exercise price of C$0.365 per common share with an expiration date of April 25, 2019.

c) Subsequent to March 31, 2018, the Company amended the Payment Plan Contract (see note 19).

d) On May 4, 2018, the Company closed a non-brokered private placement of 4,509,941 units (“Units”) at C$0.30 per unit for aggregate proceeds of $1,062 (C$1,353). Each Unit is comprised of one common share of the Company and one half of one common share purchase warrant (each whole common share purchase warrant). Each warrant entitles the holder to purchase one common share at a price of C$0.45 for a period of two (2) years following the date of issuance (expires on May 4, 2020), subject to acceleration in the event that the closing price of the Common Shares are $0.60 or higher over a period of ten consecutive trading days.

e) On May 29, 2018, the Company closed a non-brokered private placement of 1,096,359 units (“Units”) at C$0.30 per unit for aggregate proceeds of $256 (C$329). Each Unit is comprised of one common share of the Company and one half of one common share purchase warrant (each whole common share purchase warrant). Each warrant entitles the holder to purchase one common share at a price of C$0.45 for a period of two (2) years following the date of issuance (expires on May 29, 2020), subject to acceleration in the event that the closing price of the Common Shares are $0.60 or higher over a period of ten consecutive trading days.