ECO ORO MINERALS CORP.

Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Amended)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Eco Oro Minerals Corp.

We have audited the accompanying consolidated financial statements of Eco Oro Minerals Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Eco Oro Minerals Corp. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes 1 and 15 in the consolidated financial statements which describe that the Company has incurred cumulative losses of $354.7 million as at December 31, 2017, has reported a total comprehensive loss of $24.7 million during the year ended December 31, 2017, and is subject to certain legal, regulatory and environmental challenges relating to its principal mineral property in Colombia. These conditions, along with other matters set forth in Note 1 and Note 15, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 26, 2018

Eco Oro Minerals Corp.
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

As at		**December 31, 2017**		December 31, 2016
ASSETS				
Current assets				
Cash	**$**	**2,124**	$	18,616
Accounts receivable		**66**		14
Prepaid expenses and deposits		**258**		120
		2,448		18,750
Non-current assets				
Plant and equipment (note 4)		**142**		-
Exploration and evaluation assets (note 5)		**1**		1
		143		1
TOTAL ASSETS	**$**	**2,591**	$	18,751
LIABILITIES				
Current liabilities				
Trade and other payables	**$**	**6,137**	$	3,180
Loan payable (note 6)		**5,080**		-
Amounts payable on exploration and evaluation asset acquisition (note 7)		**905**		963
Current portion of site restoration provision (note 8)		**607**		405
		12,729		4,548
Non-current liabilities				
Long-term employee benefits		**8**		14
Site restoration provision (note 8)		**4,575**		4,937
Convertible notes (note 10)		**1,843**		1,650
		6,426		6,601
TOTAL LIABILITIES		**19,155**		11,149
EQUITY (DEFICIENCY)				
Share capital (note 11)	**$**	**324,928**	$	324,835
Contributions from shareholders (note 10)		**11,285**		11,285
Contingent value rights (note 11)		**7,525**		7,328
Equity reserve		**31,756**		31,474
Deficit		**(354,681)**		(329,523)
Accumulated other comprehensive loss		**(37,377)**		(37,797)
TOTAL EQUITY (DEFICIENCY)		**(16,564)**		7,602
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)	**$**	**2,591**	$	18,751

Nature of operations and going concern (note 1)
Commitments and contingencies (note 15)
Segmented information (note 19)
Subsequent events (notes 6 and 21)

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

These consolidated financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ David Kay Director *   /s/ Courtenay Wolfe Director*

Eco Oro Minerals Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in thousands of Canadian dollars)

	For the years ended December 31, 2017	December 31, 2016
Exploration and evaluation expenses:		
Administrative expenses	$ **810**	$ 1,003
Depreciation (note 4)	**6**	299
Environmental expenses	**(74)**	769
Legal fees	**938**	336
Other exploration and evaluation expenses	**106**	164
Salaries and benefits	**1,896**	2,019
Surface rights	**98**	838
	3,780	5,428
General and administrative expenses:		
Administrative expenses	**428**	270
Legal and other professional fees	**19,248**	3,812
Management and directors' fees	**664**	165
Share-based compensation (note 12)	**375**	114
	20,715	4,361
	24,495	9,789
Other items		
Impairment loss on exploration and evaluation assets (note 5)	$ **-**	$ 24,574
Impairment loss (recovery) on plant and equipment (note 4)	**(505)**	1,620
Equity tax (note 9)	**46**	117
Finance cost (note 13)	**801**	741
Foreign exchange loss	**276**	108
Gain on disposal of plant and equipment (note 4)	**-**	(175)
Other income (note 14)	**(152)**	(25)
Loss on issuance of contingent value rights (note 11)	**197**	-
	663	26,960
LOSS FOR THE YEAR	**$ 25,158**	$ 36,749
OTHER COMPREHENSIVE EXPENSES		
Foreign currency translation differences for foreign operations	**$ (420)**	$ 398
TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**$ 24,738**	$ 37,147
Basic and diluted loss per share for the year attributable to common shareholders ($ per common share) (warrants and options not included as the impact would be anti-dilutive)	**$ 0.24**	$ 0.37
Weighted average number of common shares outstanding	**106,507,096**	100,291,250

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

Eco Oro Minerals Corp.
Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

		For the years ended		
		December 31, 2017		December 31, 2016
Cash flows provided from (used by):				
OPERATING ACTIVITIES				
Net loss for the year	**$**	**(25,158)**	$	(36,749)
Adjustments for:				
Accretion of interest of loans payable (note 6)		**98**		-
Accretion of interest of convertible notes (note 10)		**311**		107
Change in site restoration provision (note 8)		**(102)**		720
Depreciation (note 4)		**6**		299
Equity tax expense (note 9)		**46**		117
Equity tax paid (note 9)		**(46)**		(117)
Gain on disposal of plant and equipment (note 4)		**-**		(175)
Loss on issuance of contingent value rights		**197**		-
Impairment loss on exploration and evaluation assets (note 5)		**-**		24,574
Impairment loss (recovery) on plant and equipment (note 4)		**(505)**		1,620
Unwinding of discount (note 8)		**368**		344
Remediation expenditures (note 8)		**(92)**		(33)
Share-based compensation (note 12)		**375**		114
Change in non-cash working capital items (note 16)		**2,803**		2,130
Net cash flows used in operating activities		**(21,699)**		(7,049)
FINANCING ACTIVITIES				
Proceeds on issuance of common shares, net of cash share issue costs (note 11)		**-**		3,479
Proceeds on issuance of convertible notes and contingent value rights, net of transaction costs (notes 10 and 11)		**-**		20,153
Proceeds from short-term loan, net of cash issue costs (note 6)		**4,823**		-
Net cash flows from financing activities		**4,823**		23,632
INVESTING ACTIVITIES				
Proceeds on disposition of plant and equipment (note 4)		**505**		313
Purchase of plant and equipment (note 4)		**(155)**		-
Redemption of guaranteed investment certificate		**-**		35
Net cash flows from investing activities		**350**		348
Effects of exchange rate changes on cash		**34**		16
Net decrease in cash	**$**	**(16,492)**	$	16,947
Cash, beginning of year		**18,616**		1,669
Cash, end of year	**$**	**2,124**	$	18,616

Supplemental cash flow information (note 16)

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

Eco Oro Minerals Corp.
Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in thousands of Canadian dollars)

		Share capital				Equity Reserves					
	Note(s)	Number of shares	Amount	Contributions from shareholders	Contingent value rights	Contributed Surplus	Warrants	Total	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Balance at December 31, 2015		**95,533,544**	**$ 321,320**	**$ -**	**$ -**	**$ 31,163**	**$ 233**	**$ 31,396**	**$ (292,774)**	**$ (37,399)**	**$ 22,543**
Shares issued for cash		10,608,225	3,917	-	-	-	-	-	-	-	**3,917**
Share issue costs		-	(456)	-	-	-	-	-	-	-	**(456)**
Issuance of contingent value rights		-	-	-	7,328	-	-	-	-	-	**7,328**
Net equity portion of convertible notes		-	-	11,285		-	-	-	-	-	**11,285**
Shares issued - stock option exercise		113,332	54	-	-	(36)	-	(36)	-	-	**18**
Reclassification of grant-date fair value on expired or cancelled warrants		-	-	-	-	233	(233)	-	-	-	**-**
Share-based payments		-	-	-	-	114	-	114	-	-	**114**
Net loss for the year		-	-	-	-	-	-	-	(36,749)	-	**(36,749)**
Other comprehensive loss for the year		-	-	-	-	-	-	-	-	(398)	**(398)**
Balance at December 31, 2016		**106,255,101**	**$ 324,835**	**$ 11,285**	**$ 7,328**	**$ 31,474**	**$ -**	**$ 31,474**	**$ (329,523)**	**$ (37,797)**	**$ 7,602**
Shares issued upon conversion of convertible debt	10 and 11	10,600,000	6,338	(5,508)	-	-	-	-	-	-	**830**
Rescinded convertible debt	10 and 11	(10,600,000)	(6,338)	5,508	-	-	-	-	-	-	**(830)**
Shares issued - stock option exercise	11	269,852	93	-	-	(93)	-	(93)	-	-	**-**
Issuance of contingent value rights		-	-	-	197	-	-	-	-	-	**197**
Share-based payments		-	-	-	-	375	-	375	-	-	**375**
Net loss for the year		-	-	-	-	-	-	-	(25,158)	-	**(25,158)**
Other comprehensive loss for the year		-	-	-	-	-	-	-	-	420	**420**
Balance at December 31, 2017		**106,524,953**	**$ 324,928**	**$ 11,285**	**$ 7,525**	**$ 31,756**	**$ -**	**$ 31,756**	**$ (354,681)**	**$ (37,377)**	**$ (16,564)**

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

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1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Eco Oro Minerals Corp. (the "Company" and "Eco Oro") is a publicly-listed company incorporated in Canada under the legislation of the Province of British Columbia and its shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "EOM". The Company's registered office is located at Suite 1800 - 510 West Georgia Street, Vancouver, British Columbia, Canada. The audited consolidated financial statements of the Company as at and for the year ended December 31, 2017 are comprised of the Company and its Colombian branch. Historically, the Company's principal business activities have included the acquisition, exploration and development of mineral assets in Colombia. Until the end of fiscal 2016, the Company had been focused on the development of the Angostura Project in northeastern Colombia which consists of the main Angostura deposit and its five satellite prospects.

The Colombian State, through the Colombian National Mining Agency (*Agencia Nacional de Mineria* or "ANM") issued a decision in August 2016 depriving Eco Oro of rights under Concession 3452 on the basis of a Constitutional Court decision issued in February 2016. That decision came five months after the Company's March 7, 2016 announcement that it had formally notified Colombia of its intent to submit to arbitration a dispute arising under the Canada-Colombia Free Trade Agreement.

As a consequence of the Colombian State's measures, the Company filed a request for arbitration with the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") against Colombia on December 9, 2016 ("Request for Arbitration"). The Company's arbitration claim (the "ICSID Arbitration Claim") arises out of its dispute with Colombia in relation to State measures that have adversely affected its investments in the Colombian mining sector, depriving Eco Oro of its rights under its principal mining title, Concession Contract 3452, comprising the Angostura gold and silver deposit, and rendering the Angostura Project unviable, in violation of Colombia's obligations under the Canada-Colombia Free Trade Agreement. Notwithstanding the commencement of the ICSID Arbitration Claim, the Company remains open to engagement with the Colombian authorities in order to achieve an amicable resolution of the dispute. The ICSID Arbitration has now become the core focus of the Company.

Plan of arrangement

In July 2016 the Company entered into investment agreements (the "Investment") for US$9,672,727 (Note 10) in convertible notes, US$5,527,273 (Note 11) in contingent value rights and US$3,000,000 (Note 11) in equity to fund the Company's arbitration with the Republic of Colombia. In December 2016, a petition was filed in the Supreme Court of British Columbia by two shareholders (the "Concerned Shareholders") of the Company seeking, among other things, to set aside and cancel the Investment and the contingent value rights and convertible notes issued by the Company pursuant to those agreements.

In March 2017, the Company converted a portion of its outstanding convertible notes. As a result of this conversion, the Concerned Shareholders filed a Notice of Application with the Ontario Securities Commission ("OSC") for a ruling that the Toronto Stock Exchange ("TSX") erred in granting conditional approval for the conversion. The OSC released an order to set aside the TSX approval and required the Company to seek shareholder approval of the conversion.

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

Plan of arrangement (continued)

On July 31, 2017, the Company entered into a comprehensive settlement agreement, as amended on September 11, 2017 (the "Settlement Agreement") with shareholders representing approximately 66.3% of the issued and outstanding common shares of the Company entitled to vote at the Company's upcoming annual general and special meeting (the "Meeting"). The transactions contemplated by the Settlement Agreement (the "Transactions") resolve all outstanding litigation between the Company and the Concerned Shareholders relating to the Company's board composition, Options granted (Note 12), the Investment entered into during the year ended December 31, 2016 with respect to the Investment in the Company, the issuance of 10,600,000 common shares on the conversion of convertible notes during the year ended December 31, 2017 (the "Converted Shares")(Note 10 and 11) and the Meeting and, in connection therewith, Trexs Investments ("Trexs") provided a temporary waiver of all existing and future defaults and events of default under the relevant investment documents.

At the Meeting, shareholders approved the proposed plan of arrangement , pursuant to the Business Corporations Act (British Columbia) (the "Plan of Arrangement"). Under the Plan of Arrangement, a portion of the contingent value rights ("CVRs") issued by the Company were redistributed among the electing shareholders of the Company that did not previously hold CVRs (Note 11) (such electing shareholders, "Participating Entitled Shareholders"). In addition, under the Plan of Arrangement, the conversion of certain of the Company's notes was rescinded (Note 10) and options terminated (Note 12).

On October 16, 2017, the Plan of Arrangement became effective and the Converted Shares were rescinded.

Going concern

At December 31, 2017, the Company had working capital deficiency of $10,281 and had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended December 31, 2017, the Company reported a comprehensive loss of $24,738 and as at December 31, 2017, had an accumulated deficit of $354,681. Cash used in operating activities for the year ended December 31, 2017 was $21,699.

On September 11, 2017, in order to fund the implementation of the Transactions and the short-term working capital needs of the Company, Trexs and the Company entered into a loan agreement (the "Bridge Loan Agreement"), pursuant to which Trexs extended to the Company a short-term unsecured loan (the "Bridge Loan"). The Bridge Loan Agreement was approved by each of the independent directors of the Company (Note 6).

The board-approved consolidated 2017 budget includes those expenditures and commitments necessary to maintain the Company's assets, including material estimated costs associated with the Company advancing the ICSID Arbitration Claim. Commencing in the third quarter of 2016, the Company has been involved in numerous legal and regulatory proceedings and activities in connection with disputes with shareholders, whose activities significantly increased in 2017 following approval of the 2017 budget. The costs associated with these activities and litigation have resulted in significant and unbudgeted expenditures by the Company and significantly affects the ability of the Company to forecast cash requirements over the short to medium-term and, ultimately, the liquidity of the Company.

On the basis of the Company's balance of cash as at December 31, 2017 and the financing completed subsequent to year end (Note 21), the Company has sufficient cash to meet short-term operating needs.

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

Going concern (continued)

The Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future. There are no assurances that the Company will be successful in its efforts to secure additional financing in the future, if required. These matters result in material uncertainties which may cast significant doubt on whether the Company will continue as a going concern. The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Directors and authorized for issue on April 26, 2018

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and liabilities for cash-settled share-based payment arrangements, which are measured at fair value.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. BASIS OF PREPARATION (CONTINUED)

Use of estimates and judgments (continued)

Critical accounting estimates that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

- ***Recoverability of exploration and evaluation assets and plant and equipment (notes 3(g), 4 and 5)***

  While assessing whether any indications of impairment exist for evaluation and exploration assets and plant and equipment, consideration is given to both external and internal sources of information. Information that the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of evaluation and exploration assets. Internal sources of information include the manner in which evaluation and exploration assets and plant and equipment are being used or are expected to be used and indications of expected economic performance of the assets.

  Management has concluded that, as of December 31, 2016, impairment indicators existed, and the best estimation of the recoverable amount of the evaluation and exploration assets was $1. Management has reached this conclusion on the basis of Colombia's measures that have deprived Eco Oro of rights under Concession 3452 to develop the Angostura Project, and the Company's failure to reach an amicable settlement of the dispute with Colombia under the Canada-Colombia Free Trade Agreement that has arisen as a result of these measures. Consideration was given to these risk factors (as more fully described in Note 1) and their adverse impact on the potential economics of the Project.

  During the year ended December 31, 2017, management determined that there were no changes to the impairment indicators above and therefore continues to record the recoverable amount of the Company exploration and evaluation asset at $1.

  The same impairment indicators existed for the plant and equipment assets used in connection with the evaluation and exploration of the Angostura Project. Given that there was a lack of objective evidence to determine the recoverable amount of those assets, management decided to impair those assets to $nil during the year ended December 31, 2016 (Note 4).

  While Management believes that these estimates and assumptions are reasonable, actual results may differ from the amounts included in the consolidated financial statements.

- ***Site restoration provision (note 8)***
  The cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine or exploration property. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

2. BASIS OF PREPARATION (CONTINUED)

Use of estimates and judgments (continued)

- ***Measurement of liabilities for share-based payment arrangements (note 12)***
  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment is used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- ***Recovery of deferred tax assets (note 3(m) and 20)***
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement.

  Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- ***Determination of going concern (note 1)***
  The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

- ***Determination of functional currency***
  In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currencies of the Company and its subsidiaries are Canadian dollar and Colombian peso, respectively, as this is the currency of the primary economic environment in which the Company operates.

Segment disclosures

The Company's operations comprise a single reporting operating segment engaged in the acquisition, exploration and development of assets in Colombia. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company, its Colombian branch and its subsidiaries. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency transactions

Transactions in foreign currencies are translated to CAD and COP, the functional currency of Company, and its Colombian branch and subsidiaries, respectively, at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate on that date.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value. As at December 31, 2017 and 2016, the Company had no cash equivalents.

d) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial instrument when the contractual obligations or rights are discharged, cancelled, transferred or expire.

The Company classifies its financial instruments into the following categories:

Fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as FVTPL unless they are designed as effective hedges.

Financial instruments at FVTPL are initially recognized, and subsequently carried, at fair value with changes recognized in profit or loss. Transaction costs are expensed as incurred.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include cash and accounts receivable.

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Liabilities in this category include trade and other payables, amounts payable on exploration and evaluation asset acquisition, loan payable, and convertible notes.

e. Plant and equipment

Plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows:

- Buildings 20 years
- Field equipment 3-5 years
- Office equipment 3 years
- Transport 5 years

f. Exploration and evaluation

The Company's exploration and evaluation ("E&E") assets are classified as either tangible or intangible. Tangible assets comprise of land. Intangible assets comprise mineral property surface rights, mining titles, exploration licenses, exploitation permits, and concession contracts.

All direct costs related to the acquisition of mineral property interests are capitalized. E&E expenditures incurred prior to the determination of feasibility and a decision to proceed with development are charged to profit and loss as incurred. Subsequent to a positive development decision, development expenditures are capitalized as tangible assets and depreciated when such assets are put in use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Impairment

Financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty
- Default or delinquency in interest or principal payments
- It has become probable that the borrower will enter bankruptcy or financial reorganization

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of accounts receivable is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets are impaired. For exploration and evaluation assets (and tangible assets related thereto such as plant and equipment), the Company considers the following indicators of impairment: (i) whether the period for which the Company has the right to explore has expired in the period or will expire in the near future, and is not expected to be renewed; (ii) substantive expenditures on further exploration for and evaluation of mineral resources is neither budgeted nor planned; (iii) exploration and evaluation have not led to the discovery of commercially viable mineral resources and activities are to be discontinued; (iv) sufficient data exists to indicate that, although a development in the area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development of by sale; and (v) other factors that may be applicable such as a significant drop in metal prices or deterioration in the availability of equity financing. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate largely independent cash inflows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Impairment (continued)

Recoverable amount is the higher of fair value less costs to dispose, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

An impairment loss recognized in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro-rata basis.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

h. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Site restoration

The site restoration provision at the date of the statement of financial position represents management's best estimate of the present value of the future site restoration costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the site restoration provision and associated asset. To the extent that the site restoration provision was created due to exploration activities which do not yet qualify for capitalization, the amount of the associated asset is reduced immediately by a charge to exploration expenses for the same amount.

i. Interest income and finance costs

Interest income is recognized as it accrues in profit or loss using the effective interest method.

Finance costs comprise unwinding of the discount on provisions and changes in the fair value of financial liabilities at fair value through profit or loss.

Foreign currency gains and losses are reported on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Share capital

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted market price at the acquisition date and at the date of issuance for other non-monetary transactions. For proceeds received from the issuance of compound equity instruments such as units comprised of common shares and warrants, the Company allocates the proceeds using the residual method whereby the proceeds allocated to the warrants is based on their Black-Scholes fair value with the remaining proceeds allocated to common shares.

k. Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted-average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted-average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

l. Share-based payments arrangements

Employees (including directors and senior executives) of the Company, and individuals providing similar services to those performed by direct employees, receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments issued to non-employees are measured at the fair value of goods or services received.

m. Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except for items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Income taxes (continued)

The amount of deferred tax reflects the expected manner of realization or settlement of the carrying amount of assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets that are recognized are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n. New accounting standards not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2017. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company:

- IFRS 9 – New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018. The Company expects no material impact from the adoption of this standard.

- IFRS 15 - New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2018. The Company expects no material impact from the adoption of this standard.

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

(Expressed in thousands of Canadian dollars)

4. PLANT AND EQUIPMENT

	Buildings	Field Equipment	Office Equipment	Transport	CIP	Total
Cost						
As at December 31, 2015	$ 2,245	$ 2,679	$ 784	$ 372		**$ 6,080**
Additions	-	-	-	-		**-**
Disposals	(271)	(225)	(32)	(192)		**(720)**
Impairment	(1,938)	(2,413)	(575)	(218)		**(5,144)**
Effect of movements in exchange rates	(36)	(41)	(177)	38		**(216)**
Balance as at December 31, 2016	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Depreciation						
As at December 31, 2015	$ (468)	$ (2,299)	$ (780)	$ (372)	$ -	**$ (3,919)**
Charged for the year	(103)	(193)	(3)	-	-	**(299)**
Eliminated on disposal	91	206	32	192	-	**521**
Impairment	483	2,248	575	218		**3,524**
Effect of movements in exchange rates	(3)	38	176	(38)	-	**173**
Balance as at December 31, 2016	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Net book value						
As at December 31, 2015	$ 1,777	$ 380	$ 4	$ -	$ -	$ 2,161
As at December 31, 2016	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

	Buildings	Field Equipment	Office Equipment	Transport	CIP	Total
Cost						
As at December 31, 2016	$ -	$ -	$ -	$ -	$ -	**$ -**
Additions	129	-	16	-	10	**155**
Transfer between categories	10	-	-	-	(10)	**-**
Effect of movements in exchange rates	(6)	-	(1)	-	-	**(7)**
Balance as at December 31, 2017	**$ 133**	**$ -**	**$ 15**	**$ -**	**$ -**	**$ 148**
Depreciation						
As at December 31, 2016	$ -	$ -	$ -	$ -	$ -	**$ -**
Charged for the year	(6)	-	-	-	-	**(6)**
Balance as at December 31, 2017	**$ (6)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (6)**
Net book value						
As at December 31, 2016	$ -	$ -	$ -	$ -	$ -	$ -
As at December 31, 2017	**$ 127**	**$ -**	**$ 15**	**$ -**	**$ -**	**$ 142**

During the year ended December 31, 2017

- The Company disposed plant and equipment with a carrying value of $nil (COP nil) for cash proceeds of $505 (COP 1,100,500,000); as a result, the Company recognized an impairment recovery of $505 (COP 1,100,500,000) in the statements of loss and comprehensive loss as this plant and equipment was part of the impaired CGU in 2016.

During the year ended December 31, 2016

- The Company exchanged a building with a carrying value of $77 (COP 181,924,764) to settle a payable of $61 (COP 140,000,000); as a result, the Company recognized a loss on disposal of $16 (COP 41,924,764) in the statements of loss and comprehensive loss.

(Expressed in thousands of Canadian dollars)

4. PLANT AND EQUIPMENT (CONTINUED)

- The Company disposed plant and equipment with a carrying value of $122 (COP 275,377,228) for cash proceeds of $313 (COP 718,580,000); as a result, the Company recognized a gain on disposal of $191 (COP 443,202,272) in the statements of loss and comprehensive loss.

- As described in Note 1, the Company considered all the risk factors and decided to impair plant and equipment used for the exploration and evaluations assets during the year ended December 31, 2016.

  During the year ended December 31, 2016, all of the plant and equipment belonged to one CGU; as a result, the Company impaired all the plant and equipment to $nil which is the recoverable amount of the CGU (Notes 3(g)). The impairment loss on plant and equipment of $1,620 was recognized in the statement of loss and comprehensive loss during the year ended December 31, 2016. The Impairment is based on guidance outlined in IFRS 6, Exploration for and Evaluation of Mineral Resources and IAS 36, Impairment of Assets.

5. EXPLORATION AND EVALUATION ASSETS

As at December 31, 2015	**$**	**24,833**
Additions		
Impairment loss		**(24,574)**
Effect of movements in exchange rates		**(258)**
Balance as at December 31, 2016 and 2017	**$**	**1**

Historically, the Company has been focused on the development of the Angostura Project in northeastern Colombia which consists of the main Angostura deposit and its five satellite prospects.

As described in Note 1, the Company considered all the risk factors and decided to impair the exploration and evaluations assets to $1 during the year ended December 31, 2016.The Impairment is based on guidance outlined in IFRS 6, Exploration for and Evaluation of Mineral Resources and IAS 36, Impairment of Assets.

The Company assessed the exploration and evaluation assets for indicators of impairment and concluded that the Company's inability to develop the project in light of Colombia's measures (described in Note 1), and its failure to achieve a settlement of the dispute that has arisen with Colombia under the Canada-Colombia Free Trade Agreement as a result of these measures, represent indicators of impairment that require a determination to be made of the project's recoverable amount.

The recoverable amount relating to mineral properties has been determined as $1, based on both the fair value less costs of disposal ("FVLCD") and value in use ("VIU") methods. The FVLCD is considered to be $nil on the basis that no other market participant would likely be able to progress the project in the face of Colombia's measures. A market approach was used in estimating the FVLCD as an income approach would not be considered to provide a reliable estimate of fair value. The VIU of the project is also considered to be $nil due to the probability of resolving the dispute with the Colombian government, and the unviability of the project, and therefore no future positive cash flows can be expected to be generated.

6. LOAN PAYABLE

	in USD (in thousands)	in CAD
Initial Recognition	**3,970**	**4,823**
Accretion of interest	**78**	**98**
Effect of movements in exchange rates	-	**159**
Balance as at December 31, 2017	**4,048**	**5,080**

On September 11, 2017, the Company received the Bridge Loan from Trexs of $4,859 (US$4 million). The Bridge Loan is unsecured and matures on February 8, 2018. The Bridge Loan bears interest at a rate of 5% per annum.

In connection with the Bridge Loan, the Company incurred issuance costs of $36. These issuance costs are recorded as a reduction of the carrying value of the Bridge Loan.

During the year ended December 31, 2017, accretion expense of $98 was recorded as finance cost with a corresponding increase in the carrying value of the liability.

As at December 31, 2017, the carrying value of the Bridge Loan is $5,080.

On April 20, 2018, the Company repaid US$4 million and interest, costs and fees related to the Bridge Loan to Trexs (Note 21).

7. AMOUNTS PAYABLE ON EXPLORATION AND EVALUATION ASSET ACQUISITION

	in COP (in thousands)		in CAD
As at December 31, 2015	**2,150,000**	**$**	**951**
Effect of movements in exchange rates	-		**12**
Balance as at December 31, 2016	**2,150,000**	**$**	**963**
Effect of movements in exchange rates	-		**(58)**
Balance as at December 31, 2017	**2,150,000**	**$**	**905**

In June 2009, the Company acquired the Las Puentes property for $2,037 (COP4,010,000,000). A cash payment of $1,018 (COP1,860,000,000) was made on the acquisition date, and pursuant to the agreement, further payments of approximately $596 (COP1,150,000,000) and $518 (COP1,000,000,000) were to be made in April 2010 and April 2011, respectively. However, certain of the original Las Puentes vendors had been in a title dispute with another unrelated group. The agreement provided that the Company was not required to make the two remaining payments until the title dispute amongst the vendors and the unrelated group was resolved. The full amount of the obligation totaling $905 (COP2,150,000,000) is reflected on the statement of financial position as of December 31, 2017 (December 31, 2016 - $963 (COP2,150,000,000)). On July 17, 2017, the Company was served with a court-ordered claim by the vendors of Las Puentes property demanding the final two instalment payments COP2,150,000,000 plus interest and a compensation for the non-compliance of the purchase agreement (COP1,537,000,000) on the basis that the vendors previous title dispute had been recently settled by the courts. In addition, on July 25, 2017, the court ordered that a notice signaling the ongoing dispute be included on the property records.

The Company filed a request for reconsideration against the court's decision allowing the claim and against the notice of July 25, 2017, both of which were rejected by the court.. On October 19, 2017, the Company filed its response to the claim. The Company is currently waiting for a date to be set by the Court for the first hearing.

(Expressed in thousands of Canadian dollars)

8. SITE RESTORATION PROVISION

		December 31, 2017		December 31, 2016
Beginning of year, current and long-term	**$**	**5,342**	$	4,225
Decrease in liability due to changes in estimate		(102)		720
Remediation work performed		(92)		(33)
Unwinding of discount		368		344
Changes in foreign exchange rates		(334)		86
End of year, current and long-term	**$**	**5,182**	$	5,342
Current portion	$	607	$	405
Long-term portion		4,575		4,937
	$	**5,182**	$	5,342

The following table shows the assumptions used in the calculation of the Company's site restoration provision:

	For the years ended	
	December 31, 2017	**December 31, 2016**
Pre-tax risk-free discount rate	5.19 - 6.46%	6.38 - 7.07%
Inflation rate	3.00 - 3.90%	3.00 - 3.90%
Years of settlement	2018-2035	2018-2035
Anticipated closure date	September 1, 2018	January 1, 2018

The site restoration provision at the date of the statement of financial position represents management's best estimate of the present value of the future site restoration costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the site restoration provision and associated asset. To the extent that the site restoration provision was created due to exploration activities which do not yet qualify for capitalization, the amount of the associated asset is reduced immediately by a charge to exploration expenses for the same amount.

Significant estimates and assumptions are made in determining the site restoration provision as there are numerous factors that will affect the ultimate liability payable. Those uncertainties may result in future actual expenditure differing from the amount currently provided. During the year ended December 31, 2017 and 2016, there were changes in the extent of the required rehabilitation activities, timing of these activities, changes in discount rates and foreign exchange rate.

9. EQUITY TAX LIABILITY

Effective January 1, 2015, the Colombian Government imposed a new wealth tax on all Colombian entities for 2015 to 2018 at a maximum rate of 1.15% for 2015; 1% for 2016; 0.4% for 2017 and 0% for 2018. The wealth tax is based on the Colombian entity's net equity position at the beginning of each year with 25% minimum and maximum change in the net equity from the prior year. Amounts are payable and will be accounted for as an expense for the year.

The equity tax liability for fiscal years 2017 and 2016 is $46 (COP 50,862,000) and $117 (COP 263,991,000) respectively, which were paid during the years ended December 31, 2017 and 2016.

10. CONVERTIBLE NOTES

The Company's convertible notes payable balance as of December 31, 2017 and 2018, is as follows:

	(in thousands)	
	in USD	in CAD
Initial Recognition	**1,149**	**1,540**
Accretion of interest	**80**	**107**
Effect of movements in exchange rates	**-**	**3**
Balance as at December 31, 2016	**1,229**	**1,650**
Accretion of interest	**240**	**311**
Converted to common shares	**(624)**	**(830)**
Rescinded convertible debt	**624**	**830**
Effect of movements in exchange rates	**-**	**(118)**
Balance as at December 31, 2017	**1,469**	**1,843**

During the year ended December 31, 2016, the Company issued convertible notes in the amount of $12,969 (US$9,672,727) to existing shareholders of the Company, of which $9,386 (US$7,000,000) was issued to Trexs Investments, LLC. (Note 11). The convertible notes are unsecured and bear interest at 0.025% per annum. Interest is calculated monthly and payable on December 31 of each year commencing 2016. The convertible notes are considered below market-rate notes and therefore the differences in the fair value of the convertible notes and the cash received has been recorded as a contribution from shareholders to the equity of the Company. The convertible notes mature on June 30, 2028 and are convertible at any point prior to maturity, at the option of the Company, into common shares. The conversion price is determined based on the volume weighted average closing price of the Company's shares during the five trading days immediately preceding the date of conversion.

Using a risk-adjusted discount rate, the Company calculated and recorded the equity portion of the notes to be $11,412 before the allocation of issuance costs. In connection with the convertible debentures, the Company incurred issuance costs of $144. These issuance costs are recorded as a reduction of the carrying value of the liability ($17) and equity ($127) portions of the convertible debentures.

On March 16, 2017, the Company converted a portion (the "Partial Conversion") of its outstanding convertible notes (the "Convertible Notes") with a face value of US$4,721,258 through the issuance of 10,600,000 common shares (the "Converted Shares"). As a result of the Partial Conversion, the Company reclassified the carrying value of $830 and $5,508 from convertible notes and contributions from shareholders, respectively, to share capital.

On March 27, 2017, the Concerned Shareholders filed a Notice of Application with the OSC for a ruling that the TSX erred in granting conditional approval for the issuance of the Converted Shares.

Following the Partial Conversion and Notice of Application, the OSC released an order that, among other things, set aside the prior decision of the TSX conditionally approving the issuance of Converted Shares to certain shareholders of Eco Oro and ordered the Company to seek shareholder approval of the issuance of the Converted Shares.

10. CONVERTIBLE NOTES (CONTINUED)

On July 31, 2017, the Company entered into the Settlement Agreement with shareholders (including the Concerned Shareholders) representing approximately 66.3% of the issued and outstanding common shares of the Company entitled to vote at the Meeting (Note 1). In accordance with the Settlement Agreement and upon successful completion of the Transactions contemplated thereunder, the Partial Conversion will be rescinded and the Company will reinstate and reissue that portion of the Convertible Notes originally converted and that existed immediately prior to the issuance of the Converted Shares.

On October 16, 2017, the Company obtained the shareholders' approval of the Settlement Agreement; as a result of the approval, the conversion of the Partial Conversion was rescinded such that the Converted Shares issued in connection therewith were cancelled and the Company reinstated and reissued US$4,721,257 principal amount of notes originally converted.

As a result of the rescission of the Partial Conversion, the Company reclassified $6,338 from share capital to convertible notes ($830) and contributions from shareholders ($5,508), thereby reversing the transaction which was previously recognized at the date of the Partial Conversion.

During the year ended December 31, 2017, accretion expense of $311 was recorded as finance cost with a corresponding increase in the carrying value of the liability (December 31, 2018 – $107).

Except for the Partial Conversion, none of these convertible debentures were converted during the years ended December 31, 2017 and 2016.

11. EQUITY

Share capital

The Company's authorized share capital consists of an unlimited number of common shares issued without par value.

<u>During the year ended December 31, 2017</u>

- On March 16, 2017, the Company converted its outstanding convertible notes with a face value of US$4,721,258 through the issuance of 10,600,000 common shares. These conversions were rescinded on October 16, 2017 (Notes 10).

- The Company issued 269,852 common shares through a cashless exercise provision in exchange of 457,000 options. The Company reclassified the fair value of $93 of the 457,000 options from contributed surplus to share capital.

11. EQUITY (CONTINUED)

During the year ended December 31, 2016

- On July 22, 2016, the Company entered into an investment agreement (the "Agreement") with Trexs Investments, LLC, an entity managed by Tenor Capital Management Company, L.P., with respect to an aggregate investment in the Company of US$14 million (the "Investment"). Pursuant to the Agreement, the proceeds of the Investment will be used by the Company to fund the Company's arbitration with the Republic of Colombia under the Canada-Colombia Free Trade Agreement.

  The Investment occurred in two tranches. The first tranche ("Tranche 1") was for US$3 million and the second tranche was for US$11 million. On July 22, 2016, the Company closed Tranche 1 by issuing 10,608,225 common shares with a fair value of $3,917 (US$3 million), which represents 9.99% of the Company's issued and outstanding shares.

  In connection with the Tranche 1 financing, the Company incurred $456 in share issuance costs.

  The second tranche was completed on November 9, 2016 by issuing $5,363 (US$4,000,000) contingent value rights and $9,386 (US$7,000,000) convertible notes to Trexs Investments, LLC. (Note 9).

- The Company issued 46,666 common shares through a cashless exercise provision in exchange of 120,000 options. The Company reclassified the fair value of $23 of the 120,000 options from contributed surplus to share capital.

- The Company issued 66,666 common shares for proceeds of $18 due to the exercise of stock options. In addition, the Company has reclassified the grant date fair value of the exercised options of $13 from contributed surplus to share capital.

Contributed surplus

Contributed surplus represents entitlements to share-based awards that have been charged to profit and loss in the periods during which the entitlements were accrued and have not yet been exercised. In addition, upon expiry of warrants, the amount originally recorded in equity is transferred to contributed surplus.

Contingent value rights ("CVR")

During the year ended December 31, 2016, the Company issued five CVRs for gross proceeds of $7,410 (US$5,527,273) of which $5,363 (US$4,000,000) was issued to Trexs. All CVR Holders combined, including Trexs, have the right to receive a total amount equal to 70.48% of the gross amount of the claim proceeds ("Claim Proceeds") of the ICSID Arbitration Claim described in Note 1. The Company had an option to settle the Claim Proceeds by issuing common shares of the Company, subject to regulatory approval. As a condition of the Settlement Agreement, this option has expired.

In connection with the issuance of the CVRs, the Company incurred issuances costs of $82. The Company has pledged all of the Company's assets in Colombia to the CVRs' holders.

As at December 31, 2017 and December 31, 2016, the carrying value of the CVRs is $7,525 and $7,328.

(Expressed in thousands of Canadian dollars)

11. EQUITY (CONTINUED)

Contingent value rights (continued)

Pursuant to the Settlement Agreement, the Company sought the approval of shareholders at the Meeting to enter a plan of arrangement under the *Business Corporations Act (*British Columbia) that would, subject to compliance with applicable securities laws, result in the Participating Entitled Shareholders having the opportunity to acquire 19.45% of the outstanding CVRs following implementation of the matters to be approved at the Meeting.

On October 16, 2017, the Company obtained the shareholders' approval of the Settlement Agreement; as a result of the approval, 17.17% of the CVRs, in aggregate, that were issued by the Company to CVR Holders, were purchased by the Participating Entitled Shareholders and these Participating Entitled Shareholders were also issued additional CVRs to receive 2% of Claim Proceeds. The Company recorded a loss of $197 on the issuance of the additional CVRs issued in the year. The loss was determined by reference to the price paid by the Participating Entitled Shareholders for their 17.17% of the CVR's.

12. SHARE-BASED PAYMENT ARRANGEMENTS

Stock option plan

The Company has a share option plan that allows it to grant options to its employees, officers, directors and consultants. A fixed maximum of 10% of the common shares issued may be granted. The exercise price of each option shall not be less than the closing market price for the common shares on the trading day prior to the date of the grant. Options may have a maximum term of ten years. Vesting conditions of options is at the discretion of the Board of Directors at the time the options are granted.

The Plan also provides for a cashless exercise option provision which is, in substance, a stock appreciation right and for which the stock options can only be equity-settled. When share capital recognized as equity is repurchased as a result of the cashless option, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from deficit.

The changes in options during the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017		December 31, 2016	
	Number outstanding	**Weighted average exercise price**	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	**2,656,500**	**$ 0.59**	6,842,169	$ 1.00
Granted	**3,630,000**	**0.49**	-	-
Exercised [(1)]	**(457,000)**	**0.29**	(186,666)	0.28
Expired	**(177,500)**	**2.09**	(3,999,003)	1.31
Forfeited	**(2,150,000)**	**0.49**	-	-
Outstanding, end of year	**3,502,000**	**$ 0.51**	2,656,500	$ 0.59

(1) Exercised on a cashless basis (Note 11)

(Expressed in thousands of Canadian dollars)

12. SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)

<u>During the year ended December 31, 2017</u>

- On May 8, 2017, the Company granted 1,480,000 options with an exercise price of $0.485 to certain employees of the Company. The options are exercisable for a period of five years. One-third vest the date of grant and one-third will vest every twelve months thereafter.

- On May 8, 2017, the Company granted 500,000 options with an exercise price of $0.485 to certain officers of the Company. The options are exercisable for a period of five years. One-third vest the date of grant and one-third will vest every twelve months thereafter.

- On May 8, 2017, the Company granted 1,650,000 options with an exercise price of $0.485 to an officer and certain directors of the Company. The options are exercisable for a period of five years. All the options are fully vested at the date of grant.

- Pursuant to the Settlement Agreement approved on October 16, 2017, 2,150,000 options ("Options") issued to the Company's officers and directors during the year ended December 31, 2017 were rescinded for no consideration.

  No share-based payments were recognized for the 2,150,000 rescinded Options.

<u>During the year ended December 31, 2016</u>

- 3,999,003 options expired unexercised.

The estimated grant date fair value of the options granted during the years ended December 31, 2017 and 2016 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

		For the years ended	
		December 31, 2017	**December 31, 2016**
Risk-free interest rate		0.87%	N/A
Expected annual volatility		101.34%	N/A
Expected life (in years)		5.00	N/A
Expected dividend yield		0%	N/A
Share price ($ per share)	$	0.47	N/A
Weighted average grant date fair value per option ($ per option)	$	0.35	N/A

During the years ended December 31, 2017 and 2016, share-based compensation of $375 and $114, respectively, was recorded in connection with stock options vested during the period.

(Expressed in thousands of Canadian dollars)

12. SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)

The following summarizes information about stock options outstanding and exercisable at December 31, 2017:

Grante date	Expiry date	Options outstanding	Options exercisable		Exercise price	Weighted average remaining contractual life (in years)
May 10, 2013	May 10, 2018	220,000	220,000	$	0.820	0.36
July 12, 2013	July 12, 2018	150,000	150,000	$	0.520	0.53
June 2, 2014	June 1, 2019	580,000	580,000	$	0.275	1.42
September 2, 2015	September 2, 2020	872,000	872,000	$	0.500	2.67
October 7, 2015	October 7, 2020	200,000	200,000	$	0.630	2.77
May 8, 2017	May 8, 2022	1,480,000	493,334	$	0.485	4.35
		3,502,000	**2,515,334**			**2.94**

As at December 31, 2017, the Company has 7,150,495 options available for issuance under the Plan.

13. FINANCE COST

		December 31, 2017		December 31, 2016
Unwinding of discount on site restoration provision (Note 8)	**$**	**368**	$	344
Interest on convertible notes (Note 10)		**311**		107
Interest on loan payable (Note 6)		**98**		-
Bank charges		**20**		9
Others		**4**		281
	$	**801**	$	741

14. OTHER INCOME

		December 31, 2017		December 31, 2016
Interest income	**$**	**81**	$	18
Other income		**71**		7
	$	**152**	$	25

(Expressed in thousands of Canadian dollars)

15. COMMITMENTS AND CONTINGENCIES

a) Commitments

The following is a schedule of the Company's commitments as at December 31, 2017:

	Total	2018	2019	2020	2021	2023 and thereafter
Site restoration provision [1]	$ 5,814	$ 607	$ 1,692	$ 1,272	$ 743	$ 1,500
Loans [1]	5,080	5,080	-	-	-	-
Convertible notes [1]	12,140	-	-	-	-	12,140
	$ 23,034	**$ 5,687**	**$ 1,692**	**$ 1,272**	**$ 743**	**$ 13,640**

1) Represents the undiscounted cash flow.

b) Management Incentive Plan

During the year ended December 31, 2017, the Company implemented a management incentive plan (the "MIP") to incentivize certain key personnel toward the effective prosecution and collection of the Company's arbitration claim against Colombia under the Canada-Colombia Free Trade Agreement. Implementation of a management incentive plan was a requirement under the terms of the Investment.

Pursuant to the terms of the MIP, a committee of the board of directors of the Company (the "Committee") was appointed to administer the MIP and be responsible for, among other things, determining whether to grant participants under the MIP certain cash retention amounts that will not in aggregate exceed 7% of the gross proceeds of the Arbitration.

On October 16, 2017, pursuant to the Settlement Agreement, the MIP was amended such that the cash retention amount pool was decreased from 7% to 5% of the total gross proceeds of the Arbitration Claim and was amended to ensure that other participants (including current or former employees, consultants or directors of the Company) may benefit from the MIP.

Awards under the MIP will be at the sole discretion of the Committee taking into consideration, among other things, the amount of the proceeds received from the ICSID Arbitration and the time dedicated by each participant to the Arbitration proceedings. No member of the Committee is currently a participant under the MIP.

15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

c) Contingencies (continued)

i) La Plata Mining Title Assignment (continued)

In February 2012, the Company received notice that Sociedad Minera La Plata Ltda. ("SMLPL") was initiating an arbitration pursuant to the arbitration clause contained in the mining title assignment agreement (the "La Plata Assignment Agreement") pursuant to which the Company acquired its La Plata property from SMLPL. An arbitration panel was constituted and there were ten hearings between December 2012 and July 2013. The arbitration panel rendered its decision in September 2013 finding that the two year statute of limitations applied to the La Plata Assignment Agreement and the first of three subordinate partial assignment agreements, in respect of 25% of the property, and found in favour of the Company in that regard. However, the arbitration panel found that the statute of limitations did not apply to the second and third subordinate partial assignment agreements (the "Annulled Agreements"), in respect of 75% of the property, and declared a relative nullity in respect of these agreements with respect to the amounts greater than 500,000 Colombian pesos. The panel ordered SMLPL to pay the Company 1,677,500,686 Colombian pesos (plus interest and indexation), which relates to the amount paid to SMLPL by the Company under each of the Annulled Agreements (less 500,000 Colombian pesos X 2), within thirty days of the decision becoming final.

The arbitration panel recognized in its decision that it lacked the power to order the relevant Colombian authorities to annul the administrative acts relating to the property and related environmental management plan registered in the name of the Company. The La Plata property and related environmental management plan remain in the name of the Company. In October 2013, the Company filed with the Judicial District Tribunal Superior Court of Bucaramanga a motion for annulment of the arbitration panels' decision on the basis, among other things, that: the arbitration tribunal lacked jurisdiction to rule on the subordinate partial assignment agreements as they did not contain arbitration clauses; and the statute of limitations should have been applied to the Annulled Agreements as they were subordinate to the La Plata Assignment Agreement. In February 2014, the Company was notified of the decision rendered by the Judicial District Tribunal Superior Court with respect to the motion for annulment and the Company was not successful. In August 2014, the Company filed with the Supreme Court an action (Acción de Tutela or "Tutela Action") seeking the revocation of the decisions of the arbitration panel and Judicial District Tribunal Superior Court.

In September 2014, the Company was notified of the decision rendered by the Supreme Court in the Tutela Action and the Company was not successful. This decision was appealed to the Supreme Court and, in November 2014, the Company was notified of the decision rendered by the Supreme Court in the appeal and the Company was not successful. To date, the ANM has rejected SMLPL's request to register the decision of the arbitration panel and cancel registration of the Annulled Agreements and, as such, the Company remains the registered owner of the entire La Plata property. On July 21, 2015, the Company received notice that SMLPL had filed a Tutela Action with the Tenth Criminal Circuit Court of Bucaramanga seeking an order that the ANM register the arbitration decision and its 75% interest in the La Plata property. On August 4, 2015, the Company was notified of the decision rendered by the Court that SMLPL was not successful and the Tutela Action was dismissed. As the La Plata Assignment Agreement (and the first of three subordinate partial assignment agreements) remains valid, if necessary, the Company may commence a legal action against SMLPL to require SMLPL to comply with its obligations thereunder, including the obligation to legally assign the remaining portion of the La Plata property, which was the subject of the Annulled Agreements, to the Company. The Company has approached SMLPL with a view to reaching an amicable resolution to the dispute.

15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

c) Contingencies (continued)

ii) Other

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. Other than disclosed herein, the Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

d) Uncertainties

Páramo ecosystem boundaries

In June 2011, the Colombian Congress enacted the National Development Plan (Law 1450 of 2011) (the "Plan") which, among other things, restricted mining activities in páramo ecosystems and required the Colombian Government to determine the boundaries of páramo ecosystems based on a 1:25,000 scale on the basis of technical, social, environmental and economic criteria. In 2012, in conjunction with granting an extension to the exploration phase of Concession 3452, Colombia's national mining agency, the ANM, ordered the temporary suspension of mining activities in the areas of Concession 3452 considered to constitute páramo according to the 2007 Atlas of Páramos prepared by the Alexander von Humboldt Institute at a 1:250,000 scale until the boundaries of the páramo ecosystem were determined by the Colombian Government pursuant to the National Development Plan.

Meanwhile, Concession 3452 and the Angostura Project were declared a "Project of National Interest" in 2011 and 2013.

On December 19, 2014, Ministry of Environment and Sustainable Development (Ministerio de Ambiente y Desarrollo Sostenible or "MADS") issued Resolution 2090 declaring the boundaries of the Santurbán Páramo. The Resolution provided certain exceptions to the restrictions on mining activities in páramo ecosystems, including exceptions for mining concessions for which an environmental license or equivalent environmental management and control instrument had been granted prior to February 9, 2010 and exceptions for mining in the "restoration zone" of the páramo in the traditional mining municipalities of California, Suratá and Vetas which applied to Eco Oro's Concession 3452. The National Development Plan enacted in 2015 (Law 1753 of 2015) similarly provided exceptions to the restrictions on mining activities in páramo ecosystems. The Plan also provided that "Projects of National Interest" such as the Angostura Project were of public utility and social interest, and would be subjected to centralized licensing processes before national (rather than regional) authorities.

On February 9, 2016, the Company announced that the Colombian Constitutional Court had issued Communication No. 4 of 2016 dated February 8, 2016, which indicated that certain provisions of the National Development Plan are unconstitutional. The Court subsequently formally issued ruling C-035 of 2016 (also dated February 8, 2016). Pursuant to this ruling, among other things, the provisions of the National Development Plan that set out certain exceptions to the restrictions on mining in páramo ecosystems were declared unconstitutional. In addition, although the Court endorsed the concept of projects of national interest and the creation of a national system to handle them due to their importance, it declared the provisions of the National Development Plan that provided that the ANLA would have exclusive authority for licensing such projects, regardless of the size of the project, unconstitutional.

15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

d) Uncertainties (continued)

On March 7, 2016, the Company announced that it had formally notified the Government of Colombia of the existence of a dispute between Eco Oro and the Government under Canada-Colombia Free Trade Agreement (the "Free Trade Agreement"). The dispute has arisen out of the Colombian State's measures and omissions, which have adversely impacted the rights granted to Eco Oro to explore and exploit its Angostura Project.

Following the notification of the dispute to the Government, the Company was notified on August 8, 2016 of a decision from the ANM by way of Resolution VSC 829 dated August 2, 2016 (the "ANM Resolution"). The ANM Resolution deprived the Company of its mining rights in respect of 50.73% of the Concession that falls within the preservation zone of the Santurbán Páramo which was established pursuant to Ministry of Environment Resolution 2090. In support of this position, the ANM Resolution cited a decision of the Colombian Constitutional Court rendered on February 8, 2016 (the "Constitutional Court Decision"), which struck down exceptions to the restrictions on mining in the Santurbán Páramo that were applicable to Eco Oro. Thus, using the Constitutional Court Decision of February 8, 2016 as a pretext, the ANM deprived the Company of its rights under the Concession as well as the returns that would have resulted from the hundreds of millions of dollars of investments that the Company has made for over two decades in reliance upon those rights.

The ANM has since indicated through a series of inconsistent decisions that Eco Oro may also be prohibited from carrying out mining activities within the "restoration" zone of the Santurbán Páramo. As noted above, Eco Oro has yet to obtain clarification in this regard. A further decision of the Colombian Constitutional Court published in November 2017 declared the delimitation of the Santurbán Páramo under Resolution 2090 to be unconstitutional. The Court suspended its declaration of unconstitutionality for twelve months so the Colombian Government can carry out a new delimitation of the Santurbán Páramo. The Court ordered the Ministry of Environment to adopt a broad, participative, effective and deliberative procedure when undertaking the new delimitation. The Court noted that the new delimitation cannot provide a lesser degree of protection to the Santurbán Páramo than the original delimitation. Eco Oro's rights are therefore under threat of further encroachments, given the risk that the new delimitation and future decisions of the Colombian authorities will further reduce the area of Concession 3452 accessible for mining activities.

As a consequence of these uncertainties, the relevant environmental authorities have informed the Company that the Angostura project cannot currently be licensed.

While the Company commenced the ICSID Arbitration Claim in December 2016, it remains open to engagement with the Colombian authorities in order to achieve an amicable resolution of the dispute.

(Expressed in thousands of Canadian dollars)

16. SUPPLEMENTARY CASH FLOW INFORMATION

Change in non-cash working capital

	For the years ended	
	December 31, 2017	December 31, 2016
Accounts receivable	**$ (29)**	$ -
Prepaid expenses and deposits	**(167)**	(26)
Trade and other payables	**3,005**	2,164
Long-term employee benefits	**(6)**	(8)
	$ 2,803	$ 2,130

Others

	For the years ended	
	December 31, 2017	December 31, 2016
Reclassification of grant-date fair value on exercised options	**$ 93**	$ 36
Reclassification of grant-date fair value on expired or cancelled warrants	**$ -**	$ 233
Reclassification of equity portion of convertible debentures on issuance date	**$ -**	$ 11,285
Exchange plant and equipment for debt settlement	**$ -**	$ 59
Income tax paid	**$ -**	$ -
Interest paid	**$ -**	$ -

17. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk; interest rate risk; and commodity price risk. Financial instruments affected by market risk include: cash, accounts receivable, trade and other payables, loans payable, amounts payable on exploration and evaluation asset acquisition, and convertible notes. The Company currently does not have any financial instruments that are significantly impacted by commodity price risk.

Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash, accounts receivable, trade and other payables, loan payable, amounts payable on exploration, evaluation asset and convertible notes are held in CAD, USD and COP; therefore, USD and COP accounts are subject to fluctuation against the Canadian dollar.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Currency risk (continued)

The Company had the following balances as at December 31, 2017:

	in CAD (in thousands)	in USD (in thousands)	in COP (in thousands)
Cash	49	1,558	285,400
Accounts receivable	53	-	30,732
Trade and other payables	(1,834)	(2,868)	(1,663,387)
Loan payable	-	(4,048)	-
Amounts payable on exploration and evaluation asset acquisitic	-	-	(2,150,000)
Convertible notes	-	(1,469)	-
Total	**(1,732)**	**(6,827)**	**(3,497,255)**
Foreign currency rate	1.000	1.2551	0.0004
Equivalent to Canadian dollars	**$ (1,732)**	**$ (8,568)**	**$ (1,471)**

Based on the above net exposures as at December 31, 2017, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and COP by 10% would increase/decrease comprehensive loss by $1,004.

The Company had the following balances as at December 31, 2016:

	in CAD (in thousands)	in USD (in thousands)	in COP (in thousands)
Cash	34	13,686	427,925
Accounts receivable	-	-	32,117
Trade and other payables	(269)	(1,484)	(2,045,871)
Amounts payable on exploration and evaluation asset acquisition	-	-	(2,150,000)
Convertible notes	-	(1,229)	-
Total	**(235)**	**10,973**	**(3,735,829)**
Foreign currency rate	1.000	1.3437	0.0004
Equivalent to Canadian dollars	**$ (235)**	**$ 14,744**	**$ (1,672)**

Based on the above net exposures as at December 31, 2016, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and COP by 10% would increase/decrease comprehensive loss by $1,307.

The Company does not invest in derivatives to mitigate these risks.

In addition, as the functional currency of the Company's operations in Colombia (COP) is different from the Company (CAD), any non-monetary assets and liabilities in these foreign jurisdictions subject the Company to foreign currency fluctuations which may adversely affect the Company's financial position, results of operations and cash flows.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash earns interest at various short-term rates. The Company's future interest income is exposed to changes in these short-term rates. Based on the total of the Company's cash of $2,124 as at December 31, 2017 (December 31, 2016 – $18,616), an increase or decrease in the annual interest rate of 1% would result in a corresponding increase or decrease of annual interest income by $21 (December 31, 2016 – $186).

(Expressed in thousands of Canadian dollars)

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Interest rate risk (continued)

The Company's loans payable and convertible notes are not subject to interest rate risk as it is not subject to a variable interest rate.

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company manages its credit risk through its counterparty ratings and credit limits.

The Company's cash is held through large Canadian financial institutions.

The total cash and accounts receivable represent the maximum credit exposure. The Company limits its credit risk exposure by holding cash with reputable financial institutions with high credit ratings. The Company's accounts receivable balance is not significant and does not represent significant credit exposure.

Liquidity risk

The Company manages liquidity risk by maintaining adequate cash balances to meet short and long-term business requirements.

As at December 31, 2017, all of the Company's other financial liabilities except for the Convertible Notes have maturities less than one year. With cash on hand at year end and financing completed subsequent to year end, the Company has sufficient cash to meet short-term operating needs.

Fair value measurements

The fair values of financial assets and liabilities, together with their carrying amounts, are presented by class in the following table:

	December 31, 2017		December 31, 2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets:				
Loans and receivables				
Cash	**$ 2,124**	**$ 2,124**	$ 18,616	$ 18,616
Accounts receivable	**66**	**66**	14	14
	$ 2,190	**$ 2,190**	$ 18,630	$ 18,630
Financial liabilities:				
Other financial liabilities				
Trade and other payables	**$ 6,137**	**$ 6,137**	$ 3,180	$ 3,180
Loan payable	**5,080**	**5,080**	-	-
Amounts payable on exploration and evaluation asset acquisition	**905**	**905**	963	963
Convertible notes	**1,843**	**1,843**	1,650	1,650
	$ 13,965	**$ 13,965**	$ 5,793	$ 5,793

(Expressed in thousands of Canadian dollars)

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value measurements (continued)

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Unobservable (supported by little or no market activity) prices.

As at December 31, 2017, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 1, 2 and 3 in the fair value hierarchy above.

Capital management

The Company's objective when managing capital is to maintain adequate levels of funding in order to safeguard the Company's ability to continue as a going concern, fund its planned activities and commitments and retain financial flexibility to respond to unforeseen future events and circumstances. The Company manages, and makes adjustments to its capital structure based on the level of funds on hand and anticipated future expenditures. In order to maintain or adjust the capital structure, the Company has, when required, raised additional capital from shareholders. The Company has not paid dividends, nor returned capital to shareholders to date. As at December 31, 2017 and 2016, the Company considers equity as capital.

In order to facilitate the management of its capital requirements, the Company prepares operating budgets that are approved by the Board of Directors.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the prior year.

18. RELATED PARTIES

a) Subsidiaries

	Ownership interest at	
	December 31, 2017	December 31, 2016
Eco Oro S.A.S	**100%**	100%

(Expressed in thousands of Canadian dollars)

18. RELATED PARTIES

b) Key management personnel compensation

Key management personnel include the members of the Board of Directors and executive officers of the Company.

	For the years ended	
	December 31, 2017	December 31, 2016
Short-term benefits	**$ 1,060**	$ 584
Share-based payments	**9**	93
	$ 1,069	$ 677

Certain executive officers are entitled to termination benefits. In the event of termination without sufficient advance written notice, these executive officers are entitled to an amount of 6 months of their base compensation by way of lump sum payment.

The Company is also a party to certain management contracts. These contracts contain clauses requiring that $270 be paid upon a change of control of the Company. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements.

c) Transactions and balances

The aggregate value of transactions with other related parties, including entities over which key management personnel have control or significant influence, is as follows:

	For the years ended	
	December 31, 2017	December 31, 2016
Fintec Holdings Corp. ("Fintec")		
Management fees	**$ 271**	$ 120
Quantum Advisory Partners LLP ("Quantum")		
Management and accounting services	**$ 314**	$ 162
James H. Atherton Law Corporation ("Law Corp")		
Legal services	**$ -**	$ 39

The above are included within short-term benefits in Note 18(b).

(Expressed in thousands of Canadian dollars)

18. RELATED PARTIES (CONTINUED)

c) Transactions and balances

Fintec is a company owned by the Company's former Executive Chairman, former Interim President, and current director, Anna Stylianides. The services provided by Fintec were in the normal course of operations related to director and management fees. During the year ended December 31, 2016, the Company issued convertible notes in the amount of $43 (Note 10) and one CVR certificate in the amount of $24 (Note 11).

An incorporated partner and a senior manager of Quantum (a limited liability partnership) are the Company's Interim Chief Executive Officer (CEO) and Interim Chief Financial Officer (CFO), respectively. The services provided by Quantum were in the normal course of operations related to CEO, CFO, accounting and corporate secretarial services.

Law Corp. is a professional corporation owned by the Company's former Corporate Secretary. The services provided by Law Corp. related to day-to-day legal services provided to the Company.

As of December 31, 2017 and 2016, the amount due to the Company's officers and directors, and the company controlled by the Company's officers and directors was as follows:

		December 31, 2017		December 31, 2016
Trade and other payables	**$**	**194**	$	12
Loan payable		**5,080**		-
Convertible notes (face value)		**8,825**		9,420
	$	**14,099**	$	9,432

19. SEGMENTED INFORMATION

The Company has one reportable segment, being the evaluation and exploration of mineral exploration properties in one geographic region: Colombia. All of the Company's non-current assets are located in Colombia.

20. INCOME TAX

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2017		**2016**
Loss for the year	$	(25,158)	$	(36,749)
Expected income tax (recovery)	$	(6,541)	$	(9,555)
Permanent Differences		161		74
Share issue costs		-		119
Change in statutory rates		2,833		-
Change in unrecognized deductible temporary differences and other		3,547		9,362
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

(Expressed in thousands of Canadian dollars)

20. INCOME TAX (CONTINUED)

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2017	2016
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	$ 75,033	$ 76,395
Property and equipment	1,544	1,833
Share issue costs	200	91
Asset retirement obligation	1,399	1,389
Convertible notes	(3,004)	(2,943)
Non-capital losses	22,172	17,031
	$ 97,344	$ 93,796
Unrecognized deferred tax assets	(97,344)	(93,796)
Net deferred tax assets	**$ -**	**$ -**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2017	Expiry Date Range	2016	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	$ 277,899	No expiry date	$ 293,827	No expiry date
Property and equipment	5,720	No expiry date	7,051	No expiry date
Share issue costs	326	2038 to 2040	352	2037 to 2040
Asset retirement obligation	5,182	No expiry date	5,342	No expiry date
Convertible notes	(11,126)	No expiry date	(11,319)	No expiry date
Allowable Capital losses	186	No expiry date	200	No expiry date
Losses carried forward available for future period	82,120	2026 to 2037	65,305	2026 to 2036

21. SUBSEQUENT EVENTS

- On March 19, 2018, the Company filed its Memorial on the Merits in the ICSID Arbitration. The Company is seeking US$764 million as compensation for damages the Company sustained as a result of Colombian State measures. The Company has not recorded any amount in the financial statements as a contingent gain due to the ultimate uncertainly of the outcome.

- On April 20, 2018, the Company entered into a loan agreement with Trexs for a secured term loan of US$15.19 million ("Term Loan"). The Term Loan is funded by way of two advances, the first in the amount of US$7,668,532 (received) and the second in the amount of US$7,521,468. The Company used the funds from the first advance to repay the Bridge Loan in the amount of $5,080 (Note 6).

  The Term Loan is due and payable by the Company on July 16, 2018 (the "Maturity Date"), subject to the Company's unilateral right to extend the Maturity Date in three month increments up to a maximum of three times. The Term Loan is repayable by the Company at any time without penalty after July 16, 2018.

  The Term Loan bears interest at a rate of 0.60% per month, such rate to automatically increase by 0.60% each calendar month, up to a maximum rate of 3.89% per month, calculated monthly in arrears and payable in full on the Maturity Date. The Term Loan includes an origination fee of US$140,000, an application and processing fee of US$350,000 and a renewal option fee of US$700,000, each payable on the date of the first advance.