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360° MINING

Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

Independent auditor's report

To the Shareholders of Aura Minerals Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Aura Minerals Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements expressed in United States dollars comprise:

- the consolidated statements of income for the years ended December 31, 2019 and 2018;
- the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018;
- the consolidated statements of cash flows for the years ended December 31, 2019 and 2018;
- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of changes in equity for the years ended December 31, 2019 and 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mariano Ortego.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 14, 2020

Management's Responsibility for Financial Reporting and Report on Internal Control Over Financial Reporting

The accompanying consolidated financial statements have been prepared by and are the responsibility of the Board of Directors and management of the Company. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgments based on currently available information. The Company has developed and maintains a system of internal controls in order to ensure, on a reasonable and cost-effective basis, the reliability of its financial information.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and accounted for, that transactions are authorized, and to facilitate the preparation of relevant, reliable, and timely financial information. Where appropriate, management uses its best judgement, based on currently available information, to make estimates required to ensure fair and consistent presentation of this information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee. The Audit Committee consists of two directors all of whom are independent. The functions of the Audit Committee are to review the quarterly and annual consolidated financial statements and submit them to the Board of Directors for approval; review the adequacy of the system of internal controls; review any relevant accounting, financial and security regulatory matters; recommend the appointment of external auditors; and approve the scope of the external auditors' audit and non-audit work.

"Rodrigo Barbosa"
President, Chief Executive Officer

"Kleber Cardoso"
VP of Finance

Tortola, British Virgin Island
February 14, 2020

Aura Minerals Inc.

Consolidated Statements of Income

For the years ended December 31, 2019 and 2018

Expressed in thousands of United States dollars, except per share amounts

	Note		2019		2018
Net revenue	20	**$**	**226,202**	$	157,702
Cost of goods sold	21		**177,941**		140,427
Gross margin			**48,261**		17,275
General and administrative expenses	22		**11,860**		11,761
Care-and-maintenance expenses	23		**1,523**		5,156
Exploration expenses	24		**3,525**		3,860
Impairment reversal	12		**-**		(53,701)
Operating income			**31,353**		50,199
Gain on acquisition of Rio Novo Gold Inc.	7		**-**		21,858
Currency translation adjustment reversal related to Serrote	6		**-**		(15,915)
Gain on Sale of Mineracao Vale Verde Ltda (Serrote)	6		**-**		3,945
Finance costs	25		**(7,802)**		(3,592)
Other gains (losses)	26		**(8,207)**		877
Income before income taxes			**15,344**		57,372
Income tax (expense) recovery	15		**9,543**		(5,406)
Income for the year		**$**	**24,887**	$	51,966
Income per share:					
Basic	33	**$**	**5.72**	$	12.54
Diluted	33	**$**	**5.66**	$	12.36
Weighted average number of common shares outstanding:					
Basic	33		**4,352,981**		4,145,091
Diluted	33		**4,394,394**		4,203,929

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

Aura Minerals Inc.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

Expressed in thousands of United States dollars

		2019		2018
Income for the year	**$**	**24,887**	$	51,966
Other comprehensive income (loss)				
Items that may be reclassified to profit or loss				
Foreign currency translation realized in net income (Note 6)		**-**		15,915
Gain (loss) on foreign exchange translation of subsidiaries		**(480)**		14
Items that will not be reclassified to profit or loss				
Actuarial gain (Loss) on post-employment benefit, net of tax		**(568)**		537
Other comprehensive income (loss), net of tax		**(1,048)**		16,466
Total comprehensive income	**$**	**23,839**	$	68,432

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

Aura Minerals Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

Expressed in thousands of United States dollars

	Note	2019	2018
Cash flows from operating activities			
Income for the year		**$ 24,887**	$ 51,966
Items not affecting cash	27(a)	**20,734**	(41,941)
Changes in working capital	27(b)	**(7,682)**	4,991
Taxes paid		**(1,789)**	(4,296)
Other assets and liabilities	27(c)	**(24)**	558
Net cash generated by operating activities		**36,126**	11,278
Cash flows from investing activities			
Purchase of property, plant and equipment	12 & 27(d)	**(25,791)**	(31,504)
Proceeds from maturity of short term investments		**10,148**	0
Purchase of short term investments		**-**	(10,148)
Proceeds on sale of plant and equipment		**244**	1,019
Proceeds on the sale of Mineracao Vale Verde Ltda (Serrote)	6	**-**	30,000
Net cash used in investing activities		**(15,399)**	(10,633)
Cash flows from financing activities			
Proceeds received from debts	27(e)	**20,443**	20,000
Proceeds and (payments) from exercise of stock options		**(45)**	16
Repayment of short term loans	27(e)	**(8,688)**	(19,022)
Repayment of other liabilities	18(a)	**(928)**	(1,350)
Principal payments of lease liabilities	18(b)	**(523)**	-
Interest paid on debts	27(e)	**(2,364)**	(1,571)
Net cash generated (used) in financing activities		**7,895**	(1,927)
Increase (decrease) in cash and cash equivalents		**28,622**	(1,282)
Effect of foreign exchange loss on cash equivalents		**(259)**	-
Cash and cash equivalents, beginning of the year		**10,507**	11,789
Cash and cash equivalents, end of the year		**$ 38,870**	$ 10,507

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

Aura Minerals Inc.

Consolidated Statements of Financial Position

As at December 31, 2019 and 2018

Expressed in thousands of United States dollars

	Note	December 31, 2019	December 31, 2018
ASSETS			
Current			
Cash and cash equivalents		**$ 38,870**	$ 10,507
Restricted cash		**230**	-
Short term investments		**-**	10,148
Value added taxes and other receivables	8	**31,470**	24,375
Inventory	9	**33,535**	34,457
Other current assets	10	**6,139**	5,620
		110,244	85,107
Other long-term assets	11	**9,753**	10,990
Property, plant and equipment	12	**212,496**	205,197
Deferred income tax assets	15	**18,016**	-
		$ 350,509	$ 301,294
LIABILITIES			
Current			
Trade and other payables	13	**$ 56,992**	$ 50,408
Derivative Financial Instrument		**227**	906
Current portion of debts	14	**22,104**	12,004
Current income tax liabilities		**6,157**	2,069
Current portion of other liabilities	18	**1,944**	1,346
		87,424	66,733
Debts	14	**20,850**	18,597
Deferred income tax liabilities	15	**8,315**	8,539
Provision for mine closure and restoration	16	**30,142**	25,700
Other provisions	17	**7,598**	6,560
Other liabilities	18	**560**	744
		154,889	126,873
SHAREHOLDERS' EQUITY	19		
Share capital		**569,285**	569,052
Contributed surplus		**55,424**	55,253
Accumulated other comprehensive income		**5,379**	6,427
Deficit		**(434,468)**	(456,311)
		195,620	174,421
		$ 350,509	$ 301,294

Approved on behalf of the Board of Directors:

"Stephen Keith"	*"Rodrigo Barbosa"*
Stephen Keith, Director	**Rodrigo Barbosa, President & CEO**

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

Aura Minerals Inc.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

Expressed in thousands of United States dollars

	Note	Number of common shares		Share capital		Contributed surplus		Accumulated other comprehensive income		Deficit		Total equity
At December 31, 2018		**4,337,733**	**$**	**569,052**	**$**	**55,253**	**$**	**6,427**	**$**	**(456,311)**	**$**	**174,421**
Exercise of options	**19**	**16,132**		**233**		**(278)**		**-**		**-**		**(45)**
Stock Options issued	**19**	**-**		**-**		**449**		**-**		**-**		**449**
Income for the year		**-**		**-**		**-**		**-**		**24,887**		**24,887**
Dividends declared		**-**		**-**		**-**		**-**		**(3,044)**		**(3,044)**
Loss on translation of subsidiaries		**-**		**-**		**-**		**(480)**		**-**		**(480)**
Actuarial loss on severance liability, net of tax		**-**		**-**		**-**		**(568)**		**-**		**(568)**
At December 31, 2019		**4,353,865**	**$**	**569,285**	**$**	**55,424**	**$**	**5,379**	**$**	**(434,468)**	**$**	**195,620**

	Note	Number of common shares		Share capital		Contributed surplus		Accumulated other comprehensive income		Deficit		Total equity
At December 31, 2017		**3,356,519**	**$**	**548,217**	**$**	**54,681**	**$**	**(10,039)**	**$**	**(508,277)**	**$**	**84,582**
Exercise of options	19	2,400		30		(14)		-		-		16
Shares and Options issued on merger with Rio Novo	7	978,814		20,805		113		-		-		20,918
Stock Options issued		-		-		473		-		-		473
Income for the year		-		-		-		-		51,966		51,966
Gain on translation of subsidiaries		-		-		-		14		-		14
Gain on sale of Serrote	6							15,915		-		15,915
Actuarial gain on severance liability, net of tax		-		-		-		537		-		537
At December 31, 2018		**4,337,733**	**$**	**569,052**	**$**	**55,253**	**$**	**6,427**	**$**	**(456,311)**	**$**	**174,421**

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

1 NATURE OF OPERATIONS

Aura Minerals Inc. ("Aura Minerals" or the "Company") is a mining company focused on the operation and development of mining properties in the Americas.

Aura Minerals is a public company listed on the Toronto Stock Exchange (Symbol: ORA). The Company is incorporated under the *BVI Business Companies Act, 2004* (British Virgin Islands). The Company's registered office is located at Craigmuir Chambers, PO Box 71, Road Town, Tortola VG1110, British Virgin Islands. The Company maintains a head office at 78 SW 7th street, 7115, Miami, Florida 33130, United States of America.

The Company's majority shareholder is Northwestern Enterprises Ltd ("Northwestern"), a company beneficially owned by the Chairman of the board of directors of the Company (the "Board").

These financial statements were approved for issue by the Board effective February 14, 2020.

2 BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB").

The Consolidated Financial Statements have been prepared on a going concern basis using historical cost except for those assets and liabilities that are measured at revalued amounts or fair values at the end of each reporting period as explained in *Note 3 – Summary of Significant Accounting Policies*. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The functional currency of the Company and majority of its subsidiaries is the United States Dollar ("US Dollar") except for several services companies in Mexico which have a function currency of Mexican Pesos ("MXN Pesos") and a Brazilian subsidiary in Brazilian Reais ("BRL Reais"). All values in the consolidated financial statements are rounded to the nearest thousand.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all periods presented unless otherwise stated.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries over which it has control. All intercompany balances, transactions, income, expenses, profits and losses, including unrealized gains and losses have been eliminated on consolidation. The Company consolidates subsidiaries where we have the ability to exercise control.

Control of a subsidiary is defined to exist when the Company is exposed to variable returns from the involvement with the subsidiary and have the ability to affect those returns through the power over the subsidiary. Specifically, the Company controls a subsidiary if, and only if, all of the following is present: 1) power over the subsidiary (i.e., existing rights that give the Company the current ability to direct the relevant activities of the subsidiary); 2) exposure, or rights, to variable returns from the involvement with the subsidiary; 3) and the ability to use the power over the subsidiary to affect its returns. For non-wholly owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interests". Additionally, any profit or loss for the period that is attributable to non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary. As of December 31, 2019 and 2018, there are no "non-controlling interests".

The Company's principal subsidiaries with the corresponding mining operations and projects are:

- Minerales de Occidente, S.A. (Honduras) ("Minosa")
  - the San Andres open-pit gold mine in Honduras (the "San Andres Mine")
- Mineracao Apoena Limitada (Brazil) ("Apoena")
  - the Ernesto open-pit mine/Pau-a-Pique underground mine Project in Brazil (the "EPP Project")
  - the Sao Francisco open-pit gold mine in Brazil (the "Sao Francisco Mine")
  - the Japonês open-pit gold mine in Brazil (the "Japonês Mine")
  - the Lavrinha open-pit gold mine in Brazil (the "Lavrinha Mine")
- Aranzazu Holding S.A. de C.V. (Mexico)
  - the Aranzazu underground mine in Mexico (the "Aranzazu Mine"), which produces a copper-gold-silver concentrate and is currently in commercial production (refer to note 4)
- Rio Novo (Brazil)
  - The Almas Gold Project ("Almas"). Gold project located in the state of Tocantins, Brazil
  - *The Matupa Gold* Project ("Matupa"). Gold project located in the state of Mato Grosso, Brazil
  - *The Tolda Fria Gold Project ("Tolda Fria")*. Located in Caldas State, Colombia

Although the Company only has 49% of the voting rights in Apoena, the Company has determined that it has the full beneficial ownership over the entity as the Company is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power to coordinate the activities of the entity. Accordingly, Apoena is fully consolidated in these consolidated financial statements

The Company uses the acquisition method of accounting to account for business combinations. The fair value of the acquisition of a subsidiary is based on the fair value of the assets acquired, the liabilities assumed, and the fair value of the consideration. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. The excess, if any, of the consideration over the fair value of the identifiable net assets acquired is recorded as goodwill. In the case of a bargain purchase, where the total consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of income.

Foreign currency translation

Functional and presentation currency

Items included in the accounts of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in United States dollars.

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income.

Translation of subsidiary results into the presentation currency

The results and financial position of all the Company's subsidiaries with functional currencies different from the presentation currency (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each statement of income are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognized in other comprehensive income. When a foreign operation is sold, such exchange differences are recognized in the statement of income (loss) as part of the gain or loss on sale of investments.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less.

Short term investments

Short term investments consist of corporate and government bonds in active markets with original maturities of more than three months but less than a year. These financial instruments can be easily converted to cash. The investments are carried at fair value.

Trade and other receivables

Trade and other receivables are amounts due from customers and others in the normal course of business. If collection is expected in one year or less, they are classified as current assets; if not, they are presented as noncurrent assets and discounted, accordingly. Additionally, trade and other receivables are valued, per IFRS 9, at amortized cost.

Inventory

Finished product inventory and work-in-process inventory, which includes leach pad and ore stockpile inventory, are valued at the lower of average cost and net realizable value. Finished product inventory consists of finished gold products and metals in concentrate. Work-in-process inventory represents inventory in-circuit at the Company's process plants and leach pads. Stockpile inventory represents ore stacked on leach pads and in stockpiles. The cost of work-in-process and finished product inventories includes mining costs, direct labor, operating materials and supplies, applicable haulage and transportation charges, and an applicable portion of operating overhead, including amortization and depletion. Net realizable value is the expected selling price for the finished product less the estimated costs to get the product into saleable form and to the selling location.

Parts and supplies inventory consist of consumables and is valued at weighted average cost after provision for slow moving and obsolete items.

For inventory which has been written down to net realizable value, if subsequent assessments conclude that the circumstances causing the write down no longer exist or when there is clear evidence of an increase in net realizable value due to a change in economic circumstances, the write down is reversed appropriately.

Mining interests

Mining interests represent capitalized expenditures related to the development of mining properties, expenditures arising from property acquisitions and related plant and equipment. Upon disposal or abandonment, the carrying amounts of mining interests are derecognized and any associated gains or losses are recognized in net income.

Mineral properties

Mineral properties generally consist of the following: the fair value attributable to mineral reserves and resources acquired in a business combination or capitalized costs on asset acquisition; capitalized exploration and evaluation costs; underground mine development costs; open pit mine development costs; and capitalized interest. In addition, project costs are incurred which are generally capitalized when the expenditures result in a future benefit.

Mineral properties acquired through business combinations are recognized at fair value on the acquisition date. The fair value is an estimate of the proven and probable mineral reserves, mineral resources, and exploration potential attributable to the property. The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of time of the acquisition is depreciated on a units of production (“UOP”) basis whereby the denominator is the proven and probable reserves and the portion of mineral resources considered to be probable of economic extraction. The estimated fair value attributable to mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to depreciation until the resources become probable of economic extraction in the future. The estimated fair value attributable to exploration licenses is recorded as an intangible asset and is not subject to depreciation until the property enters production.

At the Company’s underground mining operations, development costs are incurred to build new shafts, drifts, and ramps that will enable the Company to physically access ore underground. The time over which we will continue to incur these costs depends on the mine life. These underground development costs are capitalized as incurred. Capitalized underground development costs are depreciated on a UOP basis, whereby the denominator is the estimated ounces/pounds of gold/copper in proven and probable reserves and the portion of resources considered probable of economic extraction based on the current life of mine (“LOM”) plan that benefit from the development and are considered probable of economic extraction.

At the Company’s open pit mining operations, it is necessary to remove overburden and other waste materials to access ore body from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as “stripping”. Stripping costs which are incurred to provide initial access to the ore body (referred to as pre-production stripping) are capitalized as open pit mine development costs. Stripping costs incurred during the production stage of a pit are accounted for as costs of the inventory produced during the relevant period. Such costs are capitalized to the extent that these costs relate to anticipated future benefits and represent a betterment. Waste removal which relates to current production activities and does not give rise to a future benefit is accounted for as a production cost in the period in which it is incurred and is included in the cost of inventory.

Capitalized open pit mine development costs are depreciated on a UOP basis whereby the denominator is the estimated ounces/pounds of gold/copper in proven and probable reserves and the portion of resources considered probable of economic extraction based on the current LOM plan that benefit from the development and are considered probable of economic extraction.

Property, plant and equipment

Plant and equipment are originally recorded at cost at the time of construction, purchase, or acquisition, and is subsequently measured at cost less accumulated amortization and impairment. Cost includes all costs required to bring the item into its intended use by the Company.

Costs incurred for major overhauls of existing equipment are capitalized as plant and equipment and are subject to amortization once they are commissioned. The costs of routine maintenance and repairs are expensed as incurred.

Amortization and depletion

Plant and equipment is amortized using the straight line or units of production methods over the life of the mine, or over the remaining useful life of the asset, if shorter. Land is not amortized. The following amortization rates are used by the Company:

Major class of assets	Depreciation Method	Depreciation Rate
Vehicles	Straight-line	3-5 years
Machinery and equipment	Straight-line/UOP	2-10 years
Mobile mining equipment	Straight-line/UOP	4-8 years
Furniture and fixtures	Straight-line/UOP	4-10 years
Computer equipment and software	Straight-line	2-5 years
Leasehold improvements	Straight-line	Lease term
Buildings	Straight-line/UOP	4-10 years
Plant	Straight-line/UOP	4-10 years

Residual values and useful lives are reviewed on an annual basis and adjusted, if necessary, on a prospective basis.

Once a mining operation has achieved commercial production, capitalized mineral property expenditures are depleted on unit-of-production basis (“UOP”) whereby the denominator is the proven and probable mineral reserves and a portion of measured and indicated mineral resources that are reasonably expected to be converted into proven and probable mineral reserves.

Impairment and reversal of impairment of assets

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount of assets is the greater of their fair value less costs of disposal (“FVLCD”) and value in use (“VIU”).

FVLCD is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm’s length basis. FVLCD for mineral properties is generally determined as the present value of estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, and discounted by an appropriate post-tax discount rate to arrive at a net present value. In assessing VIU, 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.

VIU is determined by applying assumptions specific to the Company’s continued use and does not take into account future development discounted by an appropriate pre-tax discount rate. As such, these assumptions differ from those used in calculating FVLCD. The Company’s cash generating units (“CGUs”) are the lowest level of identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the CGU's recoverable amount since the last impairment loss was recognized. This reversal is recognized in the consolidated statements of income and is limited to the carrying value that would have been determined, net of any depreciation where applicable, had no impairment charge been recognized in prior years. When an impairment reversal is undertaken, the recoverable amount is assessed by reference to the higher of VIU and FVLCD. We have determined that the FVLCD is greater than the VIU amounts and therefore used as recoverable amount for impairment testing purposes.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset is recognized at the date of derecognition.

Non-current assets are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statements of financial position.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through OCI, or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognized as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include:

- trade receivables, and
- other receivables.

Financial assets at fair value through profit or loss include financial assets held for trading (e.g., derivative instruments), financial assets designated upon initial recognition at fair value through profit or loss (e.g., debt or equity instruments), or financial assets mandatorily required to be measured at fair value (i.e., where they fail the SPPI test). The Company does not have financial assets are classified as held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Rather the Company's financial assets at fair value through profit or loss include:

- Cash and cash equivalents, and
- gold and foreign currency forward sales contracts

The SPPI test for financial assets is applicable to the Company's trade receivables (subject to provisional pricing). These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant quoted price stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognized in "fair value gains/losses on provisionally priced trade receivables" in the statement of profit or loss and other comprehensive income.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

The Company does not have any financial assets at fair value through OCI (debt instruments) or any financial assets designated at fair value through OCI (equity instruments).

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company

has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

For impairment of the financial assets, the Company, in the case for trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Company applies the simplified approach in calculating expected credit losses (ECLs),as permitted by IFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date. For any other financial assets carried at amortized cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include:

- trade payables, and
- borrowings

Trade payables represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Provisions

Provisions are recognized when the Company or its subsidiaries has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, 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, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are recognized in the consolidated financial statements, if estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote.

Contingent assets are not recognized in the consolidated financial statements, but are disclosed in the notes if their recovery is deemed probable.

Mine closure and restoration

Provisions for mine closure and restoration are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include such costs as dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate and the accretion is included in finance costs. At the time of establishing the provision, the net present value of the obligation is capitalized as part of the cost of mineral properties. The provision is reviewed on an annual basis for changes in cost estimates, discount rates, inflation and operating lives. The net present value of changes in cost estimates of the mine closure and restoration obligations are capitalized to mineral properties.

Restoration activities will occur primarily upon closure of a mine, but can occur from time to time throughout the life of the mine. As restoration projects are undertaken, their costs are charged against the provision as the costs are incurred.

Long-term employee benefits

Certain long-term employee benefits are specifically payable when employment is terminated. The expected costs of these benefits are accrued in the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive loss in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

Share capital

Common shares issued by the Company are classified as equity. Incremental costs directly attributable to the issuance of common from treasury shares are recognized in equity, net of tax, as a deduction from the share proceeds.

Share-based payments

The fair value of the employee services received in exchange for the grant of stock options or other share-based payments plans is recognized as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by calculating the fair value of the options or other share-based payment plans at the date of grant. The Company uses the Black-Scholes option pricing model to calculate the fair value of options granted.

The total amount to be expensed is determined with reference to the fair value of the options granted:

- Including any market performance conditions; and
- Excluding the impact of any service and non-market performance vesting conditions, such as profitability, sales growth targets, and remaining an employee of the entity over a specific time period.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. This estimate is revised at each statement of financial position date and the difference is charged or credited to the consolidated statements of income (loss) with the corresponding adjustment to equity.

When the options are duly exercised, the Company issues common shares from treasury. The fair value and any proceeds received, net of any directly attributable transaction costs, are credited to equity.

Taxation

Tax expense comprises both current and deferred tax expense for the period. Tax expense is recognized in the consolidated statements of income (loss), except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity.

Current income tax expense is the tax expected to be payable on the taxable income for the year calculated using rates (and laws) that have been enacted or substantively enacted at the consolidated statements of financial position date in the countries where the Company operates. It includes adjustments for tax expected to be payable or recoverable in respect of previous periods.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated statements of financial position date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that they will be realized in the future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to become ready for its intended use) are capitalized as part of the cost of the asset. Capitalization of borrowing costs begins when costs are incurred, and activities are undertaken to prepare the asset for its intended use and ceases when the asset is substantially complete or commissioned for use. Once the identified asset is substantially complete, the attributable borrowing costs are amortized over the useful life of the related asset. All other borrowing costs are expensed in the period they occur.

Revenue recognition

The Company applies the following five-step approach in recognizing revenue from contracts with customers:

- Identify the enforceable contract with the customer
- Identify the separate performance obligations in the contract from transferring the distinct good or service
- Determine the transaction price for consideration of transferring the good or service
- Allocate the transaction price to the separate performance obligations identified

- Recognize revenue when each separate performance obligation is satisfied

The Company's gold sales are recognized at the date that title passes to the buyer, which is generally when gold is settled from the refinery. However, title could pass at any stage during the refining process for certain of the Company's gold sales. Gold revenues are shown net of local taxes calculated on gross revenues. The Company's copper concentrate sales are recognized at the time of delivery based on forward prices for the expected date of final settlement. The final sale prices are determined by quoted market prices in a period subsequent to the date of sale. In these circumstances.

Exploration expenses

Exploration activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration expenditures, which include costs associated with researching and analyzing historical data, gathering data, exploration drilling and sampling, determining infrastructural requirements and preparing financial viability studies, are expensed until the Company concludes that it is more likely than not that economically recoverable mineral resources exist.

Income per share

Basic income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported, all outstanding options are excluded from the calculation of diluted loss per share, as they are anti-dilutive.

Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and include items that are not included in net profits such as foreign currency exchange gains or losses related to foreign subsidiaries whose functional currency is different from the functional currency of the Company and actuarial gains and losses of postemployment benefits.

The Company's comprehensive income (loss) is presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (iii) for which discrete financial information is available. The Company's operating segments are identified as: The San Andres Mine, the Sao Francisco Mine, the EPP Project, the Aranzazu Mine, the Serrote Project, the Rio Novo projects, and Corporate. EPP and the Sao Francisco Mine are referred to as the "Brazilian Mines".

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires management to make estimates and judgements and to form assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities. Management's estimates and judgements are continually evaluated and are based on historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates.

The Company has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company's consolidated statements of financial position reported in future periods.

Purchase price allocation

Business combinations require judgement and estimates to be made at the date of acquisition in relation to identifying the acquirer, determining assets and liability fair values. The estimate of reserves and resources is subject to assumptions relating to life of the mine and may change when new information becomes available.

Changes in reserves and resources as a result of factors such as production costs, recovery rates, grade or reserves or commodity prices could impact depreciation rates, asset carrying values and decommissioning provision. Changes in assumptions over long-term commodity prices, market demand and supply, and economic and regulatory climates could also impact the carrying value of assets.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Determination of ore reserves and resources

The Company determines mineral resources and reserves under the principles incorporated in the Canadian Institute of Mining, Metallurgy and Petroleum standards for mineral reserves and resources, known as the CIM Standards. The information is regularly compiled by Qualified Persons and reported under National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI-43-101"). Mineral reserves and resources determined in this way are used in the calculation of depletion expense, assessment of impairment charges and the carrying values of assets, and for forecasting the timing of the payment of mine closure and restoration costs.

There are numerous uncertainties inherent in estimating mineral resources and reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and resources and may, ultimately, result in reserves and resources being restated.

Impairment of assets

In accordance with the Company's accounting policy, each asset or CGU is evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed, and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or CGU is measured at the higher of FVLCD or VIU.

The determination of FVLCD and VIU requires management to make estimates and assumptions about expected production and sales volumes, metals prices, reserves, operating costs, mine closure and restoration costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the consolidated statements of income (loss).

If, after the Company has previously recognized an impairment loss, circumstances indicate that the recoverable amount of the impaired assets is greater than the carrying amount, the Company reverses the impairment loss by the amount the revised fair value exceeds its carrying amount, to a maximum of the previous impairment loss. In no case shall the revised carrying amount exceed the original carrying amount, after depreciation or amortization, that would have been determined if no impairment loss had been recognized.

Valuation of work-in-process inventory

Leach pad inventory is comprised of ore that has been extracted from the mine and placed on the heap leach pad for further processing. Costs are added to leach pad inventory based on current mining costs and are removed from leach pad inventory as gold ounces are recovered in the plant, based on the average cost per recoverable ounce on the heap leach pad. The quantity of recoverable gold in process is an engineering estimate which is based on the expected grade and recovery of gold from the ore placed on the leach pad. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. However, the estimate of recoverable gold placed on the leach pad is reconciled to actual gold production and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold from each heap leach pad will not be known until the leaching process is concluded.

Ore in stockpiles is comprised of ore extracted from the mine and available for further processing. Costs are added to ore in stockpiles at the current mining cost and are removed at the accumulated average cost per ton.

Provisions for mine closure and restoration

The amounts recorded for mine closure and restoration obligations are based on estimates prepared by third party environmental specialists, if available, in the jurisdictions in which the Company operates or by environmental specialists within the Company. These estimates are based on remediation activities that are required by environmental laws, the expected timing of cash flows, and the pre-tax risk-free interest rates on which the estimated cash flows have been discounted. These estimates also include an assumption on the rate at which the costs may inflate in future periods. Actual results could differ from these estimates. The estimates on which these fair values are calculated require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices.

Income Taxes

Preparation of the consolidated financial statements requires an estimate of income taxes in each of the jurisdictions in which the Company operates. The process involves an estimate of the Company’s current tax exposure and an assessment of temporary differences resulting from differing treatment of items, such as depletion and amortization, for tax and accounting purposes, and when they might reverse.

These differences result in deferred tax assets and liabilities that are included in the Company’s consolidated statements of financial position. An assessment is also made to determine the likelihood that the Company’s future tax assets will be recovered from future taxable income. To the extent that recovery is not considered likely, the related tax benefits are not recognized.

Judgment is required to continually assess changing tax interpretations, regulations and legislation, to ensure liabilities are complete and to ensure assets, net of valuation allowances, are realizable. The impact of different interpretations and applications could be material.

5 CHANGES IN ACCOUNTING POLICIES

This note explains the impact on the Company's financial statements of the adoption of new and revised accounting standards, effective January 1, 2019, and new accounting pronouncements that have been issued but are not yet effective, which are expected to be applicable to the Company starting on or after January 1, 2020. Accounting pronouncements that are not applicable to the Company have been excluded.

New Accounting Policies Applicable for 2019

a) IFRS 16 'Leases'

The Company has adopted IFRS 16, effective January 1, 2019, using the modified retrospective approach; however, the comparatives for the 2018 reporting period have not been restated and are accounted for under IAS 17, Leases, and IFRIC 4, Determining Whether an Arrangement Contains a Lease, as permitted under the specific transitional provisions in the standard.

The Company leases different pieces of mining equipment, light vehicles, and real estate property. Such lease contracts are typically made for fixed periods of one to five years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants on the Company and leased assets are not used as security for borrowing purposes. Until the end of 2018, these leases were classified as operating leases.

Per the adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the individual lease, if the rate could be readily determined, or the Company's incremental borrowing rates, if the rate could not be readily determined, as of January 1, 2019. According to IFRS 16, each lease payment is allocated between the lease liability and finance cost. The finance cost, or amortization of the discount, on the lease liability is charged to the consolidated statements of income and comprehensive income using the effective interest method so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

The Company notes that the weighted average discount rate applied to the lease liabilities on January 1, 2019 was 8%.

In determining the net present value of the following lease payments in the calculation of the lease liability on January 1, 2019, the Company has considered the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- Where a lease contains an extension option, the lease payments for the extension period were included in the calculation of the lease liability if the Company was reasonably certain that it would exercise the option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Expressed in thousands of United States dollars, except where otherwise noted.

Additionally, there were no adjustments that were required upon adoption of IFRS 16 for finance leases as the Company did not have any leases previously classified as such as of December 31, 2018.

The effects of adoption of IFRS 16, as reflected on January 1, 2019, were to recognize a lease liability of $905. The short and long-term lease liabilities as at December 31, 2019 and upon adoption of IFRS 16 on January 1, 2019 are shown in the table below:

	Balance at December 31, 2019	Balance at January 1, 2019
Short-term portion of lease liability	$ (761)	$ (464)
Long-term portion of lease liability	(560)	(441)
	$ (1,321)	$ (905)

As shown in the table above, the total lease liability recognized as at January 1, 2019 was $905. The right-of-use assets were measured at an amount equal to the lease liability as of January 1, 2019.

As shown in Note 13, the right-of-use assets are presented as part of Property, Plant and equipment in the consolidated statements of financial position. The depreciation of right-of use assets is presented within depreciation, depletion, and amortization costs in the operating activities section of the consolidated statements of cash flows. The right-of-use assets are depreciated over the shorter of the asset’s useful life and the lease term on a units of production basis. Depreciation of right-of-use assets are now included within depletion and amortization expense in the operating activities section of the consolidated statements of cash flows.

The right-of-use assets relate to the following types of assets:

	Balance at December 31, 2019	Balance at January 1, 2019
Vehicles	$ 910	$ 40
Land and Buildings	265	400
Machinery and equipment	124	465
	$ 1,299	$ 905

The corresponding lease liabilities are presented within the current and long-term liabilities in the consolidated statements of financial position. Interest expense on lease liabilities are presented within Finance costs on the consolidated statements of income. Cash payments for the interest and principal portions of lease liabilities are shown as cash flows from financing activities in the consolidated statements of cash flows.

The effects of adoption of IFRS 16 by segments, as reflected on January 1, 2019, are shown in the table below:

	San Andres Mine	Brazilian Mines	Aranzazu Mine	Corporate	Rio Novo Projects	Total
Right-of-use assets	$ 354	$ 74	$ 185	$ 220	$ 72	$ 905
Lease Liabilities	(354)	(74)	(185)	(220)	(72)	$ (905)
	$ -	$ -	$ -	$ -	$ -	$ -

The change in accounting policy affected the following items in the consolidated statements of financial position on January 1, 2019:

Expressed in thousands of United States dollars, except where otherwise noted.

		Amount
Property, Plant and Equipment - Right-of-use assets - Increase in Assets	$	905
Lease Liabilities - Increase in Liabilities		(905)
	$	-

Until the end of 2018, payments made under operating leases were charged to the consolidated statements of income on a straight-line basis over the period of the lease; thus, operating lease payments were fully included in calculations of earnings per share. On adoption of IFRS 16, only depreciation charged from right-of-use assets and interest expense on lease liabilities are now included in the consolidated statements of income; and therefore, included in calculations of basic and diluted earnings per share.

Principal portions of lease payments are not included in the consolidated statements of income and are instead applied against the lease liability in the consolidated statements of financial position.

Short-term lease payments, payments for leases of low-value assets, and variable lease payments that do not depend on an index or rate are not included in the measurement of lease liabilities and are not shown in the consolidated statements of financial position in accordance with IFRS 16. These payments are shown within general and administrative expenses within the consolidated statements of income and within the operating activities section of the consolidated statements of cash flows. The net increase/decrease in cash and cash equivalents did not change as a result of adoption of IFRS 16.

Practical expedients applied

In applying IFRS 16 for the first time, the Company has considered the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- The exclusion of low value leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The significant judgments, estimates, and assumptions made by management applied in the preparation of these financial statements, specifically as they relate to IFRS 16 Leases, primarily included evaluating the appropriate discount rate to use to discount the lease liability for each lease or groups of assets covered under leases, as well as determining the lease term, when the lease contained an extension option, and assessing if the Company was reasonably certain that it would exercise the extension option. Significant judgments, estimates, and assumptions over both of these factors would affect the present value of the lease liabilities upon adoption of the new accounting standard, as well as the associated value of the right-of-use assets.

New Accounting Policies Applicable for 2020

In March 2018, the International Accounting Standards Board (IASB) issued a revised "Conceptual Framework for Financial Reporting" which is currently being used by the Board and Interpretations Committee of the IASB in developing new pronouncements. The revision includes definitions of an "asset" and a "liability" along with new guidance on measurement, derecognition, presentation, and disclosure. However, preparers of the financial statements will only begin referring to the new framework effective for annual periods beginning on or after January 1, 2020.

6 DIVESTURE – MNERACAO VALE VERDE LTDA

On December 1, 2017, the Company announced that it had entered into a purchase and sale agreement to sell Mineracao Vale Verde Limitada (Brazil) ("MVV"), which owns the Serrote de Laje project in Brazil (the "Serrote Project") for an aggregate consideration of $40 million. The aggregate consideration comprised a cash payment of $30 million (paid), as well the delivery by the purchasers of a subordinated unsecured note in the principal amount of $10 million, payable from 75% of excess cash from the project after the project has repaid project financing and operating cash requirements (variable consideration). The subordinated unsecured note will be recognized when, in management's judgement, it is probable that the payment will occur, and that the amount recorded will not reverse in future periods. The transaction closed on March 22, 2018, and as a result, a net gain of $3,945 was recognized on the income statement for the year ended December 31, 2018.

On completion of the transaction, the Company transferred the accumulated foreign currency adjustments related to the Serrote Project to the income statement ($15,915).

7 ACQUISITION OF RIO NOVO GOLD INC.

On December 18, 2017 the Company and Rio Novo Gold Inc. ("Rio Novo") entered into an agreement to combine and create a portfolio of mining properties with a long-term production life (the "Merger").

On February 22, 2018 the Company and Rio Novo announced, in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"), that the combination of the Company and Rio Novo was approved by their respective shareholders at special meetings of the respective shareholders. On March 2, 2018, the Company and Rio Novo announced the completion of the combination under section 170 of the BVI Business Companies Act, 2004 under which the Company combined with Rio Novo and the separate corporate existence of Rio Novo ceased.

Upon consummation of the Merger, all of the shares in Rio Novo were automatically converted into the relevant number of shares of the Company with the holders of Rio Novo shares receiving 0.0053 common shares of the Company for every Rio Novo share held (being 947,396 shares of the Company). As part of the Merger, the Company issued: (i) 31,418 common shares to holders of Rio Novo deferred share units outstanding as of December 18, 2017, and (ii) options to acquire 10,070 Company common shares to holders of Rio Novo options (which were cancelled).

The common shares issued under the agreement in exchange for Rio Novo shares represent approximately 22% of the post-transaction issued and outstanding common shares of the Company.

The companies were under common control and as such the transaction is outside the scope of IFRS 3 - *Business combinations*; however, management has concluded that the activities of Rio Novo constitute a business. Consequently, management has elected to apply IFRS 3, by analogy, to account for the combination of businesses under common control whereby the Company was the acquirer.

Expressed in thousands of United States dollars, except where otherwise noted.

The approval of the transaction was conducted in accordance with MI 61-101 because of Northwestern's shareholdings in each of the Company and Rio Novo.

The consideration paid by the Company has been allocated to the assets acquired and liabilities assumed, as follows:

Value of 978,814 common shares issued as consideration	$ 20,805
Value of 10,070 Stock Options issued as consideration	113
Total purchase consideration	**20,918**
Other assets	53
Property, plant and equipment	50,478
Accounts payable and accrued liabilities	(2,201)
Future income tax liabilities	(1,978)
Debts	(3,576)
Total net assets acquired	**42,776**
Gain on acquisition, net of tax	**$ 21,858**

The identified assets and liabilities, which included other assets, property, plant and equipment, accrued payables and debt were recorded at their estimated fair values, which exceeded the fair value of the purchase price of the business. As of March 31, 2019, these estimated fair value amounts were considered final.

Accordingly, the acquisition has been accounted for as a bargain purchase and, as a result, the Company recognized a gain associated with the acquisition. The gain on acquisition is included in the consolidated statements of income (loss). The Company notes that the reason for the bargain purchase to be recognized was due to the fact that this acquisition was from another entity which was under common control and the valuation of the assets were determined by a third-party to be worth more than the value of the common shares and stock options issued as consideration.

8 VALUE ADDED TAXES AND OTHER RECEIVABLES

	December 31, 2019	December 31, 2018
Value added taxes receivable	**$ 33,461**	$ 30,488
Trade receivables	**6,427**	3,413
Other receivables	**541**	597
Provision for bad debts - trade receivables	**(62)**	-
Total trade and other receivables	**40,367**	34,498
Less: non-current portion of receivables	**(8,897)**	(10,123)
Trade and other receivables recorded as current assets	**$ 31,470**	$ 24,375

Due to their short-term maturities, the fair value of trade and other receivables approximate their carrying value.

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. The Company notes that such receivables arise when ore that has been produced has been shipped to the buyer in accordance to the applicable agreement. The Company does not recognize any receivables related to ore that is estimated or has not yet been produced. As of December 31, 2019, the company has a provision for expected credit losses for $62.

Expressed in thousands of United States dollars, except where otherwise noted.

Value added tax receivables are expected to be recovered, taking into consideration the different alternatives available to the company, including: (1) Reimbursement from government authorities, (2) Used as credit for income tax payments and (3) As payment to certain suppliers. The company and their tax advisors are constantly reviewing the options available to ensure the recoverability of these balances.

9 INVENTORY

	December 31, 2019	December 31, 2018
Finished product	**$ 8,883**	$ 10,358
Work-in-process	**6,577**	5,747
Parts and supplies	**22,571**	23,157
Provision for inventory obsolescence	**(4,496)**	(4,805)
Total inventory	**$ 33,535**	$ 34,457

During the year ended December 31, 2019, the cost of inventories recognized as an expense (*Note 21*) was $177,941 (2018: $140,427).

10 OTHER CURRENT ASSETS

	December 31, 2019	December 31, 2018
Prepaids expenses	**$ 5,290**	$ 4,934
Deposits	**849**	686
	$ 6,139	$ 5,620

Prepaid expenses are prepayments made for general working capital needs such as advances to suppliers and general prepayment of general and administrative expenses like insurance and mining concessions.

11 OTHER LONG- TERM ASSETS

	December 31, 2019	December 31, 2018
Non-current portion of value added taxes receivables (note 8)	**$ 8,897**	$ 10,123
Other long-term receivables and deposits	**856**	867
	$ 9,753	$ 10,990

12 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment movements for the years ended December 31, 2019 and 2018 are as follows:

Expressed in thousands of United States dollars, except where otherwise noted.

		Mineral properties	Land and buildings	Furniture, fixtures and equipment	Plant and machinery	Right of use assets	Assets under construction	Total
Net book value at December 31, 2018		**$ 124,397**	**$ 36,390**	**$ 6,742**	**$ 26,494**	**$ -**	**$ 11,174**	**$ 205,197**
Additions	**27(d)**	**6,495**	**3,071**	**270**	**2,012**	**1,795**	**16,340**	**29,983**
Disposals		**-**	**-**	**-**	**(112)**	**-**	**(241)**	**(353)**
Reclassifications and adjustments		**11,148**	**9,101**	**-**	**980**	**-**	**(21,229)**	**-**
Depletion and amortization		**(10,934)**	**(3,423)**	**(241)**	**(7,237)**	**(496)**	**-**	**(22,331)**
Net book value at December 31, 2019		**$ 131,106**	**$ 45,139**	**$ 6,771**	**$ 22,137**	**$ 1,299**	**$ 6,044**	**$ 212,496**
Consisting of:								
Cost		**$ 276,855**	**$ 92,087**	**$ 18,702**	**$ 120,170**	**$ 1,795**	**$ 6,044**	**$ 515,653**
Accumulated depletion and amortization		**(145,749)**	**(46,948)**	**(11,931)**	**(98,033)**	**(496)**	**-**	**(303,157)**
		$ 131,106	**$ 45,139**	**$ 6,771**	**$ 22,137**	**$ 1,299**	**$ 6,044**	**$ 212,496**

	Mineral properties	Land and buildings	Furniture, fixtures and equipment	Plant and machinery	Assets under construction	Total
Net book value at January 1, 2018	$ 41,244	$ 25,456	$ 955	$ 9,004	$ 4,042	$ 80,700
Additions	12,566	7,279	335	8,170	8,882	37,233
Disposals	-	-	-	-	(1,579)	(1,579)
Impairment Reversal Aranzazu	32,535	8,443	-	12,723	-	53,701
Acquisition of Rio Novo Gold Inc	44,798	-	5,680	-	-	50,478
Reclassifications and adjustments	-	171	-	-	(171)	-
Depletion and amortization	(6,746)	(4,959)	(227)	(3,403)	-	(15,335)
Net book value at December 31, 2018	$ 124,397	$ 36,390	$ 6,742	$ 26,494	$ 11,174	$ 205,197
Consisting of:						
Cost	$ 259,213	$ 79,915	$ 18,432	$ 117,290	$ 11,174	$ 486,023
Accumulated depletion and amortization	(134,815)	(43,525)	(11,690)	(90,796)	-	(280,826)
	$ 124,397	$ 36,390	$ 6,742	$ 26,494	$ 11,174	$ 205,197

For the years ended December 31, 2019 and 2018, depletion and amortization expenses of $22,344 and $15,720 respectively, have been charged to cost of goods sold.

The right of use assets corresponds to the lease liability obligations discussed under Note 18(b) below.

On December 31, 2018, the Company conducted an impairment reversal analysis whereby the carrying values of the property, plant and equipment, including mineral properties, of the Aranzazu Mine were compared to the mine's fair value less cost to dispose using the value-in-use methodology, which was determined to be higher than the carrying values. The estimated future cash flows (i.e. recoverable amount) was determined to be $73.6M. The estimated future cash flows utilized in the value-in-use cash flow models incorporated the Company's best estimates of future metals production based on new mine plans developed, consensus metal pricing, estimates of operating costs, capital expenditures and residual values and fluctuations in the exchange rates between the United States dollar and the Mexican peso. The Company utilized a mill recovery for copper of 88%, consensus copper prices ranging from $2.95 per pound in 2019 to $3.10 for the remaining five (5) years, and gold prices of $1,300 per ounce over the remaining six (6) economic years of the Aranzazu life-of-mine and discounted these cash flows using a 15% discount rate, which was based on the Company's tax effected weighted average cost of capital, in order to obtain the estimated fair value of the Aranzazu Mine. The Company's estimate of future cash flows is subject to risks and uncertainties and therefore could change in the future if the underlying assumptions change. Such changes could be material.

The Company's analysis concluded that certain assets of the Aranzazu Mine were no longer impaired as at December 31, 2018 and, as a result, the Company recorded an impairment reversal of $53,701 on the property, plant and equipment of Aranzazu. This impairment reversal resulted in an increase in the value of mineral properties of $32,535, land and buildings of $8,443, and plant and machinery of $12,723.

Expressed in thousands of United States dollars, except where otherwise noted.

Effective December 10, 2018, the Company commenced commercial production at its Aranzazu Mine. As a result, both revenue and operating costs for Aranzazu are recognized in the consolidated statements of income and comprehensive income. In addition, the mine development cost related to Aranzazu was reclassified to property, plant and equipment and depletion commences. As part of the commercial production ramp-up, the Company capitalized interest of $0 for 2019 (2018 - $860) to mineral property.

On March 22, 2018, the Company closed the sale of MVV which owns the Serrote Project. The impacts of this operation are summarized in *Note 6* above.

On March 2, 2018, the Company and Rio Novo announced the completion of the Merger. The impacts of this operation are summarized in *Note 7* above.

13 TRADE AND OTHER PAYABLES

	December 31, 2019	December 31, 2018
Trade accounts payable	**$ 34,634**	$ 31,495
Other payables	**6,971**	5,415
Accrued liabilities	**11,503**	9,845
Deferred revenue	**3,884**	3,653
Accounts Payable	**$ 56,992**	$ 50,408

14 DEBTS

	December 31, 2019	December 31, 2018
Term loans (note 14 (a))	**$ 42,954**	$ 29,167
Working capital facility payable to Yamana (note 14 (b))	**-**	1,434
Total debt	**42,954**	30,601
Less: current portion	**(22,104)**	(12,004)
Non-current portion	**$ 20,850**	$ 18,597

a) Term loans

i) Banco de Occidente, S.A. ("Banco Occidente")

On November 18, 2016, the Company, through Minosa, received another approval for a $1,800 short-term promissory note (the "Second Promissory Note") from Banco Occidente for working capital requirements. The Second Promissory Note bears an annual interest rate of 7.0% with a grace period of one year and a maturity date of November 17, 2019. During the first quarter of 2019, Banco Occidente approved a three-month grace of period on principal payments from December 2018 to February 2019 and extended the maturity date to February 2020. As at December 31, 2019, the outstanding balance on the Second Promissory Note was $159 (December 31, 2018: $929). For the year ended December 31, 2019, the Company incurred $45 of interest expenses (December 31, 2018: $93) which were recorded as finance costs.

On April 1, 2019, the Company, through Minosa, received another approval for a $2,000 short-term promissory note (the "Third Promissory Note") from Banco Occidente for working capital requirements. The Third Promissory Note bears an annual interest rate of 7.5% with a grace period of six months and a maturity date of October 2, 2020. As at December 31, 2019, the outstanding balance on the Third Promissory Note was $2,000 (December 31, 2018: $nil). For the year ended December 31, 2019, the Company incurred interest expenses of $71 which were recorded as finance costs.

ii) Banco ABC Brasil S.A. ("ABC Bank")

During the first quarter of 2017, the Company through Apoena, entered into a $3,162 loan agreement with ABC Bank for working capital requirements. The loan bears an annual interest rate of 5.38% with a grace period of one year and a maturity date of July 15, 2019. As at December 31, 2019, the outstanding balance of the loan from ABC Bank was $0 (December 31, 2018: $1,165). For the year ended December 31, 2019, the Company incurred $12 of interest expenses (December 2018: $128) which were recorded as finance costs.

During the second quarter of 2019, the Company through Apoena, entered into a $4,068 loan agreement with ABC Bank for working capital requirements (the "Second Loan"). The Second Loan bears an annual interest rate of 6.40% with a grace period of 12 months and a maturity date of August 2021. As at December 31, 2019, the outstanding balance of the Second Loan was $4,107 (December 31, 2018: $nil). For the year ended December 31, 2019, the Company incurred interest expenses of $209 which were recorded as finance costs.

During the second quarter of 2019, the Company through Apoena, entered into a $2,677 loan agreement with ABC Bank for working capital requirements (the "Third Loan"). The Third Loan bears an annual interest rate of 6.4% with a grace period of twelve months and a maturity date of July 2021. As at December 31, 2019, the outstanding balance of the Third Loan was $2,708 (December 31, 2018: $nil). For the year ended December 31, 2019, the Company incurred interest expenses of $74 which were recorded as finance costs.

iii) Banco Atlántida

During the second quarter of 2017, the Company through Minosa, entered into a $7,000 loan agreement with Banco Atlántida for investment capital for the development of the phase 6 heap leach project and drew down $4,000 on the loan agreement. In May 2017, the Company drew down a balance of $4,000; and, later on in October 2017, drew down the remaining balance of $3,000. The loan bears an annual interest rate of 7.3% with a grace period of one year and a maturity date of July 15, 2023. As at December 31, 2019, the outstanding balance of the loan from Banco Atlántida was $5,949 (December 31, 2018: $6,314). For the year ended December 31, 2019, the Company incurred $454 of interest expenses (2018: $516) which were recorded as finance costs.

iv) Santander Brazil

During the first quarter of 2019, the Company through Apoena, entered into a $4,500 loan agreement with Banco Santander Brazil for working capital requirements. The loan bears an annual interest rate of 7.70% with a maturity date of January 2020. During the fourth quarter of 2019, the Company through Apoena, entered into a discussion with Banco Santander Brazil to refinance the $4,500 loan agreement for working capital requirements. Refer to the Subsequent Events

As at December 31, 2019, the outstanding balance of the loan was $4,822 (December 31, 2018: $nil). For the year ended December 31, 2019, the Company incurred interest expenses of $322 which were recorded as finance costs.

v) Banco Votorantim

During the second quarter of 2019, the Company through Apoena, entered into a $3,602 loan agreement with Banco Votorantim for working capital requirements. The loan bears an annual interest rate of 6.50% with a grace period of one year and a maturity date of September 2022. As at December 31, 2019, the outstanding balance of the loan was $3,661 (December 31, 2018: $nil). For the year ended December 31, 2019, the Company incurred interest expenses $59 which were recorded as finance costs.

vi) FIFOMI Credit Facility

On December 9, 2019, the Company through Aranzazu, entered into credit facility denominated in Mexican Pesos (MXN) of 69.5M or an equivalent of $3.6M USD with *Fideicomiso de Fomento Minero* ("FIFOMI") for working capital requirements. The facility bears an annual interest rate per the annual TIIE rate from the Central Bank of Mexico plus 4 bps, ending on a 11.99%, with a grace period of twelve (12) months and a maturity date of November 20, 2024. As at December 31, 2019, the outstanding balance of the loan was $3,596 (December 31, 2018: $nil). For the year ended December 31, 2019, the Company incurred interest expenses $13 which were recorded as finance costs.

vii) IXM S.A. (formerly Louis Dreyfus) ("IXM")

On March 8, 2018, the Company through Aranzazu, entered into a $20,000 loan facility (the "Facility") and an off-take agreement (the "Off-Take Agreement") with IXM for the re-start of operations and copper concentrates to be produced from its wholly-owned Aranzazu mine (the "Project") located within the Municipality of Concepción del Oro in the Northeastern region of the State of Zacatecas, Mexico.

The Facility includes a 12-month grace period and is subject to customary conditions, including but not limited to, the repayment of the Company's outstanding loan with Auramet International LLC which was repaid in full in March 2018. The Facility is guaranteed by the Company and its interests in the Project and the San Andres gold mine. The Off-Take Agreement covers 100% of the copper concentrates to be produced from the Project.

On December 12, 2019, the Company entered into an amendment whereby the facility was extended until July 31, 2021 from the original due date of March 2021. The facility bears an annual interest rate equal to one-month LIBOR plus 700 bps. The amendment stipulates as well minimum liquidity requirements for the subsidiary at all times: (i) from December 31, 2019 to February 28, 2020 not less than $1.5M; (ii) from February 29, 2020 until April 29, 2020 not less than $2M; and, (iii) from April 30, 2020 to July 31, 2021 not less than $2.5M. Additionally, the Company is to maintain liquid deposits of not less than $3M at all times for the term. Furthermore, Aranzazu has the right to make prepayments without penalty.

As at December 31, 2019, the outstanding balance of the loan from IXM was $15,952 (December 31, 2018: $20,000). For the year ended December 31, 2019, the Company incurred interest expenses of $1,675 (2018: $69) which were recorded as finance costs.

viii) Promissory Notes of Rio Novo

On completion of the Merger with Rio Novo, the Company assumed the obligations of the demand promissory notes issued by Rio Novo in favor of Northwestern which, as at December 31, 2019, totaled $nil (December 31, 2018: $758). On April 16, 2018, the Company entered a payment schedule with Northwestern pursuant to which the Company agreed to repay the notes with quarterly repayment terms, inclusive of the 8% interest.

b) Working Capital Facility - EPP

On March 28, 2018, Apoena and the Company entered into an agreement with Yamana Gold Inc. ("Yamana") and Serra da Borda Mineracao e Metalurgia S.A., a company affiliated with Yamana, with respect to the repayment of the working capital facility provided to Apoena in connection with the acquisition of the EPP Project. Pursuant to the agreement, Apoena and the Company acknowledged a debt of $9,638 with repayment terms as follows: (i) $5,000 on March 28, 2018 (paid); (ii) $1,000 each on June 30, 2018 (paid) and September 30, 2018 (paid); (iii) $1,400 on December 31, 2018 (paid); and (iv) $1,461 on March 30, 2019.

Expressed in thousands of United States dollars, except where otherwise noted.

As at December 31, 2019, the outstanding balance of the working capital facility was $nil (December 31, 2018: $1,434). For the year ended December 31, 2019, the company incurred interest expenses of $28 (2018: $455) which were recorded as finance costs.

15 INCOME TAXES

a) Income tax (recovery) expenses

Income tax expenses included in the consolidated statements of income for the years ended December 31, 2019 and 2018 are as follows:

		2019		2018
Current income tax expense in respect of the current year	**$**	**8,832**	$	2,055
Adjustment to current income tax expense in respect of prior periods		**-**		(1,128)
Current income tax expense		**8,832**		927
Deferred income tax (recovery)/expense		**(18,375)**		4,479
Income tax (recovery) expense	**$**	**(9,543)**	$	5,406

The reconciliation of income taxes calculated at the applicable statutory tax rate to the income tax expense shown in these financial statements is as follows:

		2019		2018
Income before income taxes	**$**	**(15,343)**	$	(57,458)
Difference in statutory tax rates in foreign jurisdictions		**6,552**		15,542
Non-deductible expenses		**1,981**		23,364
Deferred tax assets not recognized		**(16,424)**		(36,034)
Effect of foreign exchange on income taxes		**300**		6,230
Withholdings taxes on distribution		**1,176**		468
Mexican royalty regime		**(592)**		4,028
Indexation of losses and other		**(2,536)**		(8,192)
Income tax (recovery) expense	**$**	**(9,543)**	$	5,406

The statutory tax rate in 2019 and 2018 reflects the rate in the British Virgin Islands of 0%.

b) Deferred income tax assets and liabilities

Deferred tax liabilities on the consolidated statements of financial position consist of:

Net deferred income tax assets (liabilities) are classified as follows:		**December 31, 2019**		December 31, 2018
Deferred income tax assets	**$**	**18,016**	$	-
Deferred income tax liabilities	**$**	**(8,315)**	$	(8,539)
	$	**9,701**	$	(8,539)

Expressed in thousands of United States dollars, except where otherwise noted.

The movement in the net deferred income tax asset (liability) account was as follows:

		2019		2018
Balance, January 1	$	**(8,539)**	$	(1,810)
Recovered from (charged to) the statement of income		**18,375**		(4,479)
Recorded on purchase of business		**-**		(1,978)
Recorded through other comprehensive income		**189**		(155)
Exchange differences		**(324)**		(117)
Balance, December 31	$	**9,701**	$	(8,539)

The following temporary differences and tax losses give rise to deferred income tax assets and liabilities as at:

		2019		2018
Tax losses carried forward	$	**18,879**	$	-
Property, plant and equipment		**(10,036)**		(4,907)
Other deductible (taxable) temporary differences		**858**		(3,632)
Net deferred income tax assets (liabilities)	$	**9,701**	$	(8,539)

In 2019, given the Aranzazu mine's past two years of taxable profits and considerations of the current expected future taxable profits, management recognized an effect of $18,879 of previously unrecognized tax losses. Management considered it probable that future taxable profits would be available against which such losses can be used

Temporary differences and tax losses arising in Honduras and Brazil (Honduras, Brazil, and Mexico in 2018) have not been recognized as deferred tax assets due to the fact that management has determined it is not probable that sufficient future taxable profits will be earned in these jurisdictions to recover such assets. The unrecognized deferred tax assets are summarized as follows:

		2019		2018
Tax losses carried forward	$	**12,974**	$	32,010
Provision for mine closure and restoration		**6,224**		7,852
Other deductible (taxable) temporary differences		**22,719**		16,840
Unrecognized deferred income tax assets	$	**41,917**	$	56,702

Management assesses these temporary differences regularly and adjusts the unrecognized deferred tax assets in the period when management determines it is probable that some portion of the assets will be realized.

16 PROVISION FOR MINE CLOSURE AND RESTORATION

		December 31, 2019		December 31, 2018
Balance, beginning of year	$	**25,700**	$	21,309
Accretion expense		**2,331**		674
Change in estimate		**2,397**		3,717
Change in estimate for properties in care and maintenance		**(286)**		-
Balance, end of year		**30,142**		25,700
Less: current portion		**-**		-
	$	**30,142**	$	25,700

Expressed in thousands of United States dollars, except where otherwise noted.

Provision for mine closure and restoration is related to the closure costs and environmental restoration associated with mining operations. The provisions have been recorded at their net present values, using discount rates based upon the risk-free rates of 4.4%, 7.14%, and 8.86% for Brazil, Mexico, and Honduras, respectively. The provisions have been remeasured at each reporting date, with the accretion expense being recorded as a finance cost. The change in estimate increased during 2019 was primarily driven by the changes in discount rates and inflation rates across all sites and increased additional costs for the Aranzazu mine due to the full year activity since the ramp-up in commercial production.

17 OTHER PROVISIONS

	Long-term employee benefits	Provision for judicial contingencies	Total
At December 31, 2017	**$ 6,010**	**$ 1,457**	**$ 7,467**
Periodic service and finance cost	1,120	-	1,120
Change in provision for the year	-	(946)	(946)
Actuarial changes	(711)	-	(711)
Settlement during the year	(296)	-	(296)
Impact of currency translation	(74)	-	(74)
At December 31, 2018	**$ 6,049**	**$ 511**	**$ 6,560**
Periodic service and finance cost	867	-	867
Change in provision for the year	424	(173)	251
Actuarial changes	757	-	757
Settlement during the year	(701)	-	(701)
Impact of currency translation	(126)	(10)	(136)
At December 31, 2019	**$ 7,270**	**$ 328**	**$ 7,598**

Long-term employee benefits liability exists as a result of a legal requirement in Honduras pursuant to which the company is obligated to pay a severance payment based on the years of service provided by an employee without regard to the cause of termination.

The most recent actuarial valuation for the long-term employee benefits provision was performed at December 31, 2019. The principal assumptions used for the purpose of the actuarial valuation were as follows:

	2019	2018
Discount rates	**8.60%**	10.00%
Salary increase rate (administrative)	**7.50%**	7.50%
Salary increase rate (operation)	**7.50%**	7.50%
Long term inflation	**5.00%**	5.00%

Expressed in thousands of United States dollars, except where otherwise noted.

18 OTHER LIABILITIES

		December 31, 2019		December 31, 2018
NSR royalty (note 18 (a))	**$**	**1,183**	$	2,090
Lease payment obligation (note 18 (b))		**1,321**		-
Total other liabilities		**2,504**		2,090
Less: current portion of other liabilities		**(1,944)**		(1,346)
	$	**560**	$	744

a) NSR Royalty

		December 31, 2019		December 31, 2018
Balance, beginning of year	**$**	**2,090**	$	3,338
Accretion expense		**82**		71
Royalty payments		**(928)**		(1,350)
Change in estimate		**(61)**		31
Balance, end of period		**1,183**		2,090
Less: current portion		**(1,183)**		(1,346)
	$	**-**	$	744

In 2011, the Company completed a restructuring of its contractual obligations, which resulted in the settlement of the deferred purchase consideration and the granting of a NSR Royalty equal to 1.5% on the net sales from the San Andres Mine, the Sao Francisco Mine, and the Company's former Sao Vincente Mine, commencing on March 1, 2013 and up to a cumulative royalty amount of $16,000. The liability has been recorded at its net present value using a discount rate of 5% (2018: 5%). The liability is re-measured at each reporting date, with the accretion expense and change in estimate being recorded within finance costs and other gains, respectively. The total undiscounted amount of the estimated obligation at December 31, 2019 is approximately $1,219 and is expected to be incurred through 2020.

For the year ended December 31, 2019, the Company recorded accretion expenses of $82 (2018: $71) within finance costs and a change in estimate gain of $61 (2018: a change in estimate gain of $31), within other gains (losses) on the consolidated statements of income.

Subsequent to December 31, 2019, the Company made a royalty payment of $416.

b) Lease Payment Obligation

		December 31, 2019
Balance at inception at 1/1/19		**905**
Additions to lease obligation		**890**
Accretion expense		**49**
Lease payments		**(523)**
Balance, end of period		**1,321**
Less: short-term portion		**(761)**
	$	**560**

Expressed in thousands of United States dollars, except where otherwise noted.

As noted in Note 5a, the Company adopted IFRS 16 Leases on January 1, 2019. On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the individual lease, if the rate could be readily determined, or the Company's incremental borrowing rates, if the rate could not be readily determined, as of January 1, 2019. The weighted average discount rate applied to the lease liability on January 1, 2019 was 8%. Lease liabilities are now included within current and long-term liabilities in the consolidated statements of financial position.

The finance cost or amortization of the discount on the lease liability is charged to the consolidated statements of income and comprehensive income using the effective interest method.

The following table is a summary of the carrying amounts of the Company's lease liabilities measured at the present value of the remaining lease payments that are recognized in the Consolidated Statements of Financial Position as of:

		Balance at December 31, 2019
Short-term portion of lease liability	**$**	**(761)**
Long-term portion of lease liability		**(560)**
	$	**(1,321)**

The table below analyzes the Company's lease liabilities into relevant contractual maturity date groupings based on the remaining period at the Consolidated Statements of Financial Position date to the contractual maturity date of the lease. The amounts shown in the table are the contractual undiscounted cash flows related to lease liabilities as follows:

	Within 1 year	**2 to 3 years**	**4 to 5 years**	**Total Contractual Cash Flows**	**Carrying Amount**
Lease Liabilities	644	857	144	**1,644**	1,321
	$ 644	**$ 857**	**$ 144**	**$ 1,644**	**$ 1,321**

19 SHARE CAPITAL

a) Authorized

The Company has authorized an unlimited number of common shares.

b) Share consolidation

On December 31, 2018, the Company completed the consolidation of the issued and outstanding common shares of the Company on the basis of one (1) post-consolidation share for each ten (10) pre-consolidation shares. The total outstanding common shares after the share consolidation was 4,337,733.

All information in these consolidated financial statements is presented on a post-share consolidation basis. As a result of the share consolidation, the number, exchange basis or exercise price of all stock options and warrants have been adjusted to reflect the ten-for-one share consolidation.

Expressed in thousands of United States dollars, except where otherwise noted.

c) Stock options

A continuity of the Company's stock options issued and outstanding are as follows:

	Number of options	Weighted average price CAD$
Balance, December 31st, 2017	**71,390**	**17.12**
Granted	177,981	22.78
Exercised	(2,400)	9.05
Forfeited	(28,180)	29.41
Balance, December 31st, 2018	**218,791**	**20.23**
Granted	65,872	23.50
Exercised	(16,132)	10.57
Forfeited	(40,181)	11.91
Balance, December 31st, 2019	**230,150**	**$22.62**

As at December 31, 2019, the Company had 230,150 options issued and outstanding as follows:

Exercise price CAD$	Options outstanding	Options Exercisable	Remaining contractual life (years)	Expiry dates
19.81	1,325	1,325	1.98	March 21, 2021
14.15	5,565	5,565	1.98	March 21, 2021
24.53	2,120	2,120	1.98	March 21, 2021
23.50	130,118	-	7.21	June 12, 2026
23.50	71,272	-	7.52	October 5, 2026
20.30	19,750	19,750	2.41	August 26, 2026
	230,150	28,760		

Canadian Dollars (CAD$)

The fair value at grant date is independently determined using the Black-Scholes model. The model inputs for options granted during the year ended December 31, 2019 included:

	2019	2018
Expected volatility	**74%**	89%
Risk-free interest rate	**1.24%**	2.90%
Weighted average share price for options granted	**CAD $22.29**	CAD $22.78
Expected life in years	**5.6**	4.4
Expected forfeiture rate	**12%**	12%
Expected dividend yield	**0%**	0%

Canadian Dollars (CAD$)

d) Share-based payment expense

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. For the twelve months ended December 31, 2019, share-based payment expense recognized in general and administrative expense was $449 (2018: $473).

Expressed in thousands of United States dollars, except where otherwise noted.

During the twelve months ended December 31, 2019, the Company granted 65,872 stock options (2018: The Company granted 177,981 stock options).

e) Dividends declared

The Company has declared dividends of $3,044 to be paid out in 2020 with the accrual included within the Trade and other payables line item on the statement of financial position.

20 NET REVENUE

		2019		2018
Gold Revenue	**$**	**159,071**	$	162,220
Copper & Gold Concentrate Revenue		**70,705**		2,349
Other		**(3,574)**		(6,867)
	$	**226,202**	$	157,702

21 COST OF GOODS SOLD BY NATURE

		2019		2018
Direct mine and mill costs	**$**	**96,327**	$	91,129
Direct mine and mill costs - Contractors		**40,856**		20,298
Direct mine and mill costs - Salaries		**18,414**		13,280
Depletion and amortization		**22,344**		15,720
	$	**177,941**	$	140,427

The direct mine and mill costs include employee benefits for the twelve months ended on December 31, 2019 and 2018.

22 GENERAL AND ADMINISTRATIVE EXPENSES

		2019		2018
Salaries, wages and benefits	**$**	**5,434**	$	4,019
Professional and consulting fees		**3,106**		4,093
Legal, Filing, listing and transfer agent fees		**285**		504
Insurance		**914**		809
Directors' fees		**168**		169
Occupancy cost		**178**		311
Merger and acquisition		**-**		646
Travel expenses		**530**		415
Share-based payment expense		**449**		473
Depreciation and amortization		**26**		33
Lease depreciation expense		**102**		-
Other		**668**		289
	$	**11,860**	$	11,761

Expressed in thousands of United States dollars, except where otherwise noted.

23 CARE AND MAINTENANCE EXPENSES

		2019		2018
Aranzazu mine	**$**	**-**	$	697
Serrote project		**-**		421
Rio Novo projects		**253**		950
Brazilian projects		**1,270**		3,088
	$	**1,523**	$	5,156

24 EXPLORATION EXPENSES

		2019		2018
San Andres mine	**$**	**242**	$	800
Brazilian projects		**3,005**		2,997
Aranzazu mine		**278**		63
	$	**3,525**	$	3,860

25 FINANCE COSTS

		2019		2018
Accretion expense (note 16)	**$**	**2,333**	$	745
Lease interest expense (note 18(b))		**49**		-
Interest expense on debts (note 14)		**2,962**		1,602
Finance cost on post-employment benefit		**867**		560
Other interest and finance costs		**1,591**		685
	$	**7,802**	$	3,592

26 OTHER GAINS (LOSSES)

		2019		2018
Net loss on call options and fixed price contracts	**$**	**(5,144)**	$	284
Gain on disposal of assets		**(109)**		1,019
Foreign exchange (loss) gain		**(2,258)**		(530)
Other items		**(696)**		104
	$	**(8,207)**	$	877

The foreign exchange gain (loss) increased during the twelve months in 2019 due to the fact that there was a significant devaluation of the Brazilian Reais in the period.

Expressed in thousands of United States dollars, except where otherwise noted.

27 CASH FLOW INFORMATION

a) Items not affecting cash

		2019		2018
Deferred and current income tax (recovery) expense	**$**	**(9,543)**	$	5,868
Impairment charges reversal (note 12)		**-**		(53,701)
Depletion and amortization (note 12)		**22,370**		15,335
Accretion expense		**2,462**		745
Currency translation adjustment reversal related to Serrote		**-**		15,915
Gain on acquisition of Rio Novo Gold Inc.		**-**		(21,858)
Gain on sale of Serrotte		**-**		(3,945)
Periodic service, past service and finance costs on post-employment benefit		**1,291**		1,120
Share-based payment expense (note 19(d))		**449**		473
Change in estimate of provision for mine closure and restoration		**(286)**		(2,011)
Foreign exchange loss		**1,833**		431
Gain on disposal of assets		**109**		560
Unrealized (gain) loss on call option and fixed price contracts		**(679)**		11
Interest expense on debt		**2,962**		-
Other non-cash items		**(234)**		(884)
	$	**20,734**	$	(41,941)

b) Changes in working capital

		2019		2018
Increase in trade and other receivables	**$**	**(9,915)**	$	(11,214)
Decrease in inventory		**883**		4,032
Decrease in trade and other payables		**1,350**		12,173
	$	**(7,682)**	$	4,991

c) Supplementary cash flow information

		2019		2018
Changes in other assets and liabilities consists of:				
Decrease in long term asset	**$**	**1,237**	$	3,748
Increase in prepaid expenses		**(519)**		(2,632)
Other items		**(742)**		(558)
	$	**(24)**	$	558

Expressed in thousands of United States dollars, except where otherwise noted.

d) Non-cash investing and financing activities consist of:

		2019	2018
Non-cash addition to property, plant and equipment	12	**$ 4,192**	$ –
Dividends declared payable		**$ 3,044**	$ –

e) Debt reconciliation

	Terms Loans	Working Capital Facility Payable	Total
Balance as at January 1, 2018	**$ 16,637**	**$ 9,379**	**$ 26,016**
Changes from Financing cash flows:			
Repayment of short terms loans	(11,077)	(7,945)	(19,022)
IXM S.A. (formerly Louis Dreyfus) Loan	20,000	-	20,000
Interest paid on debts	(1,976)	(455)	(2,431)
	23,584	**979**	**24,563**
Other Changes:			
Interest Expenses on Debts	2,007	455	2,462
Promissory Note of Rio Novo	3,576	-	3,576
Balance as at December 31, 2018	**29,167**	**1,434**	**30,601**
Changes from Financing cash flows:			
Repayment of short terms loans	(771)	(1,462)	(2,233)
Repayment of Rio Novo Promissory Note	(758)	-	(758)
Repayment of Banco Atlantida	(365)	-	(365)
Repayment of Banco ABC Brasil 1st Loan	(1,165)	-	(1,165)
Repayment of IXM S.A. (formerly Louis Dreyfus) Loan	(4,167)	-	(4,167)
Proceeds received from Santander Brasil	4,500	-	4,500
Proceeds received from Banco ABC Brasil	6,745	-	6,745
Proceeds received from FIFOMI	3,596	-	3,596
Proceeds received from Votorantim	3,602	-	3,602
Proceeds received from Banco Occidente 3rd Note	2,000	-	2,000
Interest paid on debts	(2,364)	-	(2,364)
	40,020	**(28)**	**39,992**
Other Changes:			
Interest Expenses on Debts	2,934	28	2,962
Balance as at December 31, 2019	**$ 42,954**	**$ -**	**$ 42,954**

28 FINANCIAL INSTRUMENTS

In accordance with IFRS 9, the Company records the fair value of the fixed price contracts instruments and put/call options instruments at the end of the reporting period as an asset (in the money) or liability (out of the money). The fair value is calculated as the difference between a market-based price and the contracted price. At the end of the reporting period, a corresponding gain or loss is recorded in the Consolidated Statements of Income as Other (Gain) Loss.

For the fixed price contracts and put/call options on the gold derivatives, these derivatives are significantly driven by the market price of gold. As noted in section (h) below, these derivatives are considered as Level 2 investments.

a) Fixed price contracts

At December 31, 2019, the Company had no outstanding fixed price contracts.

During the twelve months ended December 31, 2019, the Company entered into fixed price contracts to hedge 18,500 ounces of gold expiring between January 31, 2019 and November 31, 2019 at an average price of $1,330 per ounce of gold. For the twelve months ended December 31, 2019, the Company has recorded a realized loss of $1,877.

During the twelve months ended on December 31, 2018, the Company entered into fixed price contracts to hedge 124,545.53 ounces of gold expiring between January 31, 2018 and December 31, 2018 at an average price of $1,275 per ounce of gold. For the twelve months ended December 31, 2018, the Company has recorded a realized loss of $1,168.

As at December 31, 2018, the Company had 14,800 ounces of outstanding fixed price contracts at an average price of $1,215 per ounce of gold. As at December 31, 2018, the Company recorded a derivative liability on these outstanding fixed price contracts of $906.

b) Put/Call option contracts

As of December 31, 2019, there were 24,500 ounces with floor prices between $1,350 and $1,480 and ceiling prices between $1,475 and $1,700 per ounce of gold expiring between January 31, 2019, and July 31, 2020. As of December 31, 2019, the Company recorded a derivative liability on these outstanding options of $ 126.

During the twelve months ended December 31, 2019, the Company has entered zero cost put/call collars, in a total of 88,000 ounces with floor prices between $1,260 and $1,490 and ceiling prices between $1,310 and $1,700 per ounce of gold expiring between March 29, 2019 and July 31, 2020. For the twelve months ended December 31, 2019, the Company has recorded a realized loss of $3,632.

During the year ended December 31, 2018, the Company has entered zero cost put/call collars in a total of 26,000 ounces with floor prices between $1,230 and $1,320 and ceiling prices between $1,309 and $1,480 per ounce of gold expiring between July 31, 2018 and October 31, 2018. For the twelve months ended December 31, 2018, the Company did not have any realized gains and/or losses.

As at December 31, 2018, there were no outstanding zero cost put/call collars.

c) Credit risk

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial contract. The Company’s credit risk is limited to trade receivables, derivative contracts, and the short-term investments in bonds in the ordinary course of business. As of December 31, 2019, the Company considers the credit risk with these financial contracts to be low.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk through a rigorous planning and budgeting process, which is reviewed and updated on a regular basis, to help determine the funding requirements to support the Company’s current operations and expansion and development plans and by managing its capital structure as described in *Note 29* below.

Expressed in thousands of United States dollars, except where otherwise noted.

The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. In the normal course of business, the Company enters into contracts that give rise to commitments for future payments as disclosed in the following table:

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total
Trade and other payables	56,992	-	-	-	**56,992**
Derivative financial liabilities	227	-	-	-	**227**
Short-term loans	22,104	18,255	2,595	-	**42,954**
Provision for mine closure and restoration	-	3,436	2,845	23,861	**30,142**
Other liabilities and Leases	1,944	560	-	-	**2,504**
	$ 81,267	**$ 22,251**	**$ 5,440**	**$ 23,861**	**$ 132,819**

e) Currency risk

The Company's operations are located in Honduras, Brazil, and Mexico; therefore, foreign exchange risk exposures arise from transactions denominated in foreign currencies. Although the Company's sales are denominated in United States dollars, certain operating expenses of the Company are denominated in foreign currencies, primarily the Honduran lempira, Brazilian real, Mexican peso, and Canadian dollar.

Financial instruments that impact the Company's net losses or other comprehensive losses due to currency fluctuations include: cash and cash equivalents, accounts receivable, other long-term assets, accounts payable and accrued liabilities, short term loans and other provisions denominated in foreign currencies.

At December 31, 2019, the Company had cash and cash equivalents of $38,870, of which, $12,133 were in United States dollars, $3,241 in Canadian dollars, $15,217 in Brazilian reais, $6,303 in Honduran lempiras, and $1,976 in Mexican pesos. An increase or decrease of 10% in the United States dollar exchange rate to the currencies listed above could have increased or decreased the Company's income for the year by $2,673.

f) Interest rate risk

Interest rate risk is generally associated with variable rate financial instruments and available market interest rates at the time financial instruments are acquired. The Company is exposed to interest rate risk on its cash, cash equivalents as it holds a portion of cash and cash equivalents and restricted cash in bank accounts that earn variable interest rates. Some of the borrowings in Mexico have a variable interest rate based on one-month LIBOR plus 7.00% or TIEE plus 4.2%. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk.

For the year ended December 31, 2019, an increase or decrease in interest rates of 100 basis points (1 percent) would have increased consolidated income and comprehensive income for the year by $298. A decrease in interest rates of 100 basis points (1 percent) would have decreased the income and comprehensive income for the year by $298.

For the year ended December 31, 2019, an increase or decrease in interest rates of 100 basis points (1 percent) for the Mexican borrowing with one-month LIBOR plus 7% would have increased consolidated income and comprehensive income for the year by $180. A decrease in interest rates of 100 basis points (1 percent) would have decreased the income and comprehensive income for the year by $180.

Expressed in thousands of United States dollars, except where otherwise noted.

For the year ended December 31, 2019, an increase or decrease in interest rates of 100 basis points (1 percent) for the Mexican borrowing with Mexican TIEE + 4.2% would have increased consolidated income and comprehensive income for the year by $18. A decrease in interest rates of 100 basis points (1 percent) would have decreased the income and comprehensive income for the year by $18.

g) Commodity price risk

The Company is subject to price risk from fluctuations in market prices of gold, copper and other metals. Gold, copper and other metal prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control.

The profitability of the Company's operations is highly correlated to the market prices of these metals, as is the ability of the Company to develop its other properties.

A 10% change in the average commodity price for gold for the year, with all other variables held constant, would result in an impact on the Company’s 2019 consolidated net income and comprehensive income of $15,550. A 10% change in the average commodity price for copper for the year, with all other variables held constant, would result in an impact on the Company’s 2019 consolidated net income and comprehensive income of $7,071.

h) Fair value of financial instruments

The fair value of the Company’s financial assets and liabilities measured at fair value on a recurring basis at December 31, 2019 and 2018 are summarized in the following table:

	Level	Financial instrument Classification	**December 31, 2019**		December 31, 2018	
			Carrying value	**Fair value**	Carrying value	Fair value
Assets						
Cash and cash equivalents	N/A	Amortized Cost	**$ 38,870**	**$ 38,870**	$ 10,507	$ 10,507
Value added taxes	N/A	Amortized Cost	**33,461**	**33,461**	30,488	30,488
Short term investments	1	Fair Value	**-**	**-**	10,148	10,148
Other receivable	N/A	Amortized Cost	**541**	**541**	4,010	4,010
Derivative assets	2	Fair Value	**-**	**-**	-	-
Other assets	N/A	Amortized Cost	**856**	**856**	867	867
			73,728	**73,728**	56,020	56,020
Financial Liabilities						
At fair value through profit and loss						
Derivative liabilities	2	Fair Value	**227**	**227**	906	906
Other financial liabilities						
Accounts payable and accrued liabilities	N/A	Amortized Cost	**56,992**	**56,992**	50,408	50,408
Short-term loans	N/A	Amortized Cost	**22,104**	**22,104**	10,570	10,570
Long-term laons	N/A	Amortized Cost	**20,850**	**20,850**	18,597	18,597
Working capital facility payable to Yamana	N/A	Amortized Cost	**-**	**-**	1,434	1,434
Other provisions	3	Fair Value	**7,270**	**7,270**	6,560	6,560
Other liability	3	Fair Value	**1,183**	**1,183**	2,090	2,090
			$ 108,626	**$ 108,626**	$ 90,565	$ 90,565

The Company measures certain of its financial assets and liabilities at fair value on a recurring basis and these are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. 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. The three levels of the fair value hierarchy are: Level 1, which are inputs that are unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, which are inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; and Level 3, which are inputs for the asset or liability that are not based on observable market data.

The Company classifies derivative assets and liabilities in Level 2 of the fair value hierarchy as they are valued using pricing models which require a variety of inputs such as expected gold price.

The Company classifies its other provisions and other liability items in Level 3 as there is no observable market data for the fair value inputs. The Company uses a discounted cash flow model to determine the fair value. The key inputs for level 3 are the discount rates, long-term inflation rates, salary increase rates, expected gold price, and, expected production.

29 CAPITAL MANAGEMENT

The Company's objectives in managing capital are to ensure sufficient liquidity is maintained in order to properly develop and operate its current projects and pursue strategic growth initiatives, to ensure that externally imposed capital requirements related to any debt obligations are complied with, and to provide returns for shareholders and benefits to other stakeholders. In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity and long-term debt. The Company manages its capital structure considering changes in economic conditions, the risk characteristics of the underlying assets, and the Company's liquidity requirements. To maintain or adjust the capital structure, the Company may be required to issue common shares or debt, re-pay existing debt, acquire or dispose of assets, or adjust amounts of certain investments.

In order to facilitate management of capital, the Company prepares annual budgets which are updated periodically if changes in the Company's business are considered to be significant. The Board reviews and approves all operating and capital budgets as well as the entering into of any material debt obligations, and any material transactions out of the ordinary course of business, including dispositions, acquisitions and other investments or divestitures. Prior to 2019, in order to maximize ongoing development efforts, the Company had not paid dividends. However, at the end of 2019, the Company declared dividends on December 31, 2019 to be paid out in January 2020 for an amount of $3,044 which is reflected within the accounts payable and accrued liabilities line item in the consolidated statement of financial position.

30 RELATED PARTY TRANSACTIONS

Key Management Compensation

Total compensation paid to key management personnel, remuneration of directors and other members of key executive management personnel for the year ended December 31, 2019 and 2018 are as follows:

Expressed in thousands of United States dollars, except where otherwise noted.

		2019	2018
Salaries and short-term employee benefits	**$**	**2,417**	$2,536
Share-based payments		**567**	347
Termination benefits		**348**	-
	$	**3,332**	$2,883

Iraja Royalty Payments

As part of the EPP transaction with Yamana Gold Inc. (“Yamana”), Mineracao Apoena S.A. (“Apoena”) entered into a royalty agreement (the “EPP Royalty Agreement”), dated June 21, 2016, with Serra da Borda Mineracao e Metalurgia S.A. (“SBMM”), Yamana’s wholly-controlled subsidiary. Commencing on and from June 21, 2016, Apoena will pay to SBMM a royalty (the “Royalty”) that is equal to 2.0% of Net Smelter Returns on all gold mined or beneficiated from Apoena (the “Subject Metals”) sold or deemed to have been sold by or for Apoena. Effective as at such time as Apoena has paid the Royalty on up to 1,000,000 troy ounces of the Subject Metals, the Royalty shall without the requirement for any further act or formality, reduce to 1.0% of Net Smelter Returns on all Subject Metals sold or deemed to have been sold by or for Apoena.

On October 27, 2017, SBMM entered into an agreement (the “Royalty Swap Agreement”) with Iraja Mineracao Ltda, a company beneficially owned or controlled by Paulo de Brito, third-party company, for the swap of the EPP Royalty with the RDM Royalty (as defined in the Royalty Swap Agreement) with no change to the terms of the royalty calculation. The Company has incurred expenses of the related royalties of $1.4M in the 2019 year and has a liability outstanding of $145.5K at December 31, 2019.

Promissory Note for Rio Novo

On completion of the Merger with Rio Novo, the Company assumed the obligations of the demand promissory notes issued by Rio Novo in favor of Northwestern (see *Note 14* above).

Royalty Agreement for Rio Novo

The Company, through its wholly owned subsidiary Rio Novo, maintains a royalty agreement with Mineração Santa Elina Ind. e Com. S.A., whereby the subsidiary will pay 1.2% of the Net Smelter Returns on all gold mined or sold, from the moment that is declared commercial production. The subsidiary is currently in care and maintenance.

31 SEGMENTED INFORMATION

The reportable operating segments have been identified as the San Andres Mine, the Brazilian Mines, the Aranzazu Mine, Corporate, and Rio Novo Projects. The Company manages its business, including the allocation of resources and assessment of performance, on a project-by-project basis, except where the Company’s projects are substantially connected and share resources and administrative functions. The segments presented reflect the way in which the Company’s management reviews its business performance. Operating segments are reported in a manner consistent with the internal reporting provided to executive management who act as the chief operating decisionmakers. Executive management is responsible for allocating resources and assessing performance of the operating segments.

Expressed in thousands of United States dollars, except where otherwise noted.

For the year ended December 31, 2019 and 2018, segmented information is as follows:

For the year ended December 31, 2019	**San Andres Mine**	**Brazilian Mines**	**Aranzazu Mine**	**Corporate**	**Rio Novo Projects (1)**	**Total**
Sales to external customers	**$ 79,586**	**$ 75,911**	**$ 70,705**	**$ -**	**$ -**	**$ 226,202**
Cost of production	**53,766**	**52,689**	**49,142**	**-**	**-**	**155,597**
Depletion and amortization	**6,732**	**8,663**	**6,949**	**-**	**-**	**22,344**
Gross margin	**19,088**	**14,559**	**14,614**	**-**	**-**	**48,261**
Care-and-maintenance expenses	**-**	**(1,270)**	**-**	**-**	**(253)**	**(1,523)**
Realized loss on fixed price contracts	**(1,155)**	**(721)**	**(40)**	**(3,633)**	**-**	**(5,549)**
Other expenses	**(4,001)**	**(9,627)**	**(7,802)**	**(4,448)**	**33**	**(25,845)**
Income (loss) before income taxes	**$ 13,932**	**$ 2,941**	**$ 6,772**	**$ (8,081)**	**$ (220)**	**$ 15,344**
Income tax (expense) recovery	**(5,270)**	**(2,794)**	**18,113**	**(28)**	**(478)**	**9,543**
Income (loss) for the year	**$ 8,662**	**$ 147**	**$ 24,885**	**$ (8,109)**	**$ (698)**	**$ 24,887**
Property, plant and equipment	**$ 40,269**	**$ 27,591**	**$ 91,309**	**$ 145**	**$ 53,182**	**$ 212,496**
Total assets	**$ 74,866**	**$ 78,028**	**$ 130,376**	**$ 13,910**	**$ 53,329**	**$ 350,509**
Capital expenditures	**$ 2,598**	**$ 5,293**	**$ 16,926**	**$ -**	**$ 974**	**$ 25,791**

(1) The Rio Novo Projects is not an operating project and is not generating revenues. Corporate handles the maintenance of the asset as it is under care and maintenance.

For the year ended December 31, 2018	San Andres Mine	Brazilian Mines	Aranzazu Mine	Corporate	Rio Novo Projects	Total
Sales to external customers	$ 82,223	$ 73,130	$ 2,349	$ -	$ -	$ 157,702
Cost of production	70,350	52,957	1,400	-	-	124,707
Depletion and amortization	7,736	7,702	282	-	-	15,720
Gross margin	4,137	12,471	667	-	-	17,275
Care-and-maintenance expenses	-	(3,088)	(697)	(421)	(950)	(5,156)
Realized loss on fixed price contracts	(882)	(287)	-	2,217	-	1,048
Other expenses	(3,489)	(5,339)	52,984	(31)	80	44,205
Income (loss) before income taxes	$ (234)	$ 3,757	$ 52,954	$ 1,765	$ (870)	$ 57,372
Income tax (expense) recovery	$ (1,156)	$ 1,128	$ (4,230)	$ (1,564)	$ 416	$ (5,406)
Income (loss) for the year	$ (1,390)	$ 4,885	$ 48,724	$ 201	$ (454)	$ 51,966
Property, plant and equipment	$ 43,516	$ 29,442	$ 80,075	$ -	$ 52,164	$ 205,197
Total assets	$ 73,874	$ 65,185	$ 95,553	$ 14,460	$ 52,222	$ 301,294
Capital expenditures	$ 7,135	$ 5,933	$ 17,296	$ -	$ 1,140	$ 31,504

Revenues for the San Andres Mine and the Brazilian mines relate to the sale of refined gold. Revenue for the Aranzazu mine relates to the sale of copper concentrate. Company's revenues are concentrated in a reduced number of customers and management continuously monitors the relationship with their clients.

32 COMMITMENTS AND CONTINGENCIES

a) Operating leases commitments

The Company has the following commitments for future minimum payments under operating leases:

	December 31, 2019	December 31, 2018
Within one year	**$ 501**	$ 204
Two to Four Years	**208**	47
	$ 709	$ 251

Expressed in thousands of United States dollars, except where otherwise noted.

b) Contingencies

Certain conditions may exist as of the date of these financial statements which may result in a loss to the Company in the future when certain events occur or fail to occur. The Company assesses at each reporting date its loss contingencies related to ongoing legal proceedings by evaluating the likelihood of such proceedings, as well as the amounts claimed or expected to be claimed.

Included in other provisions as of December 31, 2019 is a provision of $328 (2018: $511) for loss contingencies related to ongoing legal claims.

33 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated using the "if-converted method" in assessing the dilution impact of convertible instruments until maturity. The if-converted method assumes that all convertible instruments until maturity have been converted in determining fully diluted profit per share if they are in-the-money, except where such conversion would be anti-dilutive. At the end of December 31, 2019, the Company had a total of 28,760 stock options and 12,653 deferred stock units ("DSUs") that were in-the-money and considered in the diluted earnings per share calculation.

The following table summarizes activity for the years ended December 31:

	December 31, 2019	December 31, 2018
Income for the year	**$ 24,887**	$ 51,966
Weighted average number of shares outstanding - basic	**4,352,981**	4,145,091
Weighted average number of shares outstanding - diluted	**4,394,394**	4,203,929
Total net income per share - basic	**$ 5.72**	$ 12.54
Total net income per share - diluted	**$ 5.66**	$ 12.36

34 SUBSEQUENT EVENTS

Banco Santander Refinancing

On January 2020, Mineracao Apoena and Banco Santander Brazil have agreed to refinance a loan contract in the amount of $4,500. The new loan bears an annual interest rate of 7.18% with a maturity date of January 2021.

Potential Acquisition from Para Resources

On February 10th, 2020, the Company signed a binding Term Sheet to buy a Gold mine in Arizona, USA called "Gold Road" from Para Resources. The transaction is still pending to legal due diligence, among other procedures, and should be closed early March.

The acquisition will be for a price of US$ 1.00 while the Company assumes a non-recourse debt of US$ 35 MM with an option to prepay for US$ 24 MM during the first year.