GUYANA GOLDFIELDS INC.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements, and notes thereto, and other information of Guyana Goldfields Inc. (“the Company”, “we”, “our” or “us”) were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to our circumstances. Our significant accounting policies are summarized in Note 3 to the consolidated financial statements.

In order to discharge management’s responsibility for the integrity of the financial statements, we maintained a system of internal controls over the financial reporting process. These controls are designed to provide reasonable assurance that our assets are safeguarded, transactions are executed and recorded in accordance with management’s authorization, proper records are maintained, relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with our other financial information and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management as well as with the independent auditors and internal auditors to review the internal controls over the financial reporting process, the consolidated financial statements together with our other financial information. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with our other financial information for issuance to the shareholders. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audit, the adequacy of the system of internal controls, and the review of financial reporting issues.

Management recognizes its responsibility for conducting our affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

/s/ Alan Pangbourne
Chief Executive Officer

/s/ Leon Binedell
Chief Financial Officer

Toronto, Canada

May 7, 2020

Independent auditor's report

To the Shareholders of Guyana Goldfields Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Guyana Goldfields 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 comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of comprehensive (loss) income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; 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.

Material uncertainty related to going concern

We draw attention to note 2 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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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 Jamie Clark.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
May 7, 2020

GUYANA GOLDFIELDS INC.

Consolidated Statements of Financial Position

(Expressed in thousands of U.S. Dollars)

			As at December 31,		
			2019		2018
ASSETS					
Current assets					
Cash and cash equivalents	(Note 5)	**$**	**22,108**	$	81,988
Accounts receivable, prepaid expense and other assets	(Note 6)		**4,763**		4,333
Deposits with suppliers			**2,229**		5,423
Inventories	(Note 7)		**34,952**		56,119
Total current assets			**64,052**		147,863
Non-current assets					
Restricted cash			**148**		3,238
Mineral properties, plant and equipment	(Note 9, 10)		**95,511**		308,382
Deferred tax asset	(Note 23a)		**-**		11,355
Other non-current assets	(Note 11)		**3,913**		5,557
Total assets		**$**	**163,624**	$	476,395
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	(Note 12)	**$**	**27,247**	$	25,160
Restructuring provision	(Note 13a)		**4,343**		1,335
Derivative liability			**-**		240
Current portion of lease obligations	(Note 15)		**1,034**		-
Current portion of long-term debt (net)	(Note 14)		**-**		19,688
Total current liabilities			**32,624**		46,423
Non-current liabilities					
Long-term debt (net)	(Note 14)		**-**		19,875
Asset retirement obligations	(Note 16)		**6,609**		4,286
Derivative liability			**-**		589
Lease obligations	(Note 15)		**2,156**		-
Share based compensation liability	(Note 18b)		**318**		777
Deferred tax liability	(Note 23b)		**-**		19,053
Total liabilities		**$**	**41,707**	$	91,003
EQUITY					
Share capital	(Note 17)	**$**	**503,600**	$	504,553
Contributed surplus			**35,101**		34,283
Accumulated deficit			**(416,784)**		(153,444)
Total equity		**$**	**121,917**	$	385,392
Total liabilities and equity		**$**	**163,624**	$	476,395

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

Going concern (Note 2)
Commitments and contingencies (Note 24)
Subsequent events (Note 32)

APPROVED ON BEHALF OF THE BOARD:

"Rene Marion" — Director

"Wendy Kei" — Director

GUYANA GOLDFIELDS INC.

Consolidated Statements of Comprehensive (Loss) Income

(Expressed in thousands of U.S. Dollars, except share amounts)

			2019		2018
Revenues					
Metal sales		**$**	**174,218**	$	187,890
Cost of sales					
Production costs			**129,706**		105,549
Royalty			**14,100**		14,983
Depreciation			**45,763**		30,789
Total cost of sales			**189,569**		151,321
Corporate general and administrative expenses	(Note 19)		**12,908**		10,025
Exploration and evaluation expenses	(Note 20)		**1,473**		5,314
Restructuring expenses	(Note 13b)		**7,582**		4,006
Impairment Losses	(Note 9, 10)		**234,957**		-
Net finance (income) expenses	(Note 21)		**(1,860)**		5,324
Net other expenses	(Note 22)		**626**		245
(Loss) earnings before tax			**(271,037)**		11,655
Deferred tax (recovery) expense	(Note 23)		**(7,697)**		6,288
Net (loss) earnings			**(263,340)**		5,367
Other Comprehensive Income					
Gain on marketable security, net			**-**		21,472
COMPREHENSIVE (LOSS) INCOME		**$**	**(263,340)**	$	26,839
Net (loss) earnings per share					
Basic	(Note 27)	**$**	**(1.51)**	$	0.03
Diluted	(Note 27)	**$**	**(1.51)**	$	0.03
Weighted average number of shares outstanding					
Basic	(Note 27)		**173,946,986**		173,393,632
Diluted	(Note 27)		**173,946,986**		174,072,861

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

GUYANA GOLDFIELDS INC.

Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. Dollars)

			2019		2018
Cash provided by (used in)					
Operating cash flows					
Net (loss) earnings		**$**	**(263,340)**	$	5,367
Items not involving cash:					
Depreciation			**40,663**		35,056
Impairment losses			**234,957**		-
Deferred tax (recovery) expense			**(7,697)**		6,288
Unrealized foreign exchange loss			**29**		329
Unrealized (gain) loss on derivative instruments			**(829)**		3,697
Loss on sale of asset	(Note 22)		**798**		-
Interest expense on long-term debt			**835**		3,144
Interest expense on lease obligations			**36**		-
Deferred financing amortization expense			**437**		492
Other non-cash gains			**(46)**		(233)
Share-based compensation			**(316)**		2,088
Change in operating working capital balances:					
Change in inventory			**21,167**		(15,256)
Accounts receivable, prepaid expense and other assets			**(430)**		2,410
Accounts payable and accrued liabilities			**2,275**		20,160
Change in other non-current assets			**1,644**		(5,557)
Total cash provided by Operations		**$**	**30,183**	$	57,985
Investing cash flows					
Additions to mineral properties, plant and equipment			**(55,198)**		(59,448)
Deposits with suppliers for capital expenditures			**-**		(4,544)
Proceeds from sales of marketable securities			**-**		35,505
Proceeds from disposal of assets	(Note 9)		**2,900**		-
Release (funding) of restricted cash, net			**3,090**		(1,045)
Total cash used in Investing		**$**	**(49,208)**	$	(29,532)
Financing cash flows					
Repayment of loan facility	(Note 14)		**(40,000)**		(20,000)
Interest on loan facility	(Note 21)		**(835)**		(3,144)
Repayment of lease obligations	(Note 15)		**(1,001)**		-
Proceeds from share issuance			**981**		954
Total cash used in Financing		**$**	**(40,855)**	$	(22,190)
Net change in cash and cash equivalents		**$**	**(59,880)**	$	6,263
Cash and cash equivalents, beginning of period			**81,988**		75,725
Cash and cash equivalents, end of period	(Note 5)	**$**	**22,108**	$	81,988

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

GUYANA GOLDFIELDS INC.

Consolidated Statements of Changes in Equity

(Expressed in thousands of U.S. Dollars)

		2019	2018
Share capital	(Note 17)		
Balance, beginning of period		**$ 504,553**	$ 500,769
Issued on exercise of stock options		**(278)**	2,239
Fair value of options exercised		**(675)**	1,180
Deferred tax recovery on share issuance costs		-	365
Balance, end of period		**503,600**	504,553
Contributed surplus			
Balance, beginning of period		**34,283**	33,521
Fair value of options exercised		**675**	(1,180)
Share based compensation	(Note 18)	**143**	1,942
Balance, end of period		**35,101**	34,283
Deficit			
Balance, beginning of period		**(153,444)**	(180,283)
Net (loss) earnings for the period		**(263,340)**	5,367
Changes in the fair value of marketable securities at fair value through other comprehensive income, net of tax		**-**	21,472
Balance, end of period		**(416,784)**	(153,444)
Total equity		**$ 121,917**	$ 385,392

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

1. NATURE OF OPERATIONS

We are a company domiciled in Canada and were incorporated on December 12, 1994, under the Canadian Business Corporations Act. Our shares are publicly traded on the Toronto Stock Exchange (TSX: GUY). Our head office is registered at 375 University Avenue, Suite 802, Toronto, Ontario, Canada.

Guyana Goldfields Inc. and our wholly owned subsidiaries are engaged in the acquisition, exploration, development and operation of precious metal mineral properties, principally in Guyana, South America. Our primary asset is the wholly owned Aurora Gold Mine, located in Guyana South America.

2. BASIS OF PRESENTATION AND GOING CONCERN

(a) Going concern and statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. These consolidated financial statements were approved by the Board of Directors of the Company for issue on May 7, 2020.

For the year ended December 31, 2019, we reported a loss of $263,340, an impairment loss on mineral properties, plant and equipment of $234,957, an accumulated deficit of $416,784, positive working capital of $31,428 and positive cash flow from operations of $30,183.

In the fourth quarter of 2019, we commenced a process to evaluate additional financing options to fund ongoing working capital requirements and the continued development of our underground mine. Existing cash and cash equivalents of $22,108 as at December 31, 2019 is not sufficient to meet our funding needs required to continue to fund ongoing operations and complete the construction of the underground mine for the next twelve months. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Management considered various financing alternatives, including issuance of new equity or debt instruments. Subsequent to year end, we started exploring strategic alternatives, in addition to the evaluation of financing options, including consideration of a corporate transaction. On April 26, 2020 we entered into an Arrangement Agreement (the "Arrangement Agreement") with Silvercorp Metals Inc. ("Silvercorp") whereby Silvercorp will acquire all of the issued and outstanding shares of the Company not already owned by Silvercorp by way of a plan of arrangement under the Canada Business Corporation Act, inclusive of a bridge loan facility agreement, which could provide up to $15 million liquidity with a defined use of proceeds related to ongoing operations, as well as for certain working capital and general corporate purposes. However, the bridge loan facility agreement will not be sufficient to fund operations and continued development for the next twelve months. The transaction is subject to customary provisions and is subject to regulatory approvals as well as approval of our shareholders. There is no assurance that these initiatives will be successful. See note 32 - Subsequent events for additional information.

Our ability to continue as a going concern is dependent upon our ability to secure the additional financing and close the corporate transactions in order to fund our ongoing operations and continue development of our underground mine and generate positive cash flows from operations in future periods. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

(b) Functional and presentation currency of presentation

These consolidated financial statements are presented in United States dollars, which is the functional currency of Guyana Goldfields Inc. and all our subsidiaries. All financial information presented in United States dollars has been rounded to the nearest thousand. Some figures in these statements have been expressed in Canadian Dollars (Cdn$) for information purposes and have been denoted as such.

(c) Basis of consolidation

The consolidated financial statements incorporate our financial statements and the entities we controlled. The consolidated financial statements include our accounts and all of our subsidiaries as follows:

Entity name	Place of Incorporation	Ownership
Aranka Gold Inc.	Canada	100%
AGM Inc.	Guyana	100%
Aranka Gold Inc. (Guyana)	Guyana	100%
Guy Gold Inc.	Guyana	100%
Aranka Gold (Barbados) Inc.	Barbados	100%
Aurora Gold (Barbados) Inc.	Barbados	100%
Guygold Barbados Inc.	Barbados	100%

Control is achieved where we have the power to govern the financial and operating policies of an invested entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, cash on hand and other highly liquid short-term instruments with maturity dates less than ninety days.

(b) Restricted cash

Cash subject to restrictions that prevent its use for general purposes is presented as restricted cash.

(c) Financial instruments

1. Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), amortized cost, or fair value through other comprehensive income ("FVOCI). We determine the classification of financial assets at initial recognition.

Under IFRS 9 – Financial Instruments, we have classified and measured our financial assets as follows:

- Derivative instruments not designated as hedging are classified as fair value through profit or loss and measured at fair value.
- Cash and cash equivalents, restricted cash, accounts receivable and other assets (current and non-current) are classified as and measured at amortized cost.

(1.1) FVTPL

Financial assets are classified at FVTPL if they are acquired for the purpose of trading in the near term. Gains or losses on these items are recognized in net earnings or loss. All previously recorded unrealized gains and losses are reversed and recognized as realized upon settlement.

(1.2) Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not designated as FVTPL: 1) the object of our business model for these financial assets is to collect their contractual cash flows and 2) the asset's contractual cash flows represent "solely payments of principal and interest". Our accounts receivables and other assets are recorded at amortized cost as they meet the required criteria. A provision is recorded when the estimated recoverable amount of the financial asset is lower than the carrying amount.

At each statement of financial position date, we, on a forward-looking basis, assess the expected credit losses associated with our financial assets carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. When sold or impaired, any accumulated fair value adjustments previously recognized are included in profit or loss.

(1.3) FVOCI

For equity securities that are not held for trading, we can make an irrevocable election at initial recognition to classify the instruments at FVOCI, with all subsequent changes in fair value being recognized in other comprehensive income ("OCI"). This election is available for each separate investment. Under this new FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment, the cumulative fair value change remains in OCI and is not recycled to net earnings or loss.

2. Financial liabilities

Under IFRS 9, we have classified and measured our non-derivative financial liabilities as follows:

- Accounts payable and accrued liabilities, as well as long-term debt are classified as and measured at amortized cost.

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability. The amortization of debt issuance costs is calculated using the effective interest method.

3. Derivative financial instruments

(3.1) Hedged derivative financial instruments

We may hold derivative financial instruments to hedge our risk exposure to fluctuations in commodity prices, including our final product, consumables and other currencies compared to the USD. Derivative financial instruments are measured at fair value at each reporting period.

(3.2) Non-hedged derivative financial instruments

All derivative instruments not designated in a hedge relationship that qualifies for hedge accounting are classified as financial instruments at FVTPL. Changes in fair value of non-hedged derivative financial instruments are included in net earnings or loss as non-hedged derivative gains or losses.

(d) Inventory

Inventory classifications include stockpiled ore, in-circuit inventory, finished goods inventory and materials and supplies. The value of all production inventories includes direct production costs and attributable overhead and depreciation incurred to bring the materials to their current point in the processing cycle. General and administrative costs for the corporate office are not included in any inventories. All inventories are valued at the lower of cost and net realizable value, with net realizable value determined with reference to market prices, less estimated future production costs (including royalties) to convert inventories into saleable form. If carrying value exceeds net realizable value, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused the write-down no longer exists.

(i) Stockpiled ore represents unprocessed ore that has been mined and is available for future processing. Stockpiled ore is measured by estimating the number of tonnes through physical surveys and contained ounces through grade reconciliation via the ore control process. Stockpiled ore value is based on the costs incurred, including depreciation and applicable mine-site overheads, in bringing the ore to the stockpile. Costs are added to the stockpiled ore based on current mining costs and are removed at the average costs per tonne of ore in the stockpile.

(ii) In-circuit inventory represents material that is currently being processed to extract the contained gold into a saleable form. The amount of gold in-circuit is determined by assay values and by measure of the various gold bearing materials in the recovery process. The in-circuit gold is valued at the average of the beginning inventory and the costs of material fed into the processing stream plus in-circuit conversion costs including applicable mine-site overheads, and depreciation related to the processing facilities.

(iii) Finished goods inventory is saleable gold in the form of doré bars that have been poured. Included in the costs are the direct costs of mining and processing operations as well as direct mine site overheads, and depreciation.

(iv) Materials and supplies inventories include equipment parts and other consumables required in the mining and ore processing activities and are valued at the lower of average cost and net realizable value.

(e) Exploration and evaluation costs

Exploration and evaluation costs incurred on the exploration and evaluation of potential mineral reserves and resources include costs such as:

(i) acquisition of rights to explore;
(ii) exploratory drilling, trenching and sampling;
(iii) accumulating exploration data through topographical and geological studies;
(iv) determining the volume and grade of resources;
(v) test work on geology, metallurgy, mining, geotechnical and environmental; and
(vi) conducting engineering, marketing and feasibility studies.

Exploration and evaluation costs are expensed as incurred.

(f) Mineral properties, plant and equipment

Mineral properties, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. The costs of mineral properties, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the asset retirement obligation.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost can be measured reliably.

When a project commences commercial production, the accumulated capitalized development costs are transferred to the appropriate mineral properties, plant and equipment and other assets. From this point forward, costs incurred are either capitalized to inventory or expensed as operating costs, except for capitalized costs related to assets under construction that provide a future benefit.

Additional development costs incurred after the commencement of commercial production are capitalized to the extent that they are expected to give rise to a future economic benefit and are classified as assets under construction.

Costs incurred in the course of construction of an asset are capitalized and recognized as assets under construction. On completion of construction activities, costs are transferred to the appropriate category of plant and equipment. Costs to bring an asset to the location and condition necessary for it to be capable of operating in the manner intended by management are capitalized. Depreciation commences once the asset is complete and available for use.

Depreciation

Mineral properties are depreciated using a unit of production method based on estimated proven and probable mineral reserves to which they relate. Certain components of the processing facility are also depreciated using the unit-of-production basis over the proven and probable reserves of the mine.

Depreciation on the following assets is recognized based on the cost of the item, less its estimated residual value, using the straight-line method over its estimated remaining useful life, or the remaining life of the mine if shorter:

Buildings	3 to 15 years
Mobile fleet	3 to 8 years
Equipment – process plant and power plant	3 to 15 years
Vehicles	3 to 15 years
Field equipment	3 to 5 years
Computer equipment	3 years
Office furniture	5 years
Leasehold improvements	Lesser of term of lease or useful life

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis or when needed. Where parts (components) of an item has a different useful life or for which a different depreciation rate would be appropriate, it is accounted for as a separate asset.

Major Maintenance and Repairs

Expenditure on major maintenance or repairs includes the cost of the replacement of parts of assets and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will be available to us, the expenditure is capitalized and the carrying amount of the item replaced is derecognized. Similarly, overhaul costs associated with major maintenance are capitalized and depreciated over their useful lives where it is probable that the future economic benefits will be available and any remaining carrying amounts of the cost of previous overhauls are derecognized. All other costs are expensed as incurred.

Equipment Disposals

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of comprehensive (loss) income.

(g) Deferred stripping costs

In open pit mining operations, it is necessary to remove overburden and other waste materials in order to produce inventory or to improve access to ore which will be mined in the future. The process of removing overburden and waste materials is referred to as stripping.

Where the costs are incurred to produce inventory, the production stripping costs are accounted for as a cost of producing those inventories. Where the costs are incurred to improve access to ore which will be mined in the future, the costs are deferred and capitalized to mineral properties, plant and equipment as a stripping activity asset if improved access to the ore body is probable, the component of the ore body can be accurately identified, and the costs relating to the stripping activities associated with the component can be reliably measured. The stripping activity asset will be impaired if improved access to the ore body is no longer probable. Capitalized costs are depreciated on a systematic basis over the expected useful life of the identified component of the ore body. If these criteria are not met, the costs are expensed in the period in which they are incurred.

(h) Revenue recognition

Revenue from the sale of gold is measured based on the agreed gold price related to the spot gold price specified in a contract with a customer. We recognize revenue when we transfer control of our gold over to a customer, either in the form of refined gold or gold doré bars, and no further performance obligation is required from us.

(i) Asset retirement obligations

Our mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. We recognize liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties, plant and equipment when those obligations result from the construction, development or normal operation of the assets.

We have recorded a liability and corresponding asset for the estimated future cost of mine reclamation and closure at the Aurora mine, including the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas, discounted to net present value. The present value of estimated costs is recorded in the period in which the asset is installed, or the environment is disturbed and a reasonable estimate of future costs and discount rates can be made. The provision is present valued based on current market assessments of the time value of money using discount rates based on a risk-free rate that approximates the timing of expenditures to be incurred, and estimates of future cash flows are adjusted to reflect risks specific to the liability.

Each period we review cost estimates and other assumptions used in the valuation of the obligation to reflect changes in circumstances and new information available. The main factors that can cause expected cash flows to change are: changes in laws and regulations governing the protection of the environment; construction of new facilities; methods of reclamation; changes to estimated lives of operations and extent of reclamation work required; changes in the mineral reserves and resources; and changing ore characteristics. Provisions for asset retirement obligations do not include any additional obligations which are expected to arise from future disturbances.

After the initial measurement, the obligation is adjusted to reflect the passage of time, changes in the estimated future cash flows underlying the obligation and any changes in the discount rate. The change in the provision due to the passage of time is capitalized as development costs and will be recognized in profit and loss as accretion expense. Increases and decreases to the provision relating to the changes in estimated future cash flows and changes in the discount rate are capitalized and are depreciated over the life of the related asset, unless the amount deducted from the cost exceeds the carrying value of the asset, in which case the excess is recorded in profit and loss.

Actual costs incurred upon settlement of the asset retirement obligation are charged against the provision to the extent the provision was established for those costs. Upon settlement of the liability, a gain or loss may be recorded.

(j) Impairment of non-financial assets

At the end of each reporting period and when facts and circumstances indicate a possible impairment, we review the carrying amounts of our non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost of disposal ("FVLCD") or its value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of the future cash flows expected to be derived from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate to arrive at a net present value or net asset value ("NAV") of the asset.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to our continued use of the asset and does not take into account assumptions of significant future enhancements of an asset's performance or capacity to which we are not committed.

Estimated future cash flows are calculated using estimated future commodity prices, mineral resources, operating and capital costs, using appropriate discount rates.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or groups of assets, in which case, the individual assets are grouped together into cash generating units for impairment purposes.

An impairment loss is reversed if there is indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(k) Share based payments

Stock Option Plan (equity settled)

Equity settled share-based payments to employees and non-employees are measured at the fair value of the equity instrument at the grant date. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including our directors.

The fair value is determined using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted, and recognized over the period during which the options vest. The vesting periods are generally over a prescribed schedule of up to two to five years from date of grant issuance. The fair value is expensed or capitalized to assets under development, a component of mineral properties, plant and equipment, with a corresponding increase in equity, reflecting a graded vesting method based on our estimate of equity instruments that will eventually vest. Management estimates the number of options likely to vest at the time of a grant and at each reporting date up to the vesting date. Annually, the estimated forfeiture rate is adjusted for actual forfeitures in the period. Upon the exercise of stock options, the consideration received is recorded as share capital and the related stock option equity amount is transferred to share capital.

Restricted share units, Restricted performance share units and Deferred share units ("RSUs", "RPSUs" and "DSUs") (cash settled)

RSUs are granted to employees as a part of long-term incentive compensation. Each RSU has the same value as one Guyana Goldfields Inc. common share, based on the five-day volume weighted average trading price. The grants typically vest one-third on the first, second and third anniversary of the grant date and are to be settled in cash. A liability for outstanding share units is measured at fair value on the grant date and is subsequently adjusted for changes in fair value at each reporting date until settlement. The liability is recognized on a graded vesting basis over the vesting period, with a corresponding charge to net earnings (loss).

RPSUs are subject to certain vesting requirements based on performance criteria and become unrestricted over the same vesting period as RSUs when these requirements are met. A liability for outstanding RPSUs that meets the performance criteria is measured at fair value on the first, second and third anniversary of the grant date with a corresponding charge to net earnings (loss).

DSUs are granted to our directors as a part of compensation and vest upon grant. Each DSU has the same value as one Guyana Goldfields Inc. common share, based on the five-day volume weighted average trading price. A liability for outstanding share units is measured at fair value on the grant date and is subsequently adjusted for changes in fair value at each reporting date until settlement. The liability is recognized on a graded vesting basis over the vesting period, with a corresponding charge to net earnings (loss).

(l) Long-term debt

Debt is classified as current when we expect to settle the liability in its normal operating cycle, or the liability is due to be settled within twelve months after the date of the consolidated balance sheet. Borrowings are recognized initially at fair value, net of transaction costs incurred related to the borrowings.

Fees paid to establish debt facilities are recognized as transaction costs of the debt and are deferred. Transaction costs and fees are any expenditures directly connected with establishing and finalizing the borrowing arrangement. These costs include legal and accounting fees, registration fees, agency fees, and arrangement fees.

(m) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable earnings will be available against which deductible temporary differences can be utilized. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and, differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet reporting date. Deferred tax is charged or credited to earnings, except when it relates to items charged or credited directly to equity, in which case the deferred tax is reflected in equity.

Deferred tax assets and liabilities are offset where they relate to income taxes levied by the same taxation authority and we have the legal right and intent to offset. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are presented as non-current.

(n) Earnings per share

Earnings per share ("EPS") is calculated based on the weighted average number of common shares issued and outstanding during the year. Diluted EPS is calculated using the treasury stock method and if converted method, as applicable. The treasury method assumes that outstanding share options with an average market price that exceeds the average exercise prices of the options for the period are exercised and the assumed proceeds are used to repurchase our shares at the average market price of the common share for the period.

(o) Leases

We implemented IFRS 16 Leases ("IFRS 16") effective January 1, 2019 which supersedes IAS 17 Leases ("IAS 17"). Please refer to note 31 for the change in accounting policies and the impact of the transition to IFRS 16.

4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses and other income for the reporting period.

Judgments, estimates and assumptions are periodically evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Areas of judgment, estimate and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Mineral reserves and resources

We estimate our Mineral Reserves and Mineral Resources based on information compiled by qualified persons as defined in accordance with National Instrument ("NI") 43-101, "Standards of Disclosure for

Mineral Projects" issued by the Canadian Securities Administrators. Mineral Reserves are estimates of the amount of ore that can be economically and legally extracted from our mining properties.

There are numerous estimates in determining Mineral Reserves and Mineral Resources. Such estimation is a subjective process, and the accuracy of any Mineral Reserve or Mineral Resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Changes to management's assumptions and judgements made in estimating the size and grade of the ore body, metallurgical assumptions made in estimating recovery of the ore body, including economic estimates of commodity prices, production costs, future capital requirements, and exchange rates, will impact Mineral Reserve and Mineral Resource estimates.

These estimates and assumptions valid at the time of estimation may change significantly when new information becomes available. This may result in a change in the economic status of the Mineral Reserve and may ultimately result in Mineral Reserves being revised.

Changes in the Mineral Reserve or Mineral Resource estimates may impact the carrying value of mineral properties, plant and equipment, the calculation of depreciation expense, asset retirement obligations, the recognition of deferred tax amounts and going concern assumption.

Valuation of inventories

We also assess our inventory for impairment and estimates the net realizable value. If carrying value exceeds net realizable value, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused the write-down no longer exists.

Impairment of assets

We assess our long-lived assets at the end of each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is considered to be the higher of the FVLCD and value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and future operating performance. An impairment loss is recognized if the recoverable amount exceeds the carrying amount of the asset. Impairment losses are recognized in net income. An impairment loss is reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognized, net of depreciation or amortization, if no prior impairment loss was recorded.

FVLCD is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Value in use is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of approved future expansion plans and eventual disposal. Cash flows are discounted by an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Changes in any of the assumptions or estimates used in determining the fair value could impact the impairment analysis.

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

Income taxes

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences") and losses carried forward.

The determination of our ability to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about our future performance. Management is required to assess whether it is "probable" that we will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, gold prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilization of the losses.

Asset retirement obligation

Liabilities for asset retirement obligations are recognized at the time of environmental disturbance, in amounts equal to the discounted value of expected future mine reclamation and closure costs. Our provision for asset retirement obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability. Factors that affect the final cost of remediation include estimates of the extent and costs of rehabilitation activities, the expected timing, technological changes, cost increases and changes in discount rates. Changes in the above factors can result in a change to the asset retirement obligation recognized by us. This liability is reassessed and re-measured at each reporting date.

Contingencies

The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur.

5. CASH AND CASH EQUIVALENTS

At December 31, 2019, we held $22.1 million of cash (December 31, 2018 - $82.0 million) with approximately $21.7 million (December 31, 2018 - $81.5 million) denominated in United States dollars, with the remaining predominantly in Canadian dollars. Cash is deposited primarily in Canadian chartered banks and financial institutions.

6. ACCOUNTS RECEIVABLE, PREPAID EXPENSE AND OTHER ASSETS

	December 31, 2019	December 31, 2018
Accounts receivable and other receivables	**$** 1,180	$ 604
Value added tax	1,272	2,126
Prepaid expense	2,311	1,603
Total	**$ 4,763**	$ 4,333

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

Value added taxes consists mainly of the balance owing from the Government of Guyana, which we expect to collect within twelve months. Following recent receipts of long-outstanding value added tax claims and various discussions with the Government of Guyana, the value added tax receivable was written down during 2019 by a total of $1.8 million. Out of the total amount written down, $1.3 million was recorded in other non-current assets (see Note 11) and the remaining $0.5 million was recorded in accounts receivable, prepaid expenses and other assets. While we continue to believe the total value added tax receivable remains owing by the Guyanese Government and we will pursue the full recovery of all amounts outstanding, recent payment history has indicated that it may be unlikely that the full balance will be recoverable. The write-down was recorded in production costs and reflects management's best estimate of the recoverable amount net of cost to recover.

7. INVENTORIES

	December 31, 2019	December 31, 2018
Ore stockpiled	**$ 1,270**	$ 12,927
In-circuit	**3,887**	3,011
Finished goods	**317**	3,375
Materials and supplies	**29,478**	36,806
Total	**$ 34,952**	$ 56,119

The amount of depreciation included in inventory at December 31, 2019 is $0.8 million (December 31, 2018 – $7.0 million).

The cost of inventories expensed and included in total cost of sales for 2019 was $130.6 million (2018 - $100.9 million).

During 2019, ore stockpiled, in-circuit and finished goods inventories were written down by $5.8 million (2018 - $nil). This net realizable value write-down was recorded in production costs.

During 2019, materials and supplies were written down by $4.7 million (2018 - $1.6 million) to their net realizable value. The write-down was recorded in production costs. As at the end of December 31, 2019, the accumulated write-down amount on materials and supplies was $6.3 million (December 31, 2018 - $1.6 million).

8. DERIVATIVE INSTRUMENTS

Prior to May 2019, we entered into diesel swap contracts to mitigate risk associated with volatility in diesel prices. We did not apply hedge accounting to these derivative contracts. The swap contracts were fair valued at each statement of financial position date, with the movement in fair value recognized through net finance income (expense) in net (loss) earnings. The mark-to-market fair values of all contracts is determined by using inputs that are observable and determined using standard valuation techniques. Derivative instruments are classified within Level 2 of the fair value hierarchy.

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

During 2019, we settled our investment in the derivative instrument contracts and received a total cash proceed of $2.7 million. During the first quarter of 2019, we entered into a gold price swap contract and settled it within the same quarter and recorded a gain of $0.5 million. See Note 21 for gain or loss recorded on all derivative instruments settled during 2019.

9. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Assets under construction	Mineral properties	Buildings, plant and mobile equipment	Right-of-use assets	Total
Cost					
At December 31, 2017	$ 24,584	$ 111,790	$ 233,508	$ -	$ 369,882
Additions	10,954	21,964	24,559	-	57,477
Decrease in ARO		(824)	-	-	(824)
Transfers (out) in	(16,369)		16,369	-	-
Disposals	-	-	(2,999)	-	(2,999)
At December 31, 2018	$ 19,169	$ 132,930	$ 271,437	$ -	$ 423,536
IFRS 16 adjustments (Note 31)	-	-	-	1,229	1,229
Additions	1,491	49,797	10,902	1,535	63,725
Increase in ARO	-	2,181	-	-	2,181
Transfers (out) in	(11,847)	-	11,847	-	-
Disposals	-	-	(4,967)	(330)	(5,297)
At December 31, 2019	**$ 8,813**	**$ 184,908**	**$ 289,219**	**$ 2,434**	**$ 485,374**
Accumulated depreciation and impairment					
At December 31, 2017	$ -	$ 15,142	$ 66,888	$ -	$ 82,030
Depreciation	-	17,166	17,890	-	35,056
Disposals	-	-	(1,932)	-	(1,932)
At December 31, 2018	$ -	$ 32,308	$ 82,846	$ -	$ 115,154
Depreciation	-	16,040	24,293	791	41,124
Disposals	-	-	(1,312)	(60)	(1,372)
Asset impairments (Note 10)	8,286	96,601	128,873	1,197	234,957
At December 31, 2019	**$ 8,286**	**$ 144,949**	**$ 234,700**	**$ 1,928**	**$ 389,863**
Net book value					
At December 31, 2018	$ 19,169	$ 100,622	$ 188,591	$ -	$ 308,382
At December 31, 2019	**$ 527**	**$ 39,959**	**$ 54,519**	**$ 506**	**$ 95,511**

Included in above asset cost is an immaterial reclassification of $0.8 million between additions in Assets-under-construction asset and decrease in ARO under Mineral properties relating to 2018.

As at December 31, 2019, the underlying asset class for all the right-of-use assets recorded is "buildings, plant and mobile equipment".

During 2019, we capitalized $34.5 million (2018: $20.4 million) of deferred stripping costs and $13.6 million (2018: $nil) of underground development costs to mineral properties, respectively. The $13.6 million underground development costs capitalized under the mineral properties include a $0.5 million depreciation expense. In addition, $2.6 million incidental sales proceed generated from the gold produced from underground project was recorded as a credit during 2019.

In July 2019, we finalized the sale of our Twin Otter plane for a sale price of $2.9 million and received net cash proceeds of $2.8 million. During the second quarter in 2019, we valued the plane at $2.8 million, which represents the fair value less cost to sell. As a result, of the difference between the carrying value and fair value less cost to sell, we recognized a loss of $0.8 million during 2019.

10. ASSET IMPAIRMENTS

In accordance with our accounting policies and processes, each long-lived asset is assessed at the end of each reporting period as to whether there are any indications, from external and internal sources of information that a long-lived asset may be impaired, requiring an adjustment to the carrying value.

For the year ended December 31, 2019, our market capitalization was below our net asset value, which is determined to be an indicator of impairment in conjunction with ongoing challenges in achieving the optimized sequence of mining and waste development in the open pit.

(a) Aurora mine (CGU "Aurora")

As a result of the impairment indicators noted above, we completed an asset impairment test that determined that the recoverable amount of Aurora based on a FVLCD model of $102 million exceeded the carrying value resulting in an asset impairment charge of $225.8 million for the year ended December 31, 2019. Estimates of future cash flows used in the calculation of the recoverable amount of Aurora are based on a reserve evaluation report prepared by independent engineers.

Key Assumptions

The key assumptions and estimates used in determining the FVLCD are related to the estimation of LOM production profile and reserves, future commodity prices, royalties, operating and capital costs and discount rates. The FVLCD estimates are determined to be categorized as level 3 according to the IFRS 13 fair value hierarchy. The following describes the impact on net loss relating to unobservable inputs that would have a significant impact on the determined FVLCD and impairment recognized for the year ended December 31, 2019:

(i) Production volumes: estimates of the quantities of proven and probable mineral reserves and resources form the basis of our LOM plan. For the fourth quarter of 2019, our ore reserves and mineral resources were based on information effective December 31, 2019, as compiled by qualified persons as defined in accordance with the Canadian Securities Administrators' National Instrument 43-101 Standards of Disclosure for Mineral Projects requirement. Production volumes take into account a number of variables, including but not limited to the recoverable quantities, production profile, production costs, capital costs to develop the infrastructure required to extract the reserves and duration of mining rights. The production profiles and volumes used were consistent with the reserves and resource volumes used as a part of our process for the estimation of proved and probable reserves, which are then assessed to reflect what a market participant would estimate;

(ii) Metal prices: forecast gold prices used to estimate future revenues are derived from consensus gold prices from external sources and range from $1,500 per ounce to $1,380 per ounce throughout the LOM; and

(iii) Discount rates: in calculating the FVLCD, after-tax discount rate of 16%was used based on a weighted average cost of capital ("WACC") analysis. Consistent with the cash flows in the LOM plan, the WACC is expressed in real terms.

The LOM plan used to determine impairment is based on our best estimates on market participant assumptions using internal and external data which may generate results that are not necessarily indicative of future performance. In addition, in deriving this analysis, we have made assumptions based on the structure and relationships of variables as at the balance sheet date which may differ due to fluctuations throughout future years with all other variables assumed to remain constant. Actual changes in one variable may contribute to changes in another variable, which may amplify or offset the individual effect of each assumption.

The key assumptions and values derived are compared to observable market multiples, including comparable entities and assets and related value per ounce of reserves and/or resources.

Although these estimates are based on our best knowledge of the amounts, events or actions as of the measurement date, the actual results may differ from these estimates.

Sensitivity Analysis

We have prepared a sensitivity analysis to identify the impact of changes in metal prices and discount rates, which are key assumptions that impact the impairment calculations. We assumed a $100 per ounce change in gold prices and a 1% change in the discount rate, while holding all other assumptions constant, to determine the impact on impairment losses recorded. An increase and decrease of $100 in long-term gold prices would impact the recoverable amount by approximately $58.1 million and $63.2 million respectively. An increase and decrease in discount rate of 1% would impact the recoverable amount by approximately $7.5 million and $8.1 million respectively. We also note that changes in metal price assumptions may impact other assumptions used in the LOM plans, such as operating costs, which may offset to some extent, the impact of the metal price changes. Moreover, we note that the above changes in FVLCD from the assumed changes in gold prices and discount rate are not linear.

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

(b) Exploration properties

We recognized a $7.0 million impairment loss related to the valuation of remaining components of a pilot plant not installed at the Aurora mill that we purchased in the past for the development of greenfield exploration properties. At December 31, 2019, we have not set aside any funding nor have plans for the development of greenfield exploration properties. It has also become apparent that we will no longer be able to fund our underground development project nor the open pit pushback (see Note 2) from internal sources. Third-party financing is required. As such, there was no realistic expectation that we would be able to pursue greenfield exploration projects and utilize this asset in the near-term. These assets are currently recorded in Assets Under Construction.

Certain exploration properties held through prospecting licenses are held in the name of a former employee as nominee on behalf of the Company. We have commenced legal action to perfect title for these licenses. These properties have a carrying value of $nil (2018: $nil)

(c) Stripping activity asset

We recognized a $2.2 million impairment loss on stripping activity asset a result of changes in the new LOM. It was determined that it's best to mine the ore from the associated impaired stripping activity asset using underground mining methods.

11. OTHER NON-CURRENT ASSETS

	December 31, 2019	December 31, 2018
Value added tax	**$** 2,345	$ 3,850
Other receivables and prepaid expenses	1,568	1,707
Total	**$ 3,913**	$ 5,557

During 2019, we wrote down a total of $1.8 million (2018: $nil) value added tax receivable from the Government of Guyana (See Note 6).

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

		December 31, 2019		December 31, 2018
Accounts payable	**$**	15,319	$	18,278
Payroll liabilities		1,515		1,374
Accrued liabilities		9,456		5,508
Others		957		-
Total	**$**	**27,247**	$	25,160

13. RESTRUCTURING

During 2018 and 2019, we have been restructuring our management structure.

(a) The following restructuring provisions are outstanding as at:

			December 31, 2019		December 31, 2018
Accrued termination benefits		**$**	**4,343**	$	790
Restricted Share Unit	(Note 18)		**-**		545
Total		**$**	**4,343**	$	1,335

Accrued termination benefits above include certain provisions subject to estimation uncertainty. We exercise judgement to determine whether to recognize provisions and the exposures to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation. Judgment is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise. Such amounts included within accrued termination benefits above represents our best estimate where such amounts can be reliably estimated.

In addition to the amount disclosed above, we are subject to certain claims from former employees. Due to inherent uncertainties, no accurate quantification of any cost, or timing of such cost, which may arise from any of these proceedings can be made at the current time.

(b) The following restructuring expenses were recorded in the Consolidated Statements of Comprehensive (Loss) Income:

			2019		2018
Termination benefits		**$**	**7,515**	$	2,926
Share based compensation	(Note 18)		**(545)**		908
Others			**612**		172
Total		**$**	**7,582**	$	4,006

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

14. DEBT FACILITY

On April 30, 2019, we retired the principal balance outstanding on the loan facility. The remaining $0.3 million previously deferred financing fees was expensed, and the $3.1 million restricted fund required by the facility was released to us during the second quarter ended June 30, 2019. As at December 31, 2019, the remaining $0.2 million restricted cash balance relates to the letters of guarantee for our exploration activities in Guyana, as required by the Guyana Geology and Mines Commission.

The debt facility outstanding consisted of the following as at:

Movement in Debt Facility		
Principal outstanding as at December 31, 2017	$	60,000
Principal repayment during 2018		(20,000)
Principal outstanding as at December 31, 2018		**40,000**
Principal repayment during 2019		(40,000)
Net debt position as at December 31, 2019 (net of deferred financing costs)	**$**	**-**

15. LEASE OBLIGATIONS

Our lease obligations consist of the following as at December 31, 2019:

Movement in Lease Obligations		
Balance, December 31, 2018	$	-
IFRS 16 adjustments (Note 31)		1,229
Addition during 2019		3,256
Lease terminated during 2019		(330)
Interest expense		36
Payments during 2019		(1,001)
Lease obligation as at December 31, 2019	**$**	**3,190**
Less: Current portion		**1,034**
Non-current portion as at December 31, 2019	**$**	**2,156**

During 2019, a total of $3.3 million relating to office lease agreements have been recorded as an addition to the right-of-use assets and lease obligations. These office lease agreements have remaining terms of 4 to 7 years. We have extension options included in these office lease agreements. We subleased two office locations to two external parties during 2019.

We also make variable lease payments to STRACON S.A. ("Stracon"). During 2019, we recorded $18.3 million (2018: $5.8 million) expense respectively on Stracon's mining contract, which was priced at a fixed cost per tonne of material mined and a fixed overhead component based on the volume of material mined. During the fourth quarter of 2019, we amended the end date in the Stracon contract to May 5th, 2020.

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

The schedule of undiscounted lease payment obligations is as follows:

		Leases
Less than one year	$	**1,097**
One to five years		**2,477**
More than five years		**233**
Total undiscounted obligations as at December 31, 2019	**$**	**3,807**

16. ASSET RETIREMENT OBLIGATION

Our 2019 annual assessment of the mine reclamation and closure plan for the Aurora mine resulted in a $2.2 million increase to the estimated liability. The provision is discounted using an inflation protected risk-adjusted rate of 5.00% (2018: 2.61%). The undiscounted value of the estimated future cash flows related to mine closure is $12.0 million (2018: $6.3 million).

The majority of the asset retirement expenditures are expected to be incurred towards the end of the current mine plan commencing 2034.

Movement in Asset Retirement Obligation Liability		
Balance, December 31, 2017	**$**	**5,049**
Decrease in Asset Retirement Obligation		(824)
Accretion		61
Balance December 31, 2018	**$**	**4,286**
Increase in Asset Retirement Obligation		2,181
Accretion		142
Balance December 31, 2019	**$**	**6,609**

17. SHARE CAPITAL

We are authorized to issue an unlimited number of common shares. The issued and outstanding common shares consist of the following:

	Number of Shares		Amount
At December 31, 2017	**173,070,798**	$	**500,769**
Issued on exercise of options	460,004		2,239
Fair value of options exercised	-		1,180
Deferred tax recovery on share issuance costs	-		365
At December 31, 2018	**173,530,802**	**$**	**504,553**
Shares issued	1,033,382		(278)
Fair value of options exercised	-		(675)
At December 31, 2019	**174,564,184**	**$**	**503,600**

Included in the above is a correction of a non-material prior year adjustment for $1.3 million.

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

18. SHARE BASED COMPENSATION

The following share-based payments were recognized in these statements of comprehensive income:

	Stock option plan (equity settled)	RSU plan (cash settled)	DSU plan (cash settled)	Total
Production recovery	$ (27)	$ (87)	$ -	$ (114)
Corporate administration expenses (recovery)	192	(201)	(124)	(133)
Exploration and evaluation (recovery)	(22)	(4)	-	(26)
Restructuring expenses	-	(545)	-	(545)
Year ended December 31, 2019	**$ 143**	**$ (837)**	**$ (124)**	**$ (818)**

	Stock option plan (equity settled)	RSU plan (cash settled)	DSU plan (cash settled)	Total
Production costs (recovery)	$ 130	$ (70)	$ -	$ 60
Corporate administration expenses (recovery)	1,388	(239)	(89)	1,060
Exploration and evaluation (recovery)	62	(2)	-	60
Restructuring expenses	363	545	-	908
Year ended December 31, 2018	**$ 1,943**	**$ 234**	**$ (89)**	**$ 2,088**

(a) Stock options

Our stock option plan (the "Option Plan") was approved by the shareholders on May 15, 2015, amended and restated as of February 4, 2016. The exercise price of stock options granted in accordance with the Option Plan will not be less than the closing price of the common shares on the trading day immediately prior to the effective date of grant. All option exercises are to be settled in our shares.

The following is a continuity of the changes in the number of stock options outstanding:

	Number of options	Weighted average exercise price (Cdn$)
At December 31, 2017	6,337,515	$ 4.02
Granted	200,000	3.01
Exercised	(1,110,004)	2.67
Forfeited	(48,333)	3.87
Expired	(12,500)	2.73
At December 31, 2018	**5,366,678**	$ **4.26**
Forfeited	(1,745,502)	4.81
Expired	(2,030,506)	3.48
At December 31, 2019	**1,590,670**	**$** **4.62**

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

Stock options outstanding and exercisable as at December 31, 2019:

	Stock options outstanding			Stock options exercisable		
Range of exercise price (Cdn$)	Number of options	Weighted average exercise price (Cdn$)	Weighted average remaining contractual life (years)	Number of options	Weighted average exercise price (Cdn$)	Weighted average remaining contractual life (years)
$1.48-$3.00	11,668	2.73	0.88	11,668	2.73	0.88
$3.01-$4.00	466,669	3.14	0.53	333,335	3.19	0.67
$4.01-$10.00	1,112,333	5.26	0.14	1,112,333	5.26	0.14
Total	**1,590,670**	**$ 4.62**	**0.26**	**1,457,336**	**$ 4.76**	**0.27**

(b) Share unit plans

During 2019, an additional 977,280 RSUs and 250,740 DSUs were issued to the key employees and our directors, respectively.

Share unit liabilities are:

	December 31, 2019	December 31, 2018
RSUs	**$ 154**	$ 990
DSUs	**273**	397
Total	**427**	1,387
Less: current portion	**109**	610
Non-current portion	**$ 318**	$ 777

Changes to the number of share units are:

	RSU plan (cash settled)	DSU plan (cash settled)
Outstanding units, December 31, 2017	305,000	120,000
Granted	1,077,980	218,181
Settled	(95,587)	-
Forfeited	(95,090)	-
Outstanding units, December 31, 2018	**1,192,303**	**338,181**
Granted	977,280	250,740
Settled	(347,125)	(82,500)
Forfeited	(942,766)	-
Outstanding units, December 31, 2019	**879,692**	**506,421**

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

19. CORPORATE GENERAL AND ADMINISTRATIVE EXPENSES

		2019		2018
Shareholder activism	**$**	**4,281**	$	-
Salaries and benefits (including share-based payments)		**4,054**		5,858
Professional fees		**1,641**		1,219
Office, administration and other		**1,894**		2,213
Shareholder related fees		**228**		365
Depreciation		**810**		370
Total corporate general and administrative expenses	**$**	**12,908**	$	10,025

20. EXPLORATION AND EVALUATION EXPENSES

		2019		2018
Salaries and benefits (including share-based payments)	$	**159**	$	1,674
Exploration supplies		**184**		708
Drilling and assaying		**641**		1,754
Depreciation		**295**		279
Other		**194**		899
Total exploration and evaluation expenses	$	**1,473**	$	5,314

21. NET FINANCE (INCOME) EXPENSE

		2019		2018
Fair value (gain) loss on derivatives, net	**$**	**(3,168)**	$	1,688
Deferred financing amortization expense		**437**		492
Interest expense on long-term debt		**835**		3,144
Interest expense on lease obligations		**36**		-
Total finance (income) expense, net	**$**	**(1,860)**	$	5,324

22. NET OTHER EXPENSE

		2019		2018
Realized foreign exchange gain		**(647)**		(250)
Loss on sale of asset		**798**		-
Other expense, net		**446**		166
Unrealized foreign exchange loss		**29**		329
Total other expense, net	**$**	**626**	$	245

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

23. INCOME TAXES

Our effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 26.50% (2018 – 26.50%) to the net loss. The reasons for the differences are a result of the following:

	2019	2018
Net (loss) income before taxes	$ **(271,037)**	$ 11,655
Expected tax (recovery) expense at statutory rates	**(71,825)**	3,088
Tax effects of:		
Change in unrecognized deductible temporary differences	**57,790**	853
Stock-based compensation	**180**	561
Foreign exchange difference	**-**	-
Change in tax rates	**-**	(770)
Prior year true-up	**2,557**	-
Foreign tax rate differentials	**3,708**	56
Other	**(107)**	2,500
Deferred tax (recovery) expense	$ **(7,697)**	$ 6,288

Beginning in 2019, the statutory tax rate in Guyana has been reduced from 27.5% to 25.0%.

(a) Deferred tax asset

In addition, a deferred tax asset of $nil (December 31, 2018 - $11.4 million) has been recorded in a foreign branch. Significant components of the deferred tax assets in the foreign branch:

	As at December 31,	
	2019	2018
Deferred income tax assets		
Deductible temporary differences related to:		
Non-capital loss carry-forwards	**$ -**	$ 1,416
Exploration & evaluation assets	**-**	9,939
Total deferred tax asset in foreign branch	**$ -**	$ 11,355

(b) Deferred tax liability

At December 31, 2019, net deferred tax liability of $nil (December 31, 2018: net deferred tax liability - $7.7 million) has been recognized.

The significant change from a deferred tax liability to a deferred tax asset balance is due to an impairment loss recorded mineral properties, plant and equipment in the fourth quarter of 2019 (see Note 10). Given the projection of income as well as the current taxable temporary difference balances, the recoverability of the deferred tax assets is not probable and consequently no deferred tax asset has been recognized below:

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

	As at December 31,	
	2019	**2018**
Deferred income tax assets		
Deductible temporary differences related to:		
Non-capital loss carry-forwards	$ -	$ 14,187
Deferred financing costs	-	(109)
Asset retirement obligation	-	(19)
Losses on derivative instruments	-	210
	$ -	$ 14,269
Deferred income tax liability		
Taxable temporary differences related to:		
Exploration & evaluation assets	-	(33,322)
	$ -	$ (33,322)
Deferred income tax liability, net	$ -	$ (19,053)

The aggregate amount of taxable temporary differences associated with investments in subsidiaries, for which a deferred tax liability has not been recognized as at December 31, 2019 is $nil (December 31, 2018 - $46.7 million). No deferred tax liability has been recognized as at December 31, 2018 as we control the timing of reversal and it is not probable that they will reverse in the foreseeable future.

(c) Movement in net deferred taxes

	2019	2018
Beginning balance as at January 1	**$ (7,698)**	$ (1,862)
Recognized in profit and loss	**7,698**	(6,288)
Recognized in equity	-	365
Recognized in other comprehensive income	-	87
Ending balance as at December 31	**$ -**	$ (7,698)

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

(d) Unrecognized deferred tax assets

The following deferred income tax assets are not recognized in the consolidated financial statements due to the unpredictability of future income:

	As at December 31,			
		2019		**2018**
Non-capital losses	**$**	**245,556**	$	48,468
Property and equipment	**$**	**799**	$	4,212
Exploration and evaluation	**$**	**140,605**	$	110,872
Deferred financing costs	**$**	**23**	$	-
Share issue expenses	**$**	**1,125**	$	2,273
Short-term investments	**$**	**855**	$	855
Asset retirement obligation	**$**	**6,736**	$	4,286
Total	**$**	**395,699**	**$**	170,966

(e) Non-capital losses

We have non-capital losses that will expire, if not utilized, as follows:

	2021	2022	2023	2024	2025	2026 & beyond	No expiry date	Total
Barbados	14	136	20	73	0	3,222		3,465
Canada						30,707		30,707
Guyana							211,384	211,384
Total	14	136	20	73	0	33,929	211,384	245,556

The non-capital losses generated in Canada that are not utilized will expire in a period of 20 years from the date of incurrence. As a result, the current Canadian non-capital loss balance has losses that expire between 2026 to 2039.

24. COMMITMENTS AND CONTINGENCIES

We are committed to $7.4 million for contractual commitments and purchases of equipment goods and services, summarized as follows

		Total		2020		2021		2022		There-after
Capital purchase commitments		**239**		239		-		-		-
Operating purchase commitments		**7,182**		6,213		687		282		-
Total Commitments as at December 31, 2019	**$**	**7,421**	**$**	**6,452**	**$**	**687**	**$**	**282**	**$**	**-**

a) In May 2018, we entered into an open-pit mining service contract with STRACON S.A. ("STRACON") to meet higher mining requirements through to May 5th, 2020. The mining requirement is to cover a peak in waste mining requirements, which is in excess of our own mining fleet capacity and will allow us to focus on mining of gold-containing ore for processing. STRACON commenced mining operation in June 2018. The contract is priced at a fixed cost per tonne of material mined based on expected tonnage from 2018 to 2020. During the fourth quarter of 2019, we amended the end date in the Stracon contract to May 5th, 2020. $3.8 million ongoing expected operating purchase expenses under this contract to the termination date has been included in the operating purchase commitments in the table above.
b) During July 2019, our fully owned Aurora mine entered into a fuel consignment agreement with Rubis Guyana Inc. ("Rubis") for the next five years. Aurora mine will reimburse Rubis $1.1 million replacement cost of the equipment installed if this agreement is terminated. This has been included in the operating purchase commitments in the table above.
c) We may, from time to time, be subject to certain claims and legal proceedings brought against us in the normal course of business. Such matters are subject to uncertainties. Management believe adequate provisions have been made in the Audited Consolidated Financial Statements, where required, and the ultimate resolution of such uncertainties will not have a material adverse effect on our financial position. Any amount in the settlement of the claims in excess of recorded provisions will be charged to the consolidated statement of comprehensive loss.
d) On June 17, 2019, two parties (the Plaintiffs) issued a statement of claim in Ontario claiming general damages of Cdn$5 million and punitive damages of Cdn$0.5 million. The primary allegation in the claim is that the Company trespassed onto certain lands owned by the Plaintiffs in Guyana and drilled for samples. The Plaintiffs also allege that the Company misrepresented having rights to the Plaintiffs' property. The Company filed a statement of defence on December 20, 2019. Effective February 19, 2020, the parties entered into a standstill agreement while they negotiate a potential settlement. The standstill remains in effect and the litigation is on hold. It is not possible at this time to predict an outcome of this negotiation.
e) A statement of claim was filed with the Ontario Superior Court of Justice on March 18, 2020 (Ian Mcdonald v. Guyana Goldfields Inc. and Scott Caldwell) to commence a proposed class action lawsuit against us and our former President and Chief Executive Officer, Scott Caldwell. The representative plaintiff named in the statement of claim is seeking an unspecified amount of damages for certain alleged misrepresentations made by us in our public disclosure during the period from December 14, 2017 to October 30, 2019. We intend to vigorously defend the claim. It is not possible at this time for us to predict an outcome of the class action proceedings.

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

25. SEGMENTED INFORMATION

Our operations comprise a single reporting operating segment engaged in mineral exploration, development and production in Guyana. As the operations comprise a single reporting segment, amounts disclosed in the condensed interim consolidated financial statements also represent segment amounts.

The following segmented supplemental information is provided to describe our activities as they pertain to operations, exploration and corporate overhead:

For the year ended 2019	Aurora operations	Exploration	Corporate and others	Total
Revenue	$ 174,218	$ -	$ -	$ 174,218
Cost of sales	189,569	-	-	189,569
Corporate administrative	882	-	12,026	12,908
Exploration and evaluation	953	520	-	1,473
Restructuring expenses	-	-	7,582	7,582
Impairment loss	225,904	7,042	2,011	234,957
Net finance (income) expense	1,272	-	(3,132)	(1,860)
Net other expense (income)	650	-	(24)	626
Deferred tax (recovery) expense	(7,697)	-	-	(7,697)
Net loss	$ (237,315)	$ (7,562)	$ (18,463)	$ (263,340)

For the year ended 2018	Aurora operations	Exploration	Corporate and others	Total
Revenue	$ 187,890	$ -	$ -	$ 187,890
Cost of sales	151,321	-	-	151,321
Corporate administrative	615	-	9,410	10,025
Exploration and evaluation	2,545	2,769	-	5,314
Restructuring expenses	-	-	4,006	4,006
Net finance (income) expense	5,324	-	-	5,324
Net other expense (income)	372	-	(127)	245
Deferred tax expense	3,170	-	3,118	6,288
Net earnings (loss)	$ 24,543	$ (2,769)	$ (16,407)	$ 5,367

As at December 31, 2019	Aurora Operations	Exploration	Corporate and other	Total
Current Assets	$ 51,381	$ 173	$ 12,498	$ 64,052
Non-current assets	98,684	531	357	99,572
Total assets	150,065	704	12,855	163,624
Current liabilities	25,792	26	6,806	32,624
Non-current liabilities	6,989	-	2,094	9,083
Total liabilities	$ 32,781	$ 26	$ 8,900	$ 41,707

As at December 31, 2018		Aurora Operations		Exploration		Corporate and other		Total
Current Assets	$	77,045	$	221	$	70,597	$	147,863
Non-current assets		308,211		7,903		12,418		328,532
Total assets		385,256		8,124		83,015		476,395
Current liabilities		43,809		27		2,587		46,423
Non-current liabilities		43,574		-		1,006		44,580
Total liabilities	$	87,383	$	27	$	3,593	$	91,003

26. RELATED PARTY TRANSACTIONS

We have identified all members of the Board of Directors and certain senior officers as our key management personnel. Remuneration of our key management personnel was as follows:

		2019		2018
Compensation and benefits	**$**	**2,697**	$	2,038
Share-based compensation		**(14)**		618
Restructuring expenses		**-**		2,111
Total	**$**	**2,683**	$	4,767

27. EARNINGS PER SHARE (EPS)

	As at December 31,			
		2019		**2018**
Net earnings per share				
Basic EPS	**$**	**(1.51)**	$	0.03
Diluted EPS	**$**	**(1.51)**	$	0.03
Net profit used in the calculation of basic EPS	**$**	**(263,340)**	$	5,367
Weighted average number of shares outstanding				
Weighted average number of common shares for the purpose of basic EPS (in 000s)		**173,947**		173,394
Effect of dilutive share options/DSUs		**-**		679
Weighted average number of common shares outstanding for the purpose of diluted EPS (in 000s)		**173,947**		174,073

The determination of weighted average number of common shares for the purpose of diluted EPS excludes 506,421 (2018- nil) shares relating to DSUs that were anti-dilutive for the year.

28. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital Management

We manage our capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing share value

We consider capital to be (1) equity, comprising share capital, contributed surplus and accumulated deficit, which at December 31, 2019 totaled $121.9 million (December 31, 2018 - $385.4 million), and (2) long-term debt, which at December 31, 2019, was $nil (December 31, 2018 - $39.6 million).

We manage capital through our life of mine planning, financial and operational budgeting processes that are approved by our Board of Directors. We review our working capital and forecast our future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on exploration and mine operating activities, as well as anticipated future gold production plans and project capital spend. Selected information is frequently provided to our Board of Directors. Our capital management objectives, policies and processes have remained unchanged during 2019.

We monitor our capital structure and make adjustments according to market conditions and operating conditions in an effort to meet our objectives given the current outlook of the business and industry in general. We may manage our capital structure by issuing new shares, repurchasing outstanding shares, taking on debt, adjusting capital spending, disposing of assets or other strategic alternatives. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

Financial Risk Management

Our activities expose us to a variety of financial risks: market risk, liquidity risk and credit risk. Risk management is carried out by our management team with guidance from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. We use derivatives as part of our risk management program to mitigate variability associated with changing market values related to diesel price risk exposure. We do not purchase derivative financial instruments for speculative purposes.

(a) Market risk

Market risk is the risk that changes based on market factors, such as commodity prices or foreign exchange rates, and which affect the value of our financial instruments.

Commodity price risk

Our cost of sales is affected by the volatility of diesel price. During 2019, we settled our diesel derivative contract that was outstanding at the end of 2018 and currently no derivative contract was outstanding at the end of 2019.

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, our financial instruments will fluctuate because of changes in foreign exchange rates. Our functional currency is the United States dollar and major purchases are transacted in United States dollars.

We are subject to gains and losses due to fluctuations in the Canadian dollar and Guyanese dollar against the United States dollar. Sensitivity to a plus or minus 10% change in all foreign currencies (Canadian dollars and Guyanese dollars) against the United States dollar with all other variables held constant as at December 31, 2019, would affect the statements of operations and comprehensive loss by approximately $0.8 million (December 31, 2018 - $1.1 million).

We fund our exploration activities in Guyana on a cash call basis using United States dollars converted from our Canadian dollar bank accounts held in Canada. We maintain Canadian and United States dollar bank accounts in Canada, and Guyanese and United States dollar bank accounts in Guyana. Our foreign exchange exposure to fluctuations in the Canadian and Guyanese dollars is not significant as our annual exploration expenditures, and Canadian dollar cash balances, are both relatively small.

A significant portion of our corporate administrative costs are denominated in Canadian dollars. Fluctuations in the United States dollar exchange rate against the Canadian dollar are not expected to have a material impact on our cash flows.

(b) Liquidity risk

Liquidity risk is the risk that we will not have sufficient cash resources to meet our financial obligations as they come due. As described in note 1 of the consolidated financial statements, we evaluated various financing and strategic alternatives in order to mitigate our liquidity risk and to be able to settle our obligations as they come due. As outlined in note 32, subsequent to year-end, we entered into the Arrangement Agreement pursuant to which Silvercorp will acquire all of our issued and outstanding common shares not already owned by Silvercorp, subject to regulatory and shareholder approval. As part of this transaction, Silvercorp will extend a $15 million bridge loan facility to us to facilitate liquidity until the transaction closes. Taking into consideration our current cash position, volatile equity markets, and global uncertainty in the capital markets inclusive of the COVID-19 impact occurring subsequent to year-end, we are continually reviewing expenditures and forecasted cash flows to mitigate our liquidity risk.

Our future undiscounted obligations as at December 31, 2019 are as follows:

2019	Due within 1 year	Due between 1 and 5 years	Due past 5 years	Total
Accounts payable and accrued liabilities	27,247	-	-	**27,247**
Restructuring provision	4,343	-	-	**4,343**
Lease obligations	1,097	2,477	233	**3,807**
Share based compensation liability	-	318	-	**318**
Total	32,687	2,795	233	**35,715**

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

2018	Due within 1 year	Due between 1 and 5 years	Due past 5 years	Total
Accounts payable and accrued liabilities	25,160	-	-	**25,160**
Restructuring provision	1,335	-	-	**1,335**
Long-term debt	19,688	19,875	-	**39,563**
Derivative liability	240	589	-	**829**
Share based compensation liability	-	777	-	**777**
Total	46,423	21,241	-	**67,664**

(c) Credit risk

Credit risk is the risk of financial loss to us if a third party to a financial instrument fails to meet their contractual obligations, and arises principally from our sales of gold, and also from our financing activities including deposits with banks, and derivative contracts.

We sell our gold to a select financial institution or gold refinery. We do not have any historical experience relating to customer default, as such the credit risk associated with gold sales is to be considered minimal. We are not economically dependent on a limited number of customers for the sale of our gold.

We maintain substantially all of our cash in interest bearing bank accounts at select Canadian chartered banks.

29. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table sets forth our financial assets and liabilities that are measured at fair value on a recurring basis by level within the fair value hierarchy. Levels 1 to 3 of the fair value hierarchy are defined based on the degree to which fair value inputs are observable or unobservable, as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable (supported by little or no market activity).

(Expressed in thousands of U.S. Dollars, unless otherwise indicated)

		As at December 31,			
		2019		2018	
	Level	**Carrying value**	**Fair value**	Carrying value	Fair value
Amortized cost					
Restricted cash	1	**148**	**148**	3,238	3,238
Financial liabilities fair valued through profit and loss					
Diesel swaps	2	**-**	**-**	829	829
Share unit plans	2	**427**	**427**	1,387	1,387
		427	**427**	2,216	2,216

During 2019, there were no transfers between Level 1 and Level 2 fair value measurements. We do not have any financial assets or liabilities that are fair valued based on unobservable inputs (Level 3).

30. SUPPLEMENTARY CASH FLOW INFORMATION

	2019	**2018**
Change in accounts payable and accrued liabilities consist of:		
Changes in trade payable and accrued liabilities	$ **5,095**	$ 17,365
Changes in accounts payable relating to mineral properties, plant and equipment investment	**(1,562)**	2,795
Changes in share capital	**(1,258)**	-
Total change in accounts payable and accrued liabilities	$ **2,275**	$ 20,160

Included in the consolidated statement of cash flows for the year ended December 31, 2018 is a non-material reclassification in the amount of $2.8 million between the cash used in investing activities (addition to mineral properties, plant and equipment) and cash provided by operating activities (the change in accounts payable and accrued liabilities).

Included in the Additions to mineral properties, plant and equipment movement in the consolidated cashflow for the year ended December 31, 2019 is an amount $3.2 million relating to the non-cash movement in Deposits with Suppliers for capital expenditures which is excluded from the Additions to mineral properties, plant and equipment.

31. IFRS 16 TRANSITION ADJUSTMENT

a) Changes in accounting policies

Effective January 1, 2019, we have adopted IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. The impact of the transition is shown in (ii) below. Our accounting policy under IFRS 16 is as follows:

At inception of a contract, we assess whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

We have elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

We recognize a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if we are reasonably certain to exercise that option. Lease terms range from 3 to 45 years for mining service contracts and rental of lands. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, our incremental borrowing rate. Generally, we use an incremental borrowing rate as the discount rate.

Subsequent to initial measurement, the lease obligation is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in our estimate of the amount expected to be payable under a residual value guarantee, or if we change its assessment of whether it will exercise a purchase, extension or termination option.

When the lease obligation is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

We have elected to apply the practical expedient not to recognize right-of-use assets and lease obligations for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

b) Impact of transition to IFRS 16

Effective January 1, 2019, we adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On initial application, we recognized lease obligations in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 *Leases*. We have elected to record right-of-use assets based on the corresponding lease obligation. Right-of-use assets and lease obligations of $1.2 million, were recorded as of January 1, 2019, with no net impact on retained earnings. When measuring lease obligations, we discounted lease payments using its incremental borrowing rate at December 31, 2018. The weighted-average rate applied is 7.55%.

We have elected to apply the practical expedient to account for leases for which the lease term ends within twelve months of the date of initial application as short-term leases.

We have elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. We applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The following table reconciles our operating lease obligations at December 31, 2018, as previously disclosed in our consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at January 1, 2019.

Operating lease commitments at December 31, 2018 (in thousands of US dollars)	$ 1,600
Discounted using the incremental borrowing rate at December 31, 2018	1,409
Recognition exemption for short-term leases	(180)
Lease obligations recognized at January 1, 2019	**$ 1,229**
Less: current portion	441
Non-current portion as at January 1, 2019	**$ 788**

32. SUBSEQUENT EVENTS

a) Corporate Transaction

On April 26, 2020 we entered into the Arrangement Agreement with Silvercorp (TSX: SVM, NYSE: SVM) pursuant to which Silvercorp will acquire all of our issued and outstanding common shares (the "Transaction") not already owned by Silvercorp. Each of our shareholder will be entitled to receive total consideration of Cdn$0.60 for each common share held. The holders of our common shares would receive, at their election and subject to maximum pools and pro-ration, consideration comprised of cash and Silvercorp common shares. If full pro-ration is assumed, each shareholder would receive Cdn$0.20 per share in cash with the remaining consideration to be comprised of Cdn$0.40 per share in common shares of Silvercorp. The agreement includes customary provisions and is subject to the satisfaction of certain closing conditions, including the approval of our shareholders. The Transaction is expected to be completed by way of a court approved Plan of Arrangement under the Business Corporations Act (Ontario) (the "Arrangement"). The shareholder meeting to approve this Transaction is anticipated to be held in late June with closing shortly after.

The implied equity value of the Transaction is approximately Cdn$105.0 million. Based on the implied equity value, we anticipate a further material impairment to be recognized as at March 31, 2020. Accordingly, as required by IFRS, the consolidated financial statements have not reflected this subsequent event in the measurement of the impairment charge recognized for the year ended December 31, 2019 of $225.8 million as the transaction was considered to be a non-adjusting subsequent event.

b) Bridge Loan Facility

In addition, on April 26, 2020, Silvercorp provided us with a $15.0 million Bridge Loan Facility (the "Loan") with an interest rate of 12.0% per annum to fund the expected liquidity shortfall between entering into the Arrangement Agreement and closing of the transaction. If the Definitive Arrangement is terminated for any reason other than as a result of the failure of the Borrower to obtain required approvals or a default by us, the loan will become payable on the later of (a) September 30, 2020 and (b) the 120th day after such termination of the Arrangement Agreement.

c) COVID-19

In December 2019, a novel strain of coronavirus ("COVID-19") emerged in Wuhan, China. Since then, it has spread to several other countries and infections have been reported around the world. Canada confirmed its first case of COVID-19 on January 25, 2020 and its first death related to COVID-19 on March 9, 2020. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic.

In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 nationally and globally could have an adverse impact on our business, operations and financial results, including reduced production and sales of gold, delays and deferrals in obtaining financing as well as the continued development of our underground mine as well as other constraints on operations that may arise from further deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on our business, operations or financial results; however, the impact could be material.

Our impairment testing for mineral properties, plant and equipment was based on a fair value less costs of disposal model as at December 31, 2019. Subsequent to year-end the company experienced the following significant operational and financial difficulties in combination with the impact of the COVID 19 situation that has impacted our overall market value and may result in a further material impairment to be recognized as at March 31, 2020:

- Significant shortfall in cash flows from operations required to fund continued operations and development of our underground mine, which has required us to seek additional financing and strategic alternatives;

- Temporary suspension of our underground development due to cash flow constraints in combination with the government of Guyana's closure of its airports to certain international air travel as a result of the COVID-19 pandemic;

- On March 18, 2020 a statement of claim was filed with the Ontario Superior Court of Justice to commence a proposed class action lawsuit against us and our former President and CEO, seeking an unspecified amount for certain alleged misrepresentations made by us in our public disclosure; and

- The Coronavirus pandemic and other conditions impacting worldwide mineral prices and financial.

Accordingly, as required by IFRS, the consolidated financial statements have not reflected these subsequent conditions in the measurement of our mineral, property and equipment as at December 31, 2019. As a result of our significant business developments, which has had a significant impact on our liquidity risk subsequent to December 31, 2019 in combination with the impact of the Coronavirus pandemic, further impairment could exist at March 31, 2020 and such adjustments could be material.