

Condensed Interim Consolidated Financial Statements (Unaudited)

Avesoro Resources Inc.

For the Three Months Ended March 31, 2017 and 2016
(stated in thousands of US dollars)

Registered office: 200 Bay Street
Suite 3800
Royal Bank Plaza
South Tower
Toronto
Ontario M5J 2Z4

Company registration number: 776831-1

Company incorporated on: 1 February 2011

Avesoro Resources Inc.**Interim Consolidated Statements of Income and Comprehensive Income**

(stated in thousands of US dollars)

Unaudited

	Three months ended March 31, 2017 \$'000	Three months ended March 31, 2016 \$'000 (Restated)
Gold sales (Note 2)	19,699	8,253
Cost of sales		
- Production costs (Note 2)	(17,495)	(9,299)
- Depreciation (Note 2)	(6,751)	(1,871)
Gross loss	(4,547)	(2,917)
Expenses		
Administrative and other expenses (Note 3)	(1,582)	(1,308)
Exploration and evaluation costs	(496)	(1,107)
Loss from operations	(6,625)	(5,332)
Derivative liability loss (Note 10)	(163)	(538)
Finance costs	(2,770)	(867)
Finance income	3	1
Loss for the period	(9,555)	(6,736)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Available-for-sale investments	(18)	-
Currency translation differences	52	63
Total comprehensive loss for the period	(9,521)	(6,673)
Loss per share, basic and diluted (US\$)	(0.002)	(0.012)

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

Avesoro Resources Inc.**Interim Consolidated Statements of Financial Position**

(stated in thousands of US dollars)

Unaudited

	March 31, 2017 \$'000	December 31, 2016 \$'000 (restated)
Assets		
Current assets		
Cash and cash equivalents	6,740	13,429
Trade and other receivables (Note 4)	6,811	5,775
Inventories (Note 5)	15,235	16,351
Other assets	777	516
	29,563	36,071
Non-current assets		
Property, plant and equipment (Note 6)	191,493	191,117
Available-for-sale investments	36	55
	191,529	191,172
Total assets	221,092	227,243
Liabilities		
Current liabilities		
Borrowings (Note 8)	10,713	20,312
Trade and other payables	18,144	14,227
Finance lease liability (Note 9)	2,406	2,370
Derivative liability (Note 10)	268	105
	31,531	37,014
Non-current liabilities		
Borrowings (Note 8)	81,757	73,159
Finance lease liability (Note 9)	9,742	9,790
Provision	2,331	2,304
	93,830	85,253
	125,361	122,267
Equity		
Share capital (Note 11)	283,506	283,506
Capital contribution	48,235	48,235
Share based payment reserve	7,046	6,770
Available-for-sale investment reserve	(471)	(453)
Cumulative translation reserve	(348)	(400)
Deficit	(242,237)	(232,682)
Total equity	95,731	104,976
Total liabilities and equity	221,092	227,243

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

Avesoro Resources Inc.
Interim Consolidated Statements of Cash Flows
(stated in thousands of US dollars)
Unaudited

	Three months ended March 31, 2017 \$'000	Three months ended March 31, 2016 \$'000 (Restated)
Operating activities		
Loss for the period	(9,555)	(6,736)
Items not affecting cash:		
Share-based payments (Note 3)	276	182
Depreciation (Note 6)	6,840	1,973
Unrealized foreign exchange loss/(gain)	21	(3)
Derivative liability loss (Note 10)	163	538
Interest expense	2,770	867
Impairment of inventories	-	2,607
Exploration acquisition costs settled through issuance of shares	-	531
Changes in non-cash working capital		
Increase in trade and other receivables	(1,037)	(576)
Increase in trade and other payables	1,216	5,372
(Increase)/decrease in inventories	1,116	(986)
Cash flows from operating activities	1,810	3,769
Investing activities		
Proceeds from pre-production gold sales	-	14,793
Payments to acquire property, plant and equipment	(4,992)	(22,648)
(Increase)/Decrease in other assets	(261)	87
Finance charges	-	(229)
Cash flows used in investing activities	(5,253)	(7,997)
Financing activities		
Finance charges	(3,277)	-
Cash flows from financing activities	(3,277)	-
Impact of foreign exchange on cash balance	31	42
Net decrease in cash and cash equivalents	(6,689)	(4,186)
Cash and cash equivalents at beginning of period	13,429	7,128
Cash and cash equivalents at end of period	6,740	2,942

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

Avesoro Resources Inc.**Interim Consolidated Statements of Changes in Equity**

(stated in thousands of US dollars)

Unaudited

	Share capital	Capital contribution	Share-based payment reserve	Available-for-sale investment reserve	Cumulative translation reserve	Deficit	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2016	177,877	48,235	6,002	(425)	(510)	(119,692)	111,487
Loss for the year (restated)	-	-	-	-	-	(6,736)	(6,736)
Other comprehensive loss for the period	-	-	-	-	63	-	63
Total comprehensive loss for the period	-	-	-	-	63	(6,736)	(6,673)
Share-based payments	-	-	182	-	-	-	182
Issue of common shares (net of costs)	531	-	-	-	-	-	531
Balance at March 31, 2016	178,408	48,235	6,184	(425)	(447)	(126,428)	105,527
Balance at January 1, 2017	283,506	48,235	6,770	(453)	(400)	(232,682)	104,976
Loss for the year	-	-	-	-	-	(9,555)	(9,555)
Other comprehensive loss for year	-	-	-	(18)	52	-	34
Total comprehensive loss for year	-	-	-	(18)	52	(9,555)	(9,521)
Share-based payments	-	-	276	-	-	-	276
Balance at March 31, 2017	283,506	48,235	7,046	(471)	(348)	(242,237)	95,731

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

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2017 and 2016

(in thousands of US dollars unless otherwise stated)

1 Nature of operations and basis of preparation

Avesoro Resources Inc. ("Avesoro" or the "Company") was incorporated under the Canada Business Corporations Act on February 1, 2011. The focus of Avesoro's business is the exploration, development and operation of gold assets in West Africa, specifically the New Liberty Gold Mine in Liberia.

These condensed interim consolidated financial statements ("interim financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", they do not include all disclosures that would otherwise be required in a complete set of financial statements. They follow accounting policies and methods of their application consistent with the audited consolidated financial statements for the year ended December 31, 2016. Accordingly, they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016.

During the year ended December 31, 2016, the Company changed its accounting policy with respect to exploration and evaluation costs and now charges exploration and evaluation costs to the consolidated statement of income until a decision is taken that a mining property is economically feasible, after which subsequent expenditures are capitalised as intangible assets. Once a feasibility study is completed the intangible assets are re-classified to property, plant and equipment as mining and development assets. The impact of this voluntary change in accounting policy on the comparative figures on these condensed interim consolidated financial statements is to charge previous period's intangible assets the interim consolidated statement of income.

These interim financial statements were authorised by the Board of Directors on May 10, 2017.

Going concern

The condensed interim consolidated financial statements have been prepared on a going concern basis. As at March 31, 2017, the Company has net current liabilities of \$1.4 million and has approximately \$10 million of debt repayments due in the next twelve months.

On March 31, 2017, the Company finalised the amendment of its Loan Facilities as detailed in Note 8. The revisions include improved conditions and rescheduled repayment terms of the Loan Facilities with the Company's Lenders in exchange for the provision of a personal guarantee from Mehmet Nazif Günal, Non-Executive Chairman of the Company, and corporate guarantees from the Avesoro Holdings Limited group, the beneficial owner of 73.5% of the Company's issued equity.

The rescheduled repayment structure provides no further capital repayments due until March 31, 2018 and the Senior Facility loan tenor extended by two years until January 31, 2022, whilst the tenor on the Subordinated Facility has been extended to the earlier of 12 months following the repayment of the Senior Facility or January 31, 2023.

The Company's forecasts and projections, considering the above amended loan agreements, show that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, it continues to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Avesoro Resources Inc.**Notes to Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2017 and 2016**

(in thousands of US dollars unless otherwise stated)

2 Segment information

The Company is engaged in the acquisition, exploration, development and operations of gold properties in the West African countries of Liberia and Cameroon. Information presented to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the geographical location. The reportable segments under IFRS 8 are as follows:

- New Liberty operations;
- Liberia exploration;
- Cameroon exploration; and
- Corporate.

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the three months ended March 31, 2017:

	New Liberty operations	Liberia exploration	Cameroon exploration	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loss for the period	(7,631)	(517)	(63)	(1,344)	(9,555)
Gold sales	19,699	-	-	-	19,699
Production costs					
- Mine operating costs	(16,145)	-	-	-	(16,145)
- Change in inventories	(1,350)	-	-	-	(1,350)
	(17,495)	-	-	-	(17,495)
Depreciation	(6,751)	(80)	(3)	(6)	(6,840)
Segment assets	215,629	246	70	5,147	221,092
Segment liabilities	(125,043)	(95)	-	(223)	(125,361)
Capital additions – property, plant and equipment	7,180	-	-	27	7,207

Avesoro Resources Inc.**Notes to Condensed Interim Consolidated Financial Statements (Unaudited)**

For the three months ended March 31, 2017 and 2016

(in thousands of US dollars unless otherwise stated)

2 Segment information (continued)

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the three months ended March 31, 2016:

	New Liberty operations	Liberia exploration	Cameroon exploration	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loss for the period (restated)	(3,554)	(1,120)	(82)	(1,980)	(6,736)
Gold sales	8,253	-	-	-	8,253
Production costs					
- Mine operating costs	(7,678)	-	-	-	(7,678)
- Change in inventories	986	-	-	-	986
- Impairment of ore stockpiles	(2,607)	-	-	-	(2,607)
	(9,299)	-	-	-	(9,299)
Depreciation of property, plant and equipment	1,871	89	6	7	1,973
Segment assets	216,567	503	72	10,101	227,243
Segment liabilities	(121,483)	(69)	-	(715)	(122,267)

3 Administrative expenses

	Three months ended March 31, 2017	Three months ended March 31, 2016
	\$'000	\$'000
Wages and salaries	378	569
Legal and professional	542	363
Depreciation	89	102
Share based payments	276	182
Foreign exchange	(4)	(178)
Other expenses	301	270
	1,582	1,308

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2017 and 2016

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4 Trade and other receivables

	March 31, 2017	December 31, 2016
	\$'000	\$'000
Trade receivable	272	760
Other receivable	1,751	1,940
Due from related parties (Note 12)	285	122
Pre-payments	4,503	2,953
	6,811	5,775

5 Inventories

	March 31, 2017	December 31, 2016
	\$'000	\$'000
Gold doré	453	1,720
Gold in circuit	1,959	1,492
Ore stockpiles	3,188	3,737
Consumables	9,635	9,402
	15,235	16,351

Gold in circuit and ore stockpiles as at March 31, 2017 are stated at their net realisable values after cumulative write-downs of \$0.2 million and \$5.6 million, respectively.

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2017 and 2016

(in thousands of US dollars unless otherwise stated)

6. Property, plant and equipment

	Development assets \$'000	Mining assets \$'000	Capitalised stripping costs \$'000	Mine closure and rehabilitation \$'000	Assets held under finance lease \$'000	Machinery and equipment \$'000	Vehicles \$'000	Leasehold improvement \$'000	Total \$'000
Cost									
At January 1, 2016	221,275	-	-	-	-	1,645	1,233	94	224,247
Transfers	(221,275)	210,746	-	1,369	9,160	-	-	-	-
Additions	-	7,017	-	854	4,469	30	-	-	12,370
Acquired from a related party	-	-	-	-	-	14,717	657	-	15,374
Impairment	-	(42,473)	-	-	-	-	-	-	(42,473)
Foreign exchange	-	-	-	-	-	-	(6)	(11)	(17)
At December 31, 2016	-	175,290	-	2,223	13,629	16,392	1,884	83	209,501
Additions	-	825	5,594	-	-	29	759	-	7,207
Foreign exchange	-	-	-	-	-	-	-	1	1
At March 31, 2017	-	176,115	5,594	2,223	13,629	16,421	2,643	84	216,709
Accumulated depreciation									
At January 1, 2016	-	-	-	-	-	1,120	876	62	2,058
Charge for the period	-	14,909	-	116	651	518	148	17	16,359
Foreign exchange	-	-	-	-	-	(16)	(4)	(13)	(33)
At December 31, 2016	-	14,909	-	116	651	1,622	1,020	66	18,384
Charge for the period	-	5,253	-	67	613	816	87	4	6,840
Foreign exchange	-	-	-	-	-	(4)	(4)	-	(8)
At March 31, 2017	-	20,162	-	183	1,264	2,434	1,103	70	25,216
Net book value									
At December 31, 2016	-	160,381	-	2,107	12,978	14,770	864	17	191,117
At March 31, 2017	-	155,953	5,594	2,040	12,365	13,987	1,540	14	191,493

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2017 and 2016

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7 Financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, available-for-sale investments, borrowings, trade payables and accruals, and a warrant derivative liability. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification.

8 Borrowings

	March 31, 2017 \$'000	December 31, 2016 \$'000
Current		
Bank loan - Senior Facility Tranche A	1,400	11,222
Bank loan - Subordinated Facility	186	-
Bank loan - Senior Facility Tranche B	9,127	9,090
	<u>10,713</u>	<u>20,312</u>
Non-current		
Bank loan - Senior Facility Tranche A	71,583	62,636
Bank loan - Subordinated Facility	10,174	10,523
Bank loan - Senior Facility Tranche B	-	-
	<u>81,757</u>	<u>73,159</u>

On December 17, 2013 the Company entered into an agreement for an \$ 88 million project finance loan facility with the Nedbank Limited and FirstRand Bank Limited (collectively the "Lenders"), (the "Senior Facility"), and also entered into a subordinated loan facility agreement for \$ 12 million with RMB Resources (the "Subordinated Facility"). On December 9, 2015 the Company entered into an agreement for an additional \$ 10 million Tranche B Senior Facility ("Tranche B Facility", together with the Senior Facility and the Subordinated Facility the "Loan Facilities") provided by the Lenders. These Loan Facilities, which have been fully drawn, financed the development of the Company's New Liberty Gold Mine. \$ 12.4 million of the Senior Facility has been repaid to date

On March 31, 2017, the Company finalised the amendment of its Loan Facilities. The revisions include improved conditions and rescheduled repayment terms of the Loan Facilities in exchange for the provision of a personal guarantee from Mehmet Nazif Gnal, Non-Executive Chairman of the Company, and corporate guarantees from the Avesoro Holdings Limited group, the beneficial owner of 73.5% of the Company's issued equity.

The rescheduled repayment structure provides no further capital repayments until March 31, 2018 and the Senior Facility loan tenor extended by two years until January 31, 2022, whilst the tenor on the Subordinated Facility has been extended to the earlier of 12 months following the repayment of the senior facility or January 31, 2023. The Senior Facility interest rate remains at LIBOR plus 1.8% until 2020, following which it will increase to LIBOR plus 4.3% and the Subordinated Facility interest rate remains the same at LIBOR plus 7.5%.

The Senior Facility is secured by charges over the assets of Bea Mountain and charges over the shares in Bea Mountain.

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2017 and 2016

(in thousands of US dollars unless otherwise stated)

9 Finance lease liability

The finance lease liability relates to diesel-powered generators and related equipment and the fuel storage facility at the New Liberty Gold Mine.

	March 31, 2017	December 31, 2016
	\$'000	\$'000
Gross finance lease liability		
- Within one year	3,922	3,902
- Between two and five years	11,460	11,842
- After five years	493	420
	15,875	16,164
Future finance cost	(3,727)	(4,004)
Present value of lease liability	12,148	12,160
Current portion	2,406	2,370
Non-current portion	9,742	9,790

10 Warrant derivative liability

	Three months ended March 31, 2017	Year ended December 31, 2016
	\$'000	\$'000
Beginning of the period	105	1,159
Change in fair value	163	(1,054)
End of the period	268	105

The changes in fair value at each reporting date are taken directly to the statement of comprehensive income. The following assumptions were used at each date.

	March 31, 2017	December 31, 2016
Exercise price	GBP0.07-0.378	GBP0.07-0.378
Dividend yield	0%	0%
Risk free interest rate	0.44%	0.55%
Expected life	0.6-2.1 years	0.8-2.3 years
Expected volatility (based on historical volatility)	90-94%	92-115%

The weighted average exercise price of all warrants which are accounted for as derivative liability as at March 31, 2017 is GBP0.22 (December 31, 2016: GBP0.22).

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2017 and 2016

(in thousands of US dollars unless otherwise stated)

11 Equity

(a) Authorised

Unlimited number of common shares without par value.

(b) Issued

	Shares	\$'000
Balance at January 1, 2016	536,168,262	177,877
Shares issued to Sarama Investments Liberia Limited (i)	5,648,310	531
Equity financing with AJL (ii)	390,644,883	17,462
Conversion of Promissory Note (ii)	271,577,546	12,303
Other equity financing (iii)	4,110,000,000	75,132
Share subscription (iv)	5,300,000	101
Shares issued for services to the Company (iv)	5,420,000	100
Balance at December 31, 2016 and March 31, 2017	5,324,759,001	283,506

- (i) On January 6, 2016, the Company completed the acquisition of Sarama Investments Liberia Limited which holds the Cape Mount, Cape Mount East and Cape Mount West licences, for a total consideration of 5,648,310 shares at a price of 6.38p per share (\$0.094).
- (ii) The Company issued an aggregate of 662,222,429 shares at a price of \$0.045302 per share to Avesoro Jersey Limited ("AJL") pursuant to the two tranches of the equity financing and conversion of a promissory note.
- (iii) On December 6, 2016, the Company issued 4,110,000,000 shares at a price of 1.5 pence per share raising net proceeds of \$75 million, with AJL subscribing for \$60 million of new shares, via an equity fundraising to finance the Company's transition to an owner-operator mining model, repay amounts due to the Lenders and to strengthen its balance sheet.
- (iv) Serhan Umurhan, the Company's Chief Executive Officer, subscribed for 5,300,000 shares at a price of 1.5 pence per share. Serhan Umurhan and Geoff Eyre, the Company's Chief Financial Officer, have been issued 2,710,000 shares each at a price of 1.5 pence per share in consideration for an aggregate of \$100,000 for services rendered to the Company.

Avesoro Resources Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2017 and 2016

(in thousands of US dollars unless otherwise stated)

11 Equity (continued)**(c) Stock options**

Information relating to stock options outstanding at March 31, 2017 is as follows:

	Three months ended March 31, 2017		Year ended December 31, 2016	
	Number of options	Weighted average exercise price per share Cdn\$	Number of options	Weighted average exercise price per share Cdn\$
Beginning of the period	124,269,550	0.09	18,096,864	0.54
Options granted	-	-	113,046,000	0.04
Options expired	(557,000)	1.05	(6,592,187)	0.39
Options cancelled	(5,915,472)	0.34	(281,127)	0.35
End of the period	117,797,078	0.07	124,269,550	0.09

12 Related party transactions**(a) Guarantee on the Loan Facilities**

In exchange for the revised and improved conditions and rescheduled repayment terms of the Loan Facilities (see Note 8) a personal guarantee was provided by Mehmet Nazif Günal, Non-Executive Chairman of the Company and corporate guarantees were provided by the Avesoro Holdings Limited group, the beneficial owner of 73.5% of the Company's issued equity.

(b) Provision/(purchases) of goods and services

The Company provided/(purchased) the following services from related parties:

	Three months ended March 31, 2017 \$'000	Three months ended March 31, 2016 \$'000
Recharge of employee costs	105	-
Drilling services	(143)	-
Travel charges	(8)	-
Environmental consultancy services	-	(21)

Included in trade and other receivables is a receivable from a related party of \$227,000 as at March 31, 2017 (December 31, 2016: \$122,000) which represents recharged employee costs.

Included in trade and other payables is \$220,000 payable to related parties as at March 31, 2017 (December 31, 2016: \$86,000) which represents services provided to the New Liberty mine.