

Avesoro Resources Inc. (formerly Aureus Mining Inc.)

Consolidated Financial Statements

Years ended December 31, 2016 and 2015

Registered office:

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200 Bay Street
Toronto
Ontario M5J 2Z4
Canada

Company registration number:

776831-1

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Avesoro Resources Inc. (formerly Aureus Mining Inc.)

We have audited the accompanying consolidated financial statements of Avesoro Resources Inc. for the year ended December 31, 2016 and the year ended December 31, 2015 which comprise the consolidated statement of financial position, the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards as issued by the IASB.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Avesoro Resources Inc. as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made by the Directors in Note 2 to the consolidated financial statements concerning the Company's ability to continue as a going concern. At December 31, 2016, the Company held cash and cash equivalents of \$13.4 million and the Company has approximately \$28 million of debt and interest repayments due within the next 12 months. The cash flows from operations are not projected to be sufficient to bridge this gap. The Company is currently finalising the legal documentation required to amend the terms of the finance facilities. The Directors believe there is a reasonable expectation that the rescheduling of debt repayments will be achieved however at this time there is no certainty that repayment terms will be amended or that the Company will be able to generate the necessary funds to repay the debt as it falls due. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

"BDO LLP" (signed)

London, United Kingdom
March 28, 2017

Avesoro Resources Inc. (formerly Aureus Mining Inc.)
Consolidated Statement of Income and Comprehensive Income
For the years ended December 31, 2016 and 2015
(stated in US dollars)

	Year ended December 31, 2016 \$'000	Year ended December 31, 2015 \$'000 (Restated)
Gold sales	63,612	-
Cost of sales		
- Production costs (Note 20)	(87,017)	-
- Depreciation	(15,948)	-
- Other costs (Note 20)	(8,883)	-
Gross loss	(48,236)	-
Expenses		
Administrative and other expenses (Note 17)	(12,049)	(5,490)
Exploration and evaluation costs	(2,715)	(3,883)
Impairment of property, plant and equipment (Note 7)	(42,473)	(27,604)
Impairment of inventories (Note 6)	-	(3,531)
Receivable provision (Note 5)	-	(2,465)
Loss from operations	(105,473)	(42,973)
Derivative liability gain (Note 13)	1,054	490
Finance costs	(8,576)	-
Finance income	5	30
Loss for the year	(112,990)	(42,453)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Available-for-sale investments (Note 8)	(28)	(457)
Currency translation differences	110	(138)
Total comprehensive loss for the year	(112,908)	(43,048)
Loss per share, basic and diluted (US\$) (Note 16)	(0.10)	(0.12)

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

Avesoro Resources Inc. (formerly Aureus Mining Inc.)

Consolidated Statement of Financial Position

As at December 31, 2016, 2015 and 2014

(stated in US dollars)

	December 31, 2016 \$'000	December 31, 2015 \$'000 (Restated)	December 31, 2014 \$'000 (Restated)
Assets			
Current assets			
Cash and cash equivalents	13,429	7,128	32,956
Trade and other receivables (Note 5)	5,775	805	4,846
Inventories (Note 6)	16,351	14,269	-
Other assets (Note 9)	516	-	-
	36,071	22,202	37,802
Non-current assets			
Property, plant and equipment (Note 7)	191,117	222,189	172,886
Available-for-sale investments (Note 8)	55	83	540
Other assets (Note 9)	-	844	1,184
	191,172	223,116	174,610
Total assets	227,243	245,318	212,412
Liabilities			
Current liabilities			
Borrowings (Note 10)	20,312	11,339	840
Trade and other payables (Note 11)	14,227	19,630	10,229
Finance lease liability (Note 12)	2,370	1,213	-
Derivative liability (Note 13)	105	1,159	672
	37,014	33,341	11,741
Non-current liabilities			
Borrowings (Note 10)	73,159	91,470	74,921
Finance lease liability (Note 12)	9,790	7,651	-
Provision (Note 14)	2,304	1,369	-
	85,253	100,490	74,921
	122,267	133,831	86,662
Equity			
Share capital (Note 15b)	283,506	177,877	150,655
Capital contribution	48,235	48,235	48,235
Share based payment reserve (Note 15c)	6,770	6,002	4,439
Warrant reserve	-	-	1,552
Available-for-sale investment reserve (Note 8)	(453)	(425)	32
Cumulative translation reserve	(400)	(510)	(372)
Deficit	(232,682)	(119,692)	(78,791)
Total equity	104,976	111,487	125,750
Total liabilities and equity	227,243	245,318	212,412

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

Approved by the board of directors on March 28, 2017

"Geoffrey Eyre" (signed)
Director

Avesoro Resources Inc. (formerly Aureus Mining Inc.)

Consolidated Statement of Cash Flows

For the years ended December 31, 2016 and 2015

(stated in US dollars)

	Year ended December 31, 2016 \$'000	Year ended December 31, 2015 \$'000 (Restated)
Operating activities		
Loss for the year	(112,990)	(42,453)
Items not affecting cash:		
Share-based payments (Note 17)	768	1,563
Depreciation (Note 7)	16,359	475
Unrealized foreign exchange loss/(gain)	240	(520)
Derivative liability gain (Note 13)	(1,054)	(490)
Interest expense	8,576	-
Impairment of inventories (Note 6)	4,933	3,531
Write-down of inventories (Note 6)	7,431	-
Exploration acquisition costs settled through issuance of shares (Note 15b)	531	445
Services settled through issuance of shares (Note 15b)	100	-
Impairment of property, plant and equipment (Note 7)	42,473	27,604
Receivables provision (Note 5)	-	2,465
Changes in non-cash working capital		
Increase in trade and other receivables	(4,970)	(513)
Increase/(Decrease) in trade and other payables	11,983	(156)
Increase in inventories	(14,446)	-
Cash flows from operating activities	(40,066)	(8,049)
Investing activities		
Proceeds from pre-production gold sales	14,793	19,180
Payments to acquire property, plant and equipment	(54,126)	(87,677)
Decrease in other assets	328	340
Finance charges	(153)	(5,163)
Cash flows used in investing activities	(39,158)	(73,320)
Financing activities		
Net proceeds from issue of common shares	92,695	26,767
Proceeds from issue of promissory note (Note 4)	12,303	-
Exercise of stock options	-	10
Net (repayment of)/proceeds from borrowings	(12,430)	28,900
Finance charges	(6,897)	-
Cash flows from financing activities	85,671	55,677
Impact of foreign exchange on cash balance	(146)	(136)
Net increase/(decrease) in cash and cash equivalents	6,301	(25,828)
Cash and cash equivalents at beginning of year	7,128	32,956
Cash and cash equivalents at end of year	13,429	7,128

Significant non-cash transactions include conversion of promissory note into shares of \$12.3 million (Note 4), assets acquired under finance lease of \$4.5 million (Note 7), issue of common shares for exploration licences of \$0.5 million (Note 15b) and issue of common shares for services performed of \$0.1 million (Note 19c).

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

Avesoro Resources Inc. (formerly Aureus Mining Inc.)

Consolidated Statement of Changes in Equity

As at December 31, 2016 and 2015

(stated in US dollars)

	Share capital	Capital contribution	Share-based payment reserve	Warrant Reserve	Available-for-sale investment reserve	Cumulative translation reserve	Deficit	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2015 (restated)	150,655	48,235	4,439	1,552	32	(372)	(78,791)	125,750
Loss for the year	-	-	-	-	-	-	(42,453)	(42,453)
Other comprehensive loss for year	-	-	-	-	(457)	(138)	-	(595)
Total comprehensive loss for year	-	-	-	-	(457)	(138)	(42,453)	(43,048)
Share-based payments	-	-	1,563	-	-	-	-	1,563
Exercise of stock options	10	-	-	-	-	-	-	10
Issue of common shares (net of costs)	27,212	-	-	-	-	-	-	27,212
Cancellation of warrants (Note 16)	-	-	-	(1,552)	-	-	1,552	-
Balance at December 31, 2015 (restated)	177,877	48,235	6,002	-	(425)	(510)	(119,692)	111,487
Loss for the year	-	-	-	-	-	-	(112,990)	(112,990)
Other comprehensive loss for year	-	-	-	-	(28)	110	-	82
Total comprehensive loss for year	-	-	-	-	(28)	110	(112,990)	(112,908)
Share-based payments	-	-	768	-	-	-	-	768
Issue of common shares (net of costs)	105,629	-	-	-	-	-	-	105,629
Balance at December 31, 2016	283,506	48,235	6,770	-	(453)	(400)	(232,682)	104,976

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

Avesoro Resources Inc. (formerly Aureus Mining Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(in US dollars unless otherwise stated)

1. Nature of operations

Avesoro Resources Inc. ("Avesoro" or the "Company"), formerly Aureus Mining Inc., 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. Commercial production at New Liberty was declared on March 1, 2016.

The Company's parent company is Avesoro Jersey Limited (formerly MNG Gold Jersey Ltd.), a company incorporated in Jersey (Note 4) and Mr. Murathan Doruk Gnal is the ultimate beneficial owner.

2. Going concern

As at December 31, 2016, the Company had cash and cash equivalents of \$13.4 million, net current liabilities of \$0.9 million and \$28 million of debt and interest repayments due within the next 12 months.

On January 31, 2017, the Company announced it had received approval of a revised term sheet from the credit committees of Nedbank Limited and FirstRand Bank Limited (acting through its Rand Merchant Bank division) (collectively the "Lenders"). The revisions include improved conditions and rescheduled repayment terms of its existing project finance facilities with the Lenders 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 Company's Lenders have extended the default waiver and standstill agreement announced on December 15, 2016 until March 31, 2017 to allow time for the completion of the legal documentation required to amend the facilities and document the guarantees.

The first repayment under the rescheduled agreement is on March 31, 2018 and the Senior Facility loan tenor is extended by two years until January 31, 2022. 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.

As at the date of these financial statements the finalisation of the legal documentation to amend the loan facilities was still in progress. There is a reasonable expectation that this will occur, however there can be no absolute certainty that the repayment terms will be amended or that the Company will be able to generate the necessary funds either through operating or financing activities to repay the debt as it currently falls due.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and that the Company may therefore be unable to realise their assets and liabilities in the normal course of business.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently in these financial statements, unless otherwise stated.

Avesoro Resources Inc. (formerly Aureus Mining Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared on a historical cost basis, as adjusted for certain financial instruments carried at fair value.

3.2 Change in accounting policy

During the year, the Company changed its accounting policy with respect to exploration and evaluation costs in line with the Avesoro Jersey Limited policy. The Group 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.

Prior to this change in policy, exploration and evaluation costs were capitalised by property as intangible assets until the completion of a feasibility study, at which point the capitalised costs were re-classified to property, plant and equipment as mining and development assets.

The impact of this voluntary change in accounting policy on the consolidated financial statements is to charge previous years' intangible assets to deficit and charge current year's exploration and evaluation costs to the consolidated statement of income.

The impact on each line item of the primary financial statements since the adoption of this policy is shown in the table below:

	December 31, 2015		December 31, 2015
	(As reported)	Adjustments	(Restated)
Consolidated Statement of Financial Position			
Intangible assets	35,676	(35,676)	-
Deficit	(84,016)	(35,676)	(119,692)
Consolidated Statement of Income			
Exploration and evaluation costs	-	(3,883)	(3,883)
Impairment of property, plant and equipment	(50,372)	22,768	(27,604)
Loss for the year	(61,338)	18,885	(42,453)
Loss per share, basic and diluted	(0.17)	0.05	(0.12)
	December 31, 2014		December 31, 2014
	(As reported)	Adjustments	(Restated)
Consolidated Statement of Financial Position			
Property, plant and equipment	195,654	(22,768)	172,886
Intangible assets	31,794	(31,794)	-
Deficit	(24,229)	(54,562)	(78,791)

Avesoro Resources Inc. (formerly Aureus Mining Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

3.3 New accounting standards adopted

No new accounting standards or interpretations were adopted during the year.

3.4 Standards in issue but not yet effective

The following standards and interpretations which have been recently issued or revised and are mandatory for the Group's accounting periods beginning on or after January 1, 2017 or later periods have not been adopted early:

<i>Standard</i>	<i>Detail</i>	<i>Effective date</i>
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Revenue with contracts with customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 12	Amendment – Recognition of deferred tax assets for unrealised losses	January 1, 2017
IAS 7	Amendment – Disclosure initiative	January 1, 2017
IFRS 2	Amendment – Classification and measurement of share based payment transactions	January 1, 2018

IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. Management have assessed the point of revenue recognition and do not expect there to be any material impact on the consolidated financial statements.

IFRS 16 introduces a single lease accounting model, in which leases are capitalised as assets with an associated lease liability with the exception of certain low value leases and leases with a term under 12 months. Management are currently assessing the impact of this standard but there are no material operating leases in the Group.

IFRS 9 introduces significant changes to the classification and measurement requirements for financial instruments. Management are currently assessing the impact of this standard.

3.5 Basis of consolidation

3.5.1 Subsidiaries

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights.

Avesoro Resources Inc. (formerly Aureus Mining Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

These financial statements include the accounts of Avesoro and its subsidiaries. The significant subsidiary at December 31, 2016 is set out below:

<u>Company</u>	<u>Place of incorporation</u>
Bea Mountain Mining Corporation ("BMMC")	Liberia

3.5.2 Transactions eliminated on consolidation

Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.6 *Foreign currency translation*

3.6.1 Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in U.S. dollars ("\$"), ("the presentation currency") which is the functional currency of most of the subsidiary entities.

In the consolidated financial statements, all separate financial statements of subsidiary entities, originally presented in a currency different from the Company's presentation currency, have been converted into US dollars. Assets and liabilities have been translated into US dollars at the closing rate at the balance sheet date. Income and expenses have been translated at the average rates over the reporting period. Any differences arising from this procedure have been charged/credited to the "Cumulative translation reserve" in equity. Equity has been translated into US dollars at historical rates.

3.6.2 Foreign currency transactions

In preparing the financial statements of the group entities, foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the loss from operations.

Avesoro Resources Inc. (formerly Aureus Mining Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

3.7 Equity

The following describes the nature and purpose of each reserve within equity.

<i>Reserve</i>	<i>Description and purpose</i>
Share capital	Amount subscribed for share capital at share issue price less direct issue costs
Capital contribution	The net assets transferred to Avesoro on April 13, 2011 pursuant to the Plan of Arrangement
Share-based payment reserve	Fair value of share-based payments vested
Warrant reserve	Fair value of warrants issued
Available-for-sale investment reserve	Gains and losses arising on available-for-sale investments
Cumulative translation reserve	Exchange differences arising on translation of non- US dollar functional currency subsidiaries
Cumulative deficit	Amount of cumulative net gains and losses recognised on the consolidated statement of income

3.8 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and applicable impairment charges. Historical cost includes expenditures that are directly attributable to the acquisition of the items. 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 the Company and the cost of the item can be measured reliably. The carrying amounts of any replaced parts are derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive loss/income during the financial period in which they are incurred.

Depreciation is provided to write off the cost using the straight-line method over their estimated useful life of the assets as follows:

Machinery and equipment	3-4 years
Vehicles	5 years
Mining equipment	5 years
Leasehold improvements	Term of the lease

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Mining and development costs include costs incurred after the completion of a mining property's feasibility study. Mining and development costs are not amortized during the development phase but are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, at least at each balance sheet date.

A mining and development property is considered to be capable of operating in a manner intended by management when it commences commercial production. Upon commencement of commercial production a development property is transferred to a mining property and is depreciated on a units-of-production method. Only proven and probable reserves are used in the tonnes mined units of production depreciation calculation.

Avesoro Resources Inc. (formerly Aureus Mining Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

3.9 Exploration costs

Exploration and evaluation costs are expensed as incurred until a decision is taken that a mining property is economically feasible, after which subsequent expenditures are capitalised as intangible assets.

Exploration and evaluation costs include acquisition of rights to explore, studies, exploration drilling, trenching, sampling and associated activities.

3.10 Impairment

At each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the statement of comprehensive income.

In assessing whether there is any indication that an asset(s) may be impaired, an entity shall consider, as a minimum, the following indications:

External

- Significant changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investment have increased during the period, and those increases are likely to affect the discount rate used in calculating an assets value in use and decrease the assets recoverable amount; and
- The carrying amount of the net assets of the entity is more than its market capitalisation.

Avesoro Resources Inc. (formerly Aureus Mining Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

Internal

- Evidence of physical damage of an asset;
- Evidence from internal reporting that indicates the economic performance of an asset is or will be worse than expected;
- Significant changes with an adverse effect on the entity have taken place during the period or are expected to take place in the near future to the extent and manner in which an asset is used; and

An impairment loss recognised in prior periods shall be reversed if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

3.11 Financial instruments

Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss ("FVTPL"), which are initially measured at fair value.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in other comprehensive income. Gains and losses arising from investments classified as available for sale are recognised in the profit or loss when they are sold or when the investment is impaired. In the case of impairment of available for sale assets, any loss previously recognised in other comprehensive income is transferred to the profit or loss. Impairments are assessed when a decline in fair value is significant or prolonged based on an analysis of indicators such as market price of the investment and significant adverse changes in the environment in which the investee operates. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss. Impairment losses recognised previously on debt securities are reversed through the profit or loss when the increase can be related objectively to an event occurring after the impairment loss was recognised in the profit or loss.

Avesoro Resources Inc. (formerly Aureus Mining Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets at amortised cost

Financial assets that are measured at amortised cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Warrants issued alongside the raising of finance are recorded as a reduction of capital stock based on the fair value of the warrants.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Avesoro Resources Inc. (formerly Aureus Mining Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments:

The Company has issued warrants that are exercisable in a currency other than the functional currency of the entity issuing. As such these warrants are treated as derivative liabilities which are measured initially at fair value and gains and losses on subsequent re-measurement are recorded in profit or loss.

3.12 Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

3.13 Gold sales

Revenue from sales of gold is recognised when:

- the Company has passed the significant risks and rewards of ownership of the product to the buyer, usually when gold doré leaves the gold room, unless a return of physical metal is requested in advance;
- it is probable that the economic benefits associated with the sale will flow to the Company;
- the sales price can be measured reliably;
- the Company has no significant continuing involvement; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Revenue earned while the mine is ramping up to commercial production is accounted for as a credit to the capitalised mining development asset. Revenue earned after commencement of commercial production is recognised in the statement of income. Commercial production at New Liberty was declared on March 1, 2016.

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3. Summary of significant accounting policies (continued)

3.14 Cost of sales

Cost of sales consists of production costs, depreciation of mining assets and costs during temporary plant shutdown.

Production costs include mine operating expenses (such as hire of mining equipment, staff costs, fuel, consumables, maintenance and repair costs, general and administrative costs), third-party smelting, refining and transport fees, royalty expense, changes in inventories for the period including write-down to reduce inventories to net realisable value and permanent impairment of inventories. Cost of sales is based on average costing for contained or recoverable ounces sold for the period.

Costs during temporary plant shutdown are mine operating expenses that were incurred during the temporary suspension of plant processing operations from May 7 to June 30, 2016 as a consequence of operating problems with the detoxification circuit in the process plant.

3.15 Stripping costs

Stripping costs incurred during the development phase of the mine as part of initial pit stripping are capitalised as mining and development costs as part of property, plant and equipment.

Stripping costs incurred during the production stage of the mine are treated as either part of the cost of inventory or are capitalised as a stripping activity asset if all of the following are met:

- it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow;
- the component of the ore body for which access has been improved can be identified; and
- the costs relating to the stripping activity associated with that component or components can be measured reliably.

Once determined that any portion of the stripping costs should be capitalised, the average stripping ratio for the life of the mine to which the stripping cost related is typically used to determine the amount of the stripping costs that should be capitalised.

Costs capitalised as stripping assets are depreciated on a units of production basis, with reference to the estimated ounces of gold reserves based on the life of mine plan in the components of the ore body that have been made more accessible through the stripping activity.

3.16 Inventories

Inventories are stated at the lower of cost or net realisable value. The cost of ore stockpiles and gold in circuit is determined principally by the weighted average cost method using related production costs.

Costs of gold inventories include all costs incurred up until production of an ounce of gold such as mining costs, processing costs, directly attributable mine general and administration costs and depreciation but exclude transport costs, refining costs and royalties. Net realisable value is determined with reference to estimated contained gold, market gold prices and an estimate of the remaining costs of completion to bring inventories into its saleable form. When the net realisable value is lower than cost the difference is included in change in inventories under cost of sales.

Impairment of inventories are recognised when stocks are determined to be uneconomic to process.

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3. Summary of significant accounting policies (continued)

3.17 Leases

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset. Leases of plant and equipment where the group assumes a significant portion of risks and rewards of ownership are classified as a finance lease. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and the finance charges to achieve a constant rate on the balance outstanding. The interest portion of the finance payment is capitalised as development costs until declaration of commercial production at which time, interest will be charged to the statement of comprehensive income over the lease period. The plant and equipment acquired under the finance lease are depreciated over the useful lives of the assets, or over the lease term if shorter. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3.18 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The net present value of estimated future rehabilitation costs is provided for in the consolidated financial statements and capitalised within property, plant and equipment on initial recognition. Rehabilitation will generally occur on closure or after closure of a mine and can include facility decommissioning and dismantling, removal or treatment of waste materials, site and land rehabilitation. Initial recognition is at the time of the construction or disturbance occurring and thereafter as and when additional construction or disturbances take place. The estimates are reviewed annually to take into account the effects of inflation and changes in estimated risk adjusted rehabilitation works cost and are discounted using rates that reflect the time value of money. Annual increases in the provision due to the unwinding of the discount are recognised in the statement of comprehensive income as a finance cost.

The present value of additional disturbances and changes in the estimate of the rehabilitation liability are recorded to mining assets against an increase/decrease in the rehabilitation provision. Rehabilitation projects undertaken are charged to the provision as incurred. Environmental liabilities, other than rehabilitation costs, which relate to liabilities arising from specific events, are expensed when they are known, probable and may be reasonably estimated.

3.19 Borrowing costs

Borrowing costs are generally expensed as incurred except where they relate to the financing of qualifying assets that require a substantial period of time to get ready for their intended use. Qualifying assets include mining and development properties. Borrowing costs related to qualifying assets are capitalised up to the date when the asset is ready for its intended use.

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3. Summary of significant accounting policies (continued)

3.20 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. When equity-settled stock options granted to employees vest over a period of time and the charge is recognised in the statement of comprehensive income over the corresponding period.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3.21 Promissory note

Promissory note is initially recognised at the fair value of the proceeds, net of transaction costs incurred. These transaction costs are subsequently amortised under the effective interest rate method through the income statement. Promissory note is classified as a current liability unless the Company has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

3.22 Segments

Information presented to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the geographical location.

3.23 Critical accounting judgements and sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty and judgements made in applying specific accounting policies are as follows:

Carrying value of New Liberty cash generating unit

The ability of the Company to realise the carrying values of the cash generating unit is contingent upon future profitable production or proceeds from the New Liberty Gold Mine and influenced by operational, legal and political risks and future gold prices.

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3. Summary of significant accounting policies (continued)

Management makes the judgements necessary when considering impairment at least annually with reference to indicators in IAS 36. If an indication exists, an assessment is made of the recoverable amount. The recoverable amount is the higher of value in use (being the net present value of expected future cash flows) and fair value less costs to sell. Value in use is estimated based on operational forecasts with key inputs that include gold reserves, gold prices, production levels including grade and tonnes processed, production costs and capital expenditure. Because of the above-mentioned uncertainties, actual future cash flows could materially differ from those estimated. Note 7 outlines the significant inputs used when performing impairment test on the New Liberty cash generating unit.

New Liberty reserve estimates

The Group estimates its ore reserves and mineral resources in accordance with the National Instrument 43-101 "Standards of Disclosure for Mineral Projects" of the Canadian Securities Administrators. Reserves determined in this way are used in the calculation of depreciation of mining assets, as well as the assessment of the carrying value of the New Liberty cash generating unit and timing of mine closure provision. Uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. The failure of the Company to achieve production estimates could have a material and adverse effect on any or all of its future cash flows, profitability, results of operations and/or financial condition.

Declaration of commercial production

Management used its judgement to declare commercial production at New Liberty effective March 1, 2016 following a 60-day period of process plant operations in line with both design specifications and management expectations in terms of throughput capacity and gold recovery.

Provisions for mine closure and rehabilitation costs

Management uses its judgement and experience to provide for and amortise the estimated mine closure and site rehabilitation over the life of the mine. Provisions are discounted at a risk-free rate and cost base inflated at an appropriate rate. The ultimate closure and site rehabilitation costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements or the emergence of new restoration techniques. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which could affect future financial results.

Capitalisation of exploration and evaluation costs

Exploration and evaluation costs are expensed as incurred until a decision is taken that a mining property is economically feasible, after which subsequent expenditures are capitalised as intangible assets. Management estimates the economic feasibility of a property using key inputs such as gold resources, future gold prices, production levels, production costs and capital expenditure.

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3. Summary of significant accounting policies (continued)

Inventories

Valuations of ore stockpile and gold in circuit require estimations of the amount of gold contained in, and recovery rates from, the various work in progress. These estimations are based on analysis of samples and prior experience. Judgement is also required regarding the timing of utilisation of stockpiles and the gold price to be applied in calculating net realisable value.

Share-based payments and warrants

The amounts used to estimate fair values of stock options and warrants issued are based on estimates of future volatility of the Company's share price, expected lives of the options, expected dividends to be paid by the Company and other relevant assumptions.

By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the consolidated financial statements of future periods could be significant.

4. Equity financings with Avesoro Jersey Limited

On June 14, 2016 the Company entered into an agreement for an equity financing with Avesoro Jersey Limited ("AJL") to fund working capital as it completed the restart of the processing plant operations at the New Liberty Gold Mine.

On June 21, 2016 the Company closed the Initial Tranche of the equity financing with AJL pursuant to which the Company issued 59,533,674 new common shares in the Company ("Shares") at a price of \$0.045302 per Share and a promissory note for the aggregate principal amount of US\$12,303,006 to AJL ("the Promissory Note"), raising gross proceeds of \$15 million. The Promissory Note was unsecured and carried interest at the rate of 12% per annum.

On July 15, 2016 the Company closed the Final Tranche of the equity financing with AJL pursuant to which the Company issued 331,111,209 new Shares at a price of \$0.045302 per Share to AJL, raising gross proceeds of \$15 million.

Further, the Promissory Note issued by the Company to AJL pursuant to the Initial Tranche of the equity financing automatically converted into 271,577,546 Shares (also at a price of \$0.045302 per Share) upon closing of the Final Tranche of the equity financing and receipt of the required TSX approval. An aggregate of 662,222,429 Shares have been issued pursuant to the two tranches of the equity financing and the automatic conversion of the Promissory Note following which AJL became the majority shareholder of the Company.

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 to finance the Company's transition to an owner-operator mining model, repay amounts due to the Company's lending banks and to strengthen its balance sheet.

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5. Trade and other receivables

	December 31, 2016 \$'000	December 31, 2015 \$'000
Trade receivable	760	35
Other receivable	1,940	339
Due from related parties (Note 19)	122	-
Pre-payments	2,953	431
	5,775	805

An advance payment to the civil and earthworks contractor for the development of the New Liberty Gold Mine of \$2.5 million was prudently provided for during the year ended December 31, 2015. As disclosed in Note 24, the Company has been awarded, through an arbitration process, this advance payment and other costs. The Company continues to vigorously pursue the recovery of such amount.

6. Inventories

	December 31, 2016 \$'000	December 31, 2015 \$'000
Gold dore	1,720	850
Gold in circuit	1,492	4,294
Ore stockpiles	3,737	7,855
Consumables	9,402	1,270
	16,351	14,269

Consumables as at December 31, 2016 include inventories acquired from a related party (Note 19).

Gold doré, gold in circuit and ore stockpiles as at December 31, 2016 are stated at their net realisable values after write-down of \$0.6 million, \$1.2 million, \$5.6 million, respectively.

An impairment of \$4.9 million with respect to the low grade oxide stockpile which is not currently planned to be fed through the processing plant has been recognised in the consolidated statement of income for the year ended December 31, 2016. The impairment charge on New Liberty for the year ended December 31, 2015 included US\$3.5 million allocated to the gold in circuit.

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7. Property, plant and equipment

	Development assets	Mining assets	Mine closure and rehabilitation	Assets held under finance lease	Machinery and equipment	Vehicles	Leasehold improvement	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost								
At January 1, 2015 (restated – Note 3.2)	171,908	-	-	-	1,560	919	99	174,486
Additions	76,971	-	-	-	87	324	-	77,382
Impairment	(27,604)	-	-	-	-	-	-	(27,604)
Foreign exchange	-	-	-	-	(2)	(10)	(5)	(17)
At December 31, 2015 (restated – Note 3.2)	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 (Note 19)	-	-	-	-	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
Accumulated depreciation								
At January 1, 2015	-	-	-	-	831	725	44	1,600
Charge for the year	-	-	-	-	299	157	19	475
Foreign exchange	-	-	-	-	(10)	(6)	(1)	(17)
At December 31, 2015	-	-	-	-	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
Net book value								
At December 31, 2015	221,275	-	-	-	525	357	32	222,189
At December 31, 2016	-	160,381	2,107	12,978	14,770	864	17	191,117

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7. Property, plant and equipment (continued)

The additions to development assets for the year ended December 31, 2016 include capitalized borrowing costs of \$1.7 million (2015: \$6.8 million). It also includes pre-production costs of \$2.1 million for the year ended December 31, 2016 (2015: \$28.1 million), net of pre-production revenues of \$14.8 million (2015: \$19.2 million).

Impairment of New Liberty Gold Mine

In accordance with IAS 36, Impairment of Assets, the Company assesses annually whether there are any indicators of impairment of non-current assets. When circumstances or events indicate that non-current assets may be impaired, these assets are reviewed in detail to determine whether their carrying value is higher than their recoverable value, and, where this is the result, an impairment is recognised. Recoverable value is the higher of value in use ("VIU") and fair value less costs to sell. VIU is estimated by calculating the present value of the future cash flows expected to be derived from the asset cash generating unit ("CGU"). Fair value less costs to sell is based on the most reliable information available, including market statistics and recent transactions. The New Liberty Gold Mine has been identified as the CGU. This includes the mining and development property and associated working capital.

The mine operations falling below expectations during the year represented an impairment trigger, and as a result, Management performed impairment testing in order to ensure that the recoverable value calculated exceeded the carrying value as presented. Accordingly, the Company recognized a pre-tax impairment of \$42.5 million for the year ended December 31, 2016 (2015: \$27.6 million (restated)).

The recoverable amount of the CGU was determined by calculating its VIU, which has been determined to be greater than its fair value less cost to dispose. The key assumptions used in determining the VIU for the CGU is life-of-mine ("LOM") plan, long-term gold prices and discount rate. The estimates of future cash flows were derived from the latest LOM plan as at December 31, 2016 which showed an estimated life of seven years (2015: eight years) and was based on management's current best estimates of optimized mine and processing plans, future operating costs and the assessment of capital expenditure of the New Liberty Gold Mine. The Company also used the following assumptions:

- estimated gold price range of \$1,200 to \$1,300 (LOM average \$1,275) per ounce (2015: a range from \$1,190 to \$1,292 per ounce) based on observable market data including spot price and industry consensus; and
- a pre-tax discount rate of 8.5% (2015: 8.5%) was applied to present value the net future cash flows based on the weighted average cost of capital applicable to the CGU.

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8. Available-for-sale investments

	December 31, 2016 \$'000	December 31, 2015 \$'000
Beginning of the year	83	540
Loss recognised in statement of comprehensive income	(28)	(457)
End of the year	55	83

As at December 31, 2016 and 2015, the Company holds 615,855 shares in Stellar Diamonds plc ("Stellar"), a diamond mining and exploration company listed on the AIM market operated by the London Stock Exchange. The Company's available-for-sale investments are classified as Level 1 where the fair value is determined by reference to quoted prices (unadjusted) in active markets.

9. Other assets

	December 31, 2016 \$'000	December 31, 2015 \$'000
Amounts in escrow in respect of an operating lease	116	444
Surety deposit	400	400
	516	844

10. Borrowings

	December 31, 2016 \$'000	December 31, 2015 \$'000
Current		
Bank loan - Senior Facility Tranche A	11,222	11,339
Bank loan - Senior Facility Tranche B	9,090	-
	20,312	11,339
Non-current		
Bank loan - Senior Facility Tranche A	62,636	73,290
Bank loan - Subordinated Facility	10,523	10,219
Bank loan - Senior Facility Tranche B	-	7,961
	73,159	91,470

On December 17, 2013 the Company entered into an agreement for an US\$ 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 US\$ 12 million with RMB Resources (the "Subordinated Facility"). On December 9, 2015 the Company entered into an agreement for an additional US\$ 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.

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10. Borrowings (continued)

The Senior Facility's final repayment is on January 31, 2020. The Senior Facility bears interest at the United States LIBOR rate plus a 1.8% margin plus a 2.5% ECIC premium for a six year term. The Subordinated Facility bears interest at the United States LIBOR rate plus 7.5% for a six and a half year term and is repayable in full six months after the final Senior Facility repayment. The Tranche B Facility is repayable by December 31, 2017 and bears interest at the United States LIBOR rate plus a 5% margin.

The Company paid \$12.4 million of the Senior Facility during the year ended December 31, 2016 (2015: \$nil).

Following the Company's transaction with AJL as discussed in Note 4, the Company received credit approval from the Lenders for a four month default waiver up to October 14, 2016 and standstill agreement during which time the Company worked with the Lenders to reschedule the debt repayment profile. The waivers encompass all existing, as well as future breaches of the loan documentation that may occur during the standstill period, and a deferral by the Lenders of all principal and interest payments during this time. The default waiver and standstill agreement has been extended up to March 31, 2017 to allow time for the completion of the legal documentation required to amend the facilities and document the guarantees.

As disclosed in Note 24, on January 31, 2017, the Company received approval of a revised term sheet from the credit committees of the Lenders. The revisions include improved conditions and rescheduled repayment terms of its existing project finance facilities with the 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 agreed 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 Senior Facility is secured by charges over the assets of Bea Mountain and charges over the shares in Bea Mountain and its holding companies and is guaranteed by the Company.

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11. Trade and other payables

	December 31, 2016 \$'000	December 31, 2015 \$'000
Trade payables	7,368	15,927
Due to related parties (Note 19)	1,342	-
Accruals	5,517	3,703
	14,227	19,630

12. Finance lease liability

The finance lease liability relates to diesel-powered generators and related equipment, the fuel storage facility and heavy mining equipment, all at New Liberty Gold Mine. Such assets have been classified as finance leases as the rental period amounts to a major portion of the estimated useful economic life of the lease assets and the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased assets.

	December 31, 2016 \$'000	December 31, 2015 \$'000
Gross finance lease liability		
- Within one year	3,902	2,332
- Between two and five years	11,842	8,818
- After five years	420	1,753
	16,164	12,903
Future finance cost	(4,004)	(4,039)
Present value of lease liability	12,160	8,864
Current portion	2,370	1,213
Non-current portion	9,790	7,651

13. Derivative liability

	Year ended December 31, 2016 \$'000	Year ended December 31, 2015 \$'000
Beginning of the year	1,159	672
Issued during the year	-	977
Change in fair value	(1,054)	(490)
End of the year	105	1,159

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13. Derivative liability (continued)

On April 22, 2014 and July 29, 2014 the Company issued 16,687,499 and 12,260,148 warrants, respectively, with an exercise price of £0.378 (or the prevailing C\$ equivalent thereof) and a term of three and a half years.

On December 22, 2015 the Company issued 20,400,000 Financier Options and re-issued 11,124,528 warrants with an exercise price of 7p and a term of 3.3 years.

The Company's derivative liability is classified as Level 3 where the fair value is based on inputs that are not observable and significant to the overall fair value measurement. These are treated as a derivative liability and were fair valued at inception using the Black-Scholes option pricing model and the following assumptions:

	December 22, 2015	July 29, 2014	April 22, 2014
Number of warrants	31,524,528	12,260,148	16,687,499
Exercise price	7 GBp	37.8 GBp	37.8 GBp
Dividend yield	0%	0%	0%
Risk free interest rate	1.29%	1.93%	1.99%
Expected life	3.3 years	3.5 years	3.5 years
Expected volatility (based on historical volatility)	60%	43%	46%

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.

	December 31, 2016	December 31, 2015
Exercise price	7-37.8 GBp	7-37.8 GBp
Dividend yield	0%	0%
Risk free interest rate	0.55%	1.38%
Expected life	0.8-2.3 years	1.8-3.3 years
Expected volatility (based on historical volatility)	92-115%	60-85%

The weighted average exercise price of all warrants which are accounted for as derivative liability as at December 31, 2016 is 22 GBp (2015: 22 GBp).

14. Provision

	December 31, 2016 \$'000	December 31, 2015 \$'000
Beginning of the year	1,369	-
Additions during the year	854	1,369
Unwinding of discount	81	-
End of the year	2,304	1,369

Provision relates to the estimated mine closure and rehabilitation costs for the New Liberty Gold Mine which are expected to be incurred at the end of the mine's life. Mine closure and rehabilitation costs are estimated based on a formal closure plan and are subject to regular reviews. The principal factors that can cause expected cash flows to change include change in the LOM plan, changes in ore reserves and changes in law and regulation governing the protection of the environment.

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15. Equity

(a) Authorised

Unlimited number of common shares without par value.

(b) Issued

	Shares	\$'000
Balance at January 1, 2015	310,650,964	150,655
Shares issued on private placements (i) (iii)	224,300,000	28,149
Other shares issued (ii)	1,148,611	445
Share issue costs	-	(1,382)
Exercise of stock options (iv)	68,687	10
Balance at December 31, 2015	536,168,262	177,877
Shares issued to Sarama Investments Liberia Limited (v)	5,648,310	531
Equity financing with AJL (vi)	390,644,883	17,462
Conversion of Promissory Note (vi)	271,577,546	12,303
Other equity financing (vii)	4,110,000,000	75,132
Share subscription (viii)	5,300,000	101
Shares issued for services to the Company (viii)	5,420,000	100
Balance at December 31, 2016	5,324,759,001	283,506

- (i) On February 17, 2015, the Company completed an equity financing, raising approximately US\$15.5 million through the issue of 56,000,000 shares at a price of 18p per share.
- (ii) On September 7, 2015, the Company issued 1,148,611 new shares at a price of 25.238p per share for the acquisition of certain legacy mining rights from Weajue Hill Mining Corporation.
- (iii) On December 9, 2015, the Company completed an equity financing, raising approximately US\$12.6 million through the issue of 168,300,000 new shares in the Company at a price of 5p per share.
- (iv) In the year ended December 31, 2015, the Company issued 68,687 new shares in exchange for the exercise of 68,687 stock options at a weighted average exercise price of C\$0.16.
- (v) 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).
- (vi) As discussed in Note 4, the Company issued an aggregate of 662,222,429 shares at a price of \$0.045302 per share to AJL pursuant to the two tranches of the equity financing and the conversion of the Promissory Note.
- (vii) 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.
- (viii) In addition, 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.

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15. Equity (continued)

(c) Stock options

Information relating to stock options outstanding at December 31, 2016 is as follows:

	December 31, 2016		December 31, 2015	
	Number of options	Weighted average exercise price per share Cdn\$	Number of options	Weighted average exercise price per share Cdn\$
Beginning of the year	18,096,864	0.54	13,708,122	0.81
Options granted	113,046,000	0.04	10,630,744	0.45
Options exercised	-	-	(68,687)	0.16
Options expired	(6,592,187)	0.39	(1,339,374)	0.49
Options forfeited	(281,127)	0.35	(4,833,941)	1.13
End of the year	124,269,550	0.09	18,096,864	0.54

There were 24,952,550 stock options that have vested as at December 31, 2016 (2015: 11,632,668) with a weighted average exercise price of Cdn\$0.25 (2015: Cdn\$0.62).

The weighted average fair value of the 113,046,000 stock options granted in year ended December 31, 2015 (2015: 10,630,744 options) was estimated at US\$0.02 per option (2015: US\$0.44) at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	Year ended December 31, 2016	Year ended December 31, 2015
Share price at grant date	GBP0.02-0.06	CAD\$0.12-0.47
Exercise price	GBP0.02-0.06	CAD\$0.14-0.47
Dividend yield	0%	0%
Risk free interest rate	0.17-1.30%	1.05-1.26%
Expected life	5 years	5 years
Expected volatility (based on historical volatility)	84-129%	43-49%

16. Loss per share

	Year ended December 31, 2016	Year ended December 31, 2015 (Restated)
Loss for the year (\$'000)	(112,990)	(42,453)
Weighted average number of common shares for the purposes of basic and diluted loss per share	1,132,893,504	369,831,964
Basic and diluted loss per share (\$)	(0.10)	(0.12)

Where there is a loss, the impact of warrants and stock options is anti-dilutive, hence, basic and diluted earnings per share are the same.

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17. Administrative expenses

	December 31, 2016 \$'000	December 31, 2015 \$'000
Wages, salaries and contractual termination/ change of control payments	4,046	2,234
Legal and professional	5,412	776
Depreciation of non-mining assets	411	475
Share based payments	768	1,563
Foreign exchange	250	(848)
Other expenses	1,162	1,290
	12,049	5,490

18. Income taxes

	Year ended December 31, 2016 \$'000	Year ended December 31, 2015 \$'000
Current taxation	-	-
Deferred taxation	-	-
	-	-

The analysis of the Company's taxation charge for the year based on the company's statutory tax rate of 26.5% is as follows:

	Year ended December 31, 2016 \$'000	Year ended December 31, 2015 \$'000 (Restated)
Loss for the year	112,990	42,453
Tax recovery at the Canadian corporation tax rate of 26.5%	29,942	11,250
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,895)	(623)
Non-deductible expenses	(10,822)	(8,814)
Non-taxable gains	279	130
Tax losses not utilised and carried forward	(20,824)	(2,496)
Temporary differences	2,867	-
Other	453	553
	-	-

A deferred taxation asset is not recognised in respect of carried forward losses and capital allowances due to uncertainty over the utilisation of these assets. The unrecognised deferred taxation asset at December 31, 2016 is US\$81.3 million (2015: US\$73.9 million) based on a carried forward tax losses asset of \$26.6 million (2015: US\$7.4 million) which expire between 2031 and 2034 and capital allowances of US\$54.7 million (2015: US\$66.5 million) which have no expiry date.

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19. Related party transactions

(a) Termination of mining services contract and acquisition of mining assets

On September 6, 2016 the mining services contract (the "Contract") between BMMC, the Company's wholly owned subsidiary, and MonuRent (Liberia) Limited ("MonuRent") together with all underlying supplier contracts was novated to Atmaca Services (Liberia) Inc. ("ASLI"), a Liberian company that is wholly owned by AJL. All terms of the Contract remained the same.

As part of the novation agreement with MonuRent, ASLI paid to MonuRent cash of \$15.4 million to take ownership of the mining equipment leased to BMMC, \$7.1 million cash for inventory, \$9.7 million cash for invoiced receivables and \$4.5 million cash as a contract novation fee.

On December 6, 2016 BMMC terminated the mining services contract with ASLI and completed the acquisition of mining equipment and inventory from ASLI in exchange for a payment of \$36.7 million, equal to the amount paid by ASLI to MonuRent.

ASLI invoiced BMMC a total of \$7.4 million for the lease and maintenance of mining equipment in accordance with the Contract from September 6 to December 6, 2016 of which \$6.1 million was paid in 2016 leaving an outstanding payable as at December 31, 2016 of \$1.3 million.

(b) Other provision/(purchases) of goods and services

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

	Year ended December 31, 2016 \$'000	Year ended December 31, 2015 \$'000
Recharge of employee costs	122	-
Drilling services	(66)	-
Travel charges	(20)	-
Environmental consultancy services	(70)	(29)

Included in trade and other receivables is a receivable from a related party of \$122,000 as at December 31, 2016 (2015: \$nil) which represents recharged employee costs.

Included in trade and other payables is \$86,000 payable to related parties as at December 31, 2016 (2015: \$4,000) which represents services provided to the New Liberty mine.

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19. Related party transactions (continued)

(c) Key management compensation

The Company's directors and officers are considered the Company's key management personnel. The compensation paid or payable to key management for services is shown below.

	Year ended December 31, 2016 \$	Year ended December 31, 2015 \$
Salaries and other short-term employee benefits	1,099,122	1,063,044
Contractual termination/change of control payments	1,243,797	-
Share-based payments *	487,388	815,605
	2,830,307	1,878,649

The remuneration earned by each director is as follows:

	Salaries and other short-term benefits \$	Contractual termination/ change of control \$	Share-based payments * \$	Total \$	Salaries and other short- term benefits \$	Share-based payments \$	Total \$
Geoffrey Eyre ¹	164,671	-	50,000	214,671	-	-	-
Karin Ireton ²	25,701	94,897	16,740	137,338	53,491	33,575	87,066
Jean-Guy Martin	86,989	94,897	67,420	249,306	53,491	65,075	118,566
David Netherway	98,004	135,567	95,320	328,891	76,415	172,025	248,440
Loudon Owen	86,989	94,897	61,840	243,726	53,491	40,675	94,166
David Reading ²	263,147	350,000	38,138	651,285	439,975	281,856	721,831
Adrian Reynolds ²	25,701	94,897	22,320	142,918	53,491	65,075	118,566
Serhan Umurhan ¹	239,814	-	50,000	289,814	-	-	-
	991,016	865,155	401,778	2,257,949	730,354	658,281	1,388,635

* Share-based payments for the year ended December 31, 2016 include fair value of vested stock options and shares issued in exchange for services to the Company.

¹ Geoffrey Eyre and Serhan Umurhan were appointed as directors on July 15, 2016.

² Karin Ireton, David Reading and Adrian Reynolds ceased to be directors of the Company on July 15, 2016.

(d) Equity financing

AJL's participation in the financing of the Company during the year are disclosed in Note 15b.

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20. Segment information

The Company is engaged in the exploration, development and operation of gold projects 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 Company's results, assets and liabilities by reportable segment for the year ended December 31, 2016:

	New Liberty operations	Liberia exploration	Cameroon exploration	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loss for the year	(103,015)	(2,980)	(125)	(6,870)	(112,990)
Gold sales	63,612	-	-	-	63,612
Production costs					
- Mine operating costs	(80,209)	-	-	-	(80,209)
- Change in inventories	(1,875)	-	-	-	(1,875)
- Impairment of inventories	(4,933)	-	-	-	(4,933)
	(87,017)	-	-	-	(87,017)
Depreciation	(15,948)	(377)	(12)	(22)	(16,359)
Other costs					
- Termination fee (Note 19)	(4,500)	-	-	-	(4,500)
- Shutdown costs	(4,383)	-	-	-	(4,383)
	(8,883)	-	-	-	(8,883)
Segment assets	216,567	503	72	10,101	227,243
Segment liabilities	(121,483)	(69)	-	(715)	(122,267)
Capital additions					
- property, plant and equipment	27,714	30	-	-	27,744

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20. Segment information (continued)

Following is an analysis of the Company's results, assets and liabilities by reportable segment for the year ended December 31, 2015:

	Liberia development (New Liberty) \$'000 (Restated)	Liberia exploration \$'000 (Restated)	Cameroon exploration \$'000 (Restated)	Corporate \$'000 (Restated)	Total \$'000 (Restated)
Loss for the year	32,705	4,191	131	5,426	42,453
Impairment charges	31,135	-	-	-	31,135
Receivable provision	2,465	-	-	-	2,465
Depreciation of property, plant and equipment	-	420	19	36	475
Segment assets	240,106	880	84	4,248	245,318
Segment liabilities	(131,948)	(56)	-	(1,827)	(133,831)
Capital additions – property, plant and equipment	77,294	88	-	-	77,382

21. Financial instruments by category

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, available for sale investments, borrowings, trade payables and accruals, finance lease liability and derivative liability. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

The Company has made the following classifications for its financial instruments:

	Available for sale \$'000	Cash and Receivables at amortised cost \$'000	Total \$'000
December 31, 2016			
Assets as per statement of financial position			
Cash and cash equivalents	-	13,429	13,429
Trade and other receivables	-	2,700	2,700
Due from related parties	-	122	122
Available-for- sale investments	55	-	55
Total	55	16,251	16,306

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21. Financial instruments by category (continued)

	Available for sale \$'000	Cash and Receivables at amortised cost \$'000	Total \$'000
December 31, 2015			
Assets as per statement of financial position			
Cash and cash equivalents	-	7,128	7,128
Trade and other receivables	-	374	374
Available-for- sale investments	83	-	83
Total	83	7,502	7,585

	Liabilities at fair value through the profit and loss \$'000	Other financial liabilities at amortised cost \$'000	Total \$'000
December 31, 2016			
Liabilities as per statement of financial position			
Trade payables and accruals	-	11,801	11,801
Due to related parties	-	1,342	1,342
Derivative liability	105	-	105
Finance lease liability	-	12,160	12,160
Borrowings	-	93,471	93,471
Total	105	118,774	118,879

	Liabilities at fair value through the profit and loss \$'000	Other financial liabilities at amortised cost \$'000	Total \$'000
December 31, 2015			
Liabilities as per statement of financial position			
Trade payables and accruals	-	18,445	18,445
Derivative liability	1,159	-	1,159
Finance lease liability	-	8,864	8,864
Borrowings	-	102,809	102,809
Total	1,159	130,118	131,277

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22. Financial and capital risk management

(a) Financial risk management

The Company's activities expose it to a variety of financial risks, which include interest rate and liquidity risk, foreign exchange risk and credit risk.

Interest rate and liquidity risk

Fluctuations in interest rates impact on the value of short term cash investments, finance lease liability and borrowings giving rise to interest rate risk. The Company has in the past been able to actively source financing through public offerings and debt financing. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks. In the ordinary course of business, the Company is required to fund working capital and capital expenditure requirements. The Company typically holds cash and cash equivalents with a maturity of less than 30 days.

The Directors consider there to be minimal interest rate risk from fluctuations in market interest rates since the interest on the borrowings are largely fixed. If USD LIBOR, which is the variable component of the interest increased by 100% to 2.17% at December 31, 2016, interest payable would have increased by \$0.5 million.

The Company ensures that its liquidity risk is mitigated by a combination of cash flow forecasts, budgeting, monitoring of operational performance and placing financial assets on short term maturity, thus all financial liabilities are met as they become due.

The Company's liabilities, stated at their gross, contractual and undiscounted amounts, fall due as indicated in the following table:

At December 31, 2016	Within 30 days \$'000	30 days to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000
Trade and other payables	(8,421)	(5,806)	-	-
Finance lease liability	(325)	(1,626)	(1,951)	(12,262)
Borrowings and finance costs	(9,082)	(1,832)	(17,135)	(84,609)

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22. Financial and capital risk management (continued)

Foreign exchange risk

Foreign exchange risk to the Group arises from transactions denominated in currencies other than US dollars. In the normal course of business the Company enters into transactions denominated in foreign currencies, primarily Pounds Sterling, Canadian Dollars, Euros, Australian Dollars and South African Rand. As a result, the Company is subject to exposure from fluctuations in foreign currency exchange rates. The Company does not enter into derivatives to manage these risks.

	December 31, 2016 \$'000	December 31, 2015 \$'000
Carrying value of foreign currency balances		
Cash and cash equivalents, include balances denominated in:		
Canadian Dollar (CAD)	17	29
Pound Sterling (GBP)	2,746	1,287
Others	53	47
Investments, include balances denominated in:		
Pounds Sterling (GBP)	54	83
Trade and other receivables, include balances denominated in:		
Canadian Dollar (CAD)	225	21
Pounds Sterling (GBP)	406	205
Others	29	7
Trade and other payables, include balances denominated in:		
Australian Dollar (AUD)	19	17
Canadian Dollar (CAD)	198	242
Euro (EUR)	186	544
Pound Sterling (GBP)	1,082	721
South African Rand (ZAR)	1,146	3,972
Others	46	-

The sensitivities below are based on financial assets and liabilities held at December 31, 2016 and 2015 where balances were not denominated in the functional currency of the Company. The sensitivities do not take into account the Company's income and expenses and the results of the sensitivities could change due to other factors such as changes in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors.

	Effect on net assets of USD strengthening 10%	
	December 31, 2016 \$'000	December 31, 2015 \$'000
Australian Dollar (AUD)	1	1
Canadian Dollar (CAD)	(4)	19
Pound Sterling (GBP)	(212)	(77)
South African Rand (ZAR)	115	397
Euro (EUR)	19	50

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22. Financial and capital risk management (continued)

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company has an investment policy requiring that cash and cash equivalents only are deposited in permitted investments with certain minimum credit ratings.

	December 31, 2016 \$'000	December 31, 2015 \$'000
Financial institutions with Standards & Poor's A rating	13,457	7,064
Financial institutions un-rated	-	64

(b) Capital risk management

The Company's objectives when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to ensure sufficient resources are available to meet day to day operating requirements. The Company defines capital as 'equity' as shown in the consolidated statement of financial position.

The Company's board of directors takes responsibility for managing the Company's capital and does so through board meetings, review of financial information, and regular communication with officers and senior management.

The Company does not currently pay out dividends.

The Company's investment policy is to invest its cash in deposits with high credit worthy financial institutions with short term maturity.

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management as at December 31, 2016.

23. Commitments

Operating expenditure contracted for at December 31, 2016 but not yet incurred is as follows:

	Less than one year \$'000	Between one and five years \$'000	Over five years \$'000
Operating expenditure	5,560	-	-

Operating expenditure commitments comprises of operating leases and inventories held on consignment as at December 31, 2016.

Commitments in respect of finance leases are disclosed in Note 12.

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24. Subsequent events

On January 24, 2017, the the arbitration claim brought against the Company by International Construction & Engineering (Seychelles) ("ICE") with respect to ICE's contract to carry out civil and earth works at New Liberty Gold Mine has been dismissed by the tribunal constituted to determine it. Further, the Company has been successful in the majority of its counterclaim and has been awarded its legal costs.

Subsequent to the year end the Company agreed with its Lenders various amendments to its project finance facilities. The amendments include improved conditions and rescheduled repayment terms of its existing 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. As at the date of these financial statements the legal documentation of the amended loan agreements and guarantees was in progress.