

Condensed Interim Consolidated Financial Statements (Unaudited)

**Avesoro Resources Inc.**

**For the Three and Six Months Ended June 30, 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

	<b>Three months ended June 30, 2017 \$'000</b>	Three months ended June 30, 2016 \$'000 (Restated)	<b>Six months ended June 30, 2017 \$'000</b>	Six months ended June 30, 2016 \$'000 (Restated)
<b>Gold sales (Note 2)</b>	<b>19,313</b>	14,695	<b>39,012</b>	22,948
<b>Cost of sales</b>				
- Production costs (Note 2)	<b>(16,567)</b>	(13,455)	<b>(34,062)</b>	(22,754)
- Depreciation (Note 2)	<b>(7,428)</b>	(2,255)	<b>(14,179)</b>	(4,126)
- Costs during temporary plant shutdown	-	(4,383)	-	(4,383)
<b>Gross loss</b>	<b>(4,682)</b>	(5,398)	<b>(9,229)</b>	(8,315)
<b>Expenses</b>				
Administrative and other expenses (Note 3)	<b>(1,562)</b>	(2,212)	<b>(3,144)</b>	(3,520)
Exploration and evaluation costs	<b>(371)</b>	(505)	<b>(867)</b>	(1,611)
<b>Loss from operations</b>	<b>(6,615)</b>	(8,115)	<b>(13,240)</b>	(13,446)
Derivative liability (loss)/gain (Note 10)	<b>(13)</b>	886	<b>(175)</b>	348
Finance costs	<b>(2,853)</b>	(2,513)	<b>(5,623)</b>	(3,380)
Finance income	<b>3</b>	2	<b>6</b>	3
<b>Loss for the period</b>	<b>(9,478)</b>	(9,740)	<b>(19,032)</b>	(16,475)
<b>Other comprehensive income</b>				
Items that may be reclassified subsequently to profit or loss				
Available-for-sale investments	<b>14</b>	(35)	<b>(4)</b>	(35)
Currency translation differences	<b>(244)</b>	(98)	<b>(193)</b>	(35)
<b>Total comprehensive loss for the period</b>	<b>(9,708)</b>	(9,873)	<b>(19,229)</b>	(16,545)
Loss per share, basic and diluted (US\$)	<b>(0.002)</b>	(0.018)	<b>(0.004)</b>	(0.030)

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

	June 30, 2017 \$'000	December 31, 2016 \$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,811	13,429
Trade and other receivables (Note 4)	14,507	5,775
Inventories (Note 5)	15,142	16,351
Other assets	1,118	516
	<u>33,578</u>	<u>36,071</u>
<b>Non-current assets</b>		
Property, plant and equipment (Note 6)	189,330	191,117
Available-for-sale investments	50	55
	<u>189,380</u>	<u>191,172</u>
<b>Total assets</b>	<u>222,958</u>	<u>227,243</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Borrowings (Note 8)	9,297	20,312
Trade and other payables	14,352	14,227
Finance lease liability (Note 9)	3,351	2,370
Derivative liability (Note 10)	280	105
	<u>27,280</u>	<u>37,014</u>
<b>Non-current liabilities</b>		
Borrowings (Note 8)	98,120	73,159
Finance lease liability (Note 9)	8,860	9,790
Provision	2,361	2,304
	<u>109,341</u>	<u>85,253</u>
	<u>136,621</u>	<u>122,267</u>
<b>Equity</b>		
Share capital (Note 11)	283,506	283,506
Capital contribution	48,235	48,235
Share based payment reserve	7,360	6,770
Available-for-sale investment reserve	(457)	(453)
Cumulative translation reserve	(593)	(400)
Deficit	(251,714)	(232,682)
<b>Total equity</b>	<u>86,337</u>	<u>104,976</u>
<b>Total liabilities and equity</b>	<u>222,958</u>	<u>227,243</u>

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

	<b>Six months ended June 30, 2017 \$'000</b>	Six months ended June 30, 2016 \$'000 (Restated)
<b>Operating activities</b>		
Loss for the period	<b>(19,032)</b>	(16,475)
Items not affecting cash:		
Share-based payments (Note 3)	<b>590</b>	299
Depreciation (Note 6)	<b>14,339</b>	4,327
Unrealized foreign exchange gain	<b>(186)</b>	(5)
Derivative liability loss/(gain) (Note 10)	<b>175</b>	(348)
Interest expense	<b>5,623</b>	3,380
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	<b>(8,732)</b>	(470)
Increase/(decrease) in trade and other payables	<b>(1,351)</b>	19,209
(Increase)/decrease in inventories	<b>1,209</b>	(8,262)
<b>Cash flows (used in)/from operating activities</b>	<b>(7,365)</b>	4,793
<b>Investing activities</b>		
Proceeds from pre-production gold sales	-	14,793
Payments to acquire property, plant and equipment	<b>(12,002)</b>	(35,725)
(Increase)/decrease in other assets	<b>(603)</b>	180
Finance charges	-	(153)
<b>Cash flows used in investing activities</b>	<b>(12,605)</b>	(20,905)
<b>Financing activities</b>		
Borrowings (Note 8)	<b>15,600</b>	-
Finance charges	<b>(6,269)</b>	(1,827)
Net proceeds from issue of common shares	-	2,697
Proceeds from issue of promissory note	-	12,303
<b>Cash flows from financing activities</b>	<b>9,331</b>	13,173
Impact of foreign exchange on cash balance	<b>21</b>	48
<b>Net decrease in cash and cash equivalents</b>	<b>(10,618)</b>	(2,891)
Cash and cash equivalents at beginning of period	<b>13,429</b>	7,128
<b>Cash and cash equivalents at end of period</b>	<b>2,811</b>	4,237

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 (restated)	177,877	48,235	6,002	(425)	(510)	(119,692)	111,487
Loss for the period (restated)	-	-	-	-	-	(16,475)	(16,475)
Other comprehensive loss for the period	-	-	-	(35)	(35)	-	(70)
Total comprehensive loss for the period	-	-	-	(35)	(35)	(16,475)	(16,545)
Share-based payments	-	-	299	-	-	-	299
Issue of common shares (net of costs)	3,132	-	-	-	-	-	3,132
Balance at June 30, 2016 (restated)	181,009	48,235	6,301	(460)	(545)	(136,167)	98,373
Balance at January 1, 2017	283,506	48,235	6,770	(453)	(400)	(232,682)	104,976
Loss for the period	-	-	-	-	-	(19,032)	(19,032)
Other comprehensive loss for the period	-	-	-	(4)	(193)	-	(197)
Total comprehensive loss for the period	-	-	-	(4)	(193)	(19,032)	(19,229)
Share-based payments	-	-	590	-	-	-	590
<b>Balance at June 30, 2017</b>	<b>283,506</b>	<b>48,235</b>	<b>7,360</b>	<b>(457)</b>	<b>(593)</b>	<b>(251,714)</b>	<b>86,337</b>

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 and six months ended June 30, 2017 and 2016**

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(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 interim financial statements is to charge previous period's intangible assets to the statement of income.

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

#### **Going concern**

The condensed interim consolidated financial statements have been prepared on a going concern basis. As at June 30, 2017, the Company has net current assets of \$6.3 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 Günel, Non-Executive Chairman of the Company, and corporate guarantees from the Avesoro Holdings Limited group which owns 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 has been 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.

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 and six months ended June 30, 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 June 30, 2017:

	<b>New Liberty operations</b>	<b>Liberia exploration</b>	<b>Cameroon exploration</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Loss for the period	(7,744)	(385)	(37)	(1,312)	<b>(9,478)</b>
Gold sales	19,313	-	-	-	<b>19,313</b>
Production costs					
- Mine operating costs	(16,687)	-	-	-	<b>(16,687)</b>
- Change in inventories	121	-	-	-	<b>121</b>
	(16,567)	-	-	-	<b>(16,567)</b>
Depreciation	(7,428)	(66)	-	(5)	<b>(7,499)</b>
Segment assets	219,718	195	60	2,985	<b>222,958</b>
Segment liabilities	(135,802)	(111)	-	(708)	<b>(136,621)</b>
Capital additions – property, plant and equipment	5,372	-	-	-	<b>5,372</b>

**Avesoro Resources Inc.**

## Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 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 six months ended June 30, 2017:

	<b>New Liberty operations</b>	<b>Liberia exploration</b>	<b>Cameroon exploration</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Loss for the period (restated)	(15,375)	(902)	(99)	(2,656)	<b>(19,032)</b>
Gold sales	39,012	-	-	-	<b>39,012</b>
Production costs					
- Mine operating costs	(32,833)	-	-	-	<b>(32,833)</b>
- Change in inventories	(1,229)	-	-	-	<b>(1,229)</b>
	(34,062)	-	-	-	<b>(34,062)</b>
Depreciation	(14,179)	(147)	(3)	(10)	<b>(14,339)</b>
Capital additions – property, plant and equipment	12,580	-	-	-	<b>12,580</b>

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the three months ended June 30, 2016:

	<b>New Liberty operations</b>	<b>Liberia exploration</b>	<b>Cameroon exploration</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Loss for the period (restated)	(8,695)	(593)	(6)	(446)	<b>(9,740)</b>
Gold sales	14,695	-	-	-	<b>14,695</b>
Production costs					
- Mine operating costs	(18,114)	-	-	-	<b>(18,114)</b>
- Change in inventories	4,659	-	-	-	<b>4,659</b>
	(13,455)	-	-	-	<b>(13,455)</b>
Depreciation	(2,255)	(89)	(6)	(4)	<b>(2,354)</b>
Plant shutdown costs	(4,383)	-	-	-	<b>(4,383)</b>
Segment assets (restated)	246,407	746	71	4,046	<b>251,270</b>
Segment liabilities	(138,006)	(330)	-	(14,561)	<b>(152,897)</b>
Capital additions – property, plant and equipment	2,801	-	-	-	<b>2,801</b>



## Avesoro Resources Inc.

### Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 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 six months ended June 30, 2016:

	<b>New Liberty operations</b>	<b>Liberia exploration</b>	<b>Cameroon exploration</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Loss for the period (restated)	(12,249)	(1,716)	(84)	(2,426)	<b>(16,475)</b>
Gold sales	22,948	-	-	-	<b>22,948</b>
Production costs					
- Mine operating costs	(25,792)	-	-	-	<b>(25,792)</b>
- Change in inventories	5,645	-	-	-	<b>5,645</b>
- Impairment of ore stockpiles	(2,607)	-	-	-	<b>(2,607)</b>
	<b>(22,754)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(22,754)</b>
Depreciation	(4,126)	(178)	(12)	(11)	<b>(4,327)</b>
Plant shutdown costs	(4,383)	-	-	-	<b>(4,383)</b>
Capital additions – property, plant and equipment	7,176	80	-	-	<b>7,256</b>

#### 3 Administrative expenses

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	<b>375</b>	514	<b>752</b>	1,082
Legal and professional	<b>134</b>	1,168	<b>676</b>	1,531
Depreciation	<b>72</b>	99	<b>161</b>	201
Share based payments	<b>314</b>	117	<b>590</b>	299
Foreign exchange	<b>167</b>	21	<b>164</b>	(157)
Other expenses	<b>500</b>	293	<b>801</b>	564
	<b>1,562</b>	2,212	<b>3,144</b>	3,520

**Avesoro Resources Inc.**

## Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2017 and 2016

(in thousands of US dollars unless otherwise stated)

**4 Trade and other receivables**

	<b>June 30, 2017</b>	December 31, 2016
	<b>\$'000</b>	\$'000
Trade receivable	<b>4,731</b>	760
Other receivable	<b>1,526</b>	1,940
Due from related parties (Note 12)	<b>2,536</b>	122
Pre-payments	<b>5,714</b>	2,953
	<b>14,507</b>	5,775

**5 Inventories**

	<b>June 30, 2017</b>	December 31, 2016
	<b>\$'000</b>	\$'000
Gold doré	<b>937</b>	1,720
Gold in circuit	<b>3,480</b>	1,492
Ore stockpiles	<b>1,304</b>	3,737
Consumables	<b>9,421</b>	9,402
	<b>15,142</b>	16,351

Gold in circuit and ore stockpiles as at June 30, 2017 are stated at their net realisable values after cumulative write-downs of \$0.3 million and \$3.9 million, respectively.

## Avesoro Resources Inc.

### Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 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
<b>Cost</b>									
At January 1, 2016 (restated)	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	-	3,041	8,750	-	-	29	760	-	12,580
Foreign exchange	-	-	-	-	-	-	-	(1)	(1)
At June 30, 2017	-	178,331	8,750	2,223	13,629	16,421	2,644	82	222,080
<b>Accumulated depreciation</b>									
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	-	11,164	-	139	1,250	1,623	155	8	14,339
Foreign exchange	-	-	-	-	-	22	-	5	27
At June 30, 2017	-	26,073	-	255	1,901	3,267	1,175	79	32,750
<b>Net book value</b>									
At December 31, 2016	-	160,381	-	2,107	12,978	14,770	864	17	191,117
At June 30, 2017	-	152,258	8,750	1,968	11,728	13,154	1,469	3	189,330

## Avesoro Resources Inc.

### Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2017 and 2016

(in thousands of US dollars unless otherwise stated)

#### 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

	June 30, 2017 \$'000	December 31, 2016 \$'000
<b>Current</b>		
Bank loan - Senior Facility Tranche A	-	11,222
Bank loan - Subordinated Facility	-	-
Bank loan - Senior Facility Tranche B	9,297	9,090
	<u>9,297</u>	<u>20,312</u>
<b>Non-current</b>		
Bank loan - Senior Facility Tranche A	71,831	62,636
Bank loan - Subordinated Facility	10,643	10,523
Bank loan - Senior Facility Tranche B	-	-
Related party loan (Note 12a)	15,646	-
	<u>98,120</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 which owns 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 has been 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 and six months ended June 30, 2017 and 2016

(in thousands of US dollars unless otherwise stated)

**8 Borrowings (continued)**

During the period ended June 30, 2017, the Company borrowed \$15.6 million from its majority shareholder, Avesoro Jersey Limited (“AJL”), to meet liabilities arising on the termination of legacy procurement contracts, make advanced payments to suppliers to secure lower unit cost pricing and to accelerate the acquisition of capital items that will increase process plant throughput. The loan is unsecured, ranks subordinated to the Company’s existing facilities and are due to be repaid in full no later than December 21, 2022. Interest is charged on the loan at a fixed rate of 3.75 per cent. per annum.

**9 Finance lease liability**

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

	<b>June 30, 2017</b>	December 31, 2016
	<b>\$'000</b>	\$'000
Gross finance lease liability		
- Within one year	<b>3,941</b>	3,902
- Between two and five years	<b>11,634</b>	11,842
- After five years	-	420
	<b>15,575</b>	16,164
Future finance cost	<b>(3,364)</b>	(4,004)
Present value of lease liability	<b>12,211</b>	12,160
Current portion	<b>3,351</b>	2,370
Non-current portion	<b>8,860</b>	9,790

## Avesoro Resources Inc.

### Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2017 and 2016

(in thousands of US dollars unless otherwise stated)

#### 10 Warrant derivative liability

	Six months ended June 30, 2017 \$'000	Year ended December 31, 2016 \$'000
Beginning of the period	105	1,159
Change in fair value	175	(1,054)
End of the period	280	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.

	June 30, 2017	December 31, 2016
Exercise price	GBP0.07-0.378	GBP0.07-0.378
Dividend yield	0%	0%
Risk free interest rate	0.64%	0.55%
Expected life	0.3-1.8 years	0.8-2.3 years
Expected volatility (based on historical volatility)	64-99%	92-115%

The weighted average exercise price of all warrants which are accounted for as derivative liability as at June 30, 2017 is GBP0.22 (December 31, 2016: GBP0.22).

#### 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
<b>Balance at December 31, 2016 and June 30, 2017</b>	<b>5,324,759,001</b>	<b>283,506</b>

- (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).

## Avesoro Resources Inc.

### Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2017 and 2016

(in thousands of US dollars unless otherwise stated)

#### 11 Equity (continued)

- (ii) 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 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.

#### (c) Stock options

Information relating to stock options outstanding at June 30, 2017 is as follows:

	Six months ended June 30, 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	12,500,000	0.04	113,046,000	0.04
Options expired	(557,000)	1.05	(6,592,187)	0.39
Options cancelled	(9,358,285)	0.24	(281,127)	0.35
End of the period	<b>126,854,265</b>	<b>0.07</b>	124,269,550	0.09

## Avesoro Resources Inc.

### Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2017 and 2016

(in thousands of US dollars unless otherwise stated)

#### 12 Related party transactions

##### (a) AJL loan

As discussed in Note 8, the Company has borrowed US\$15.6 million from its majority shareholder, AJL, to meet liabilities arising on the termination of legacy procurement contracts, make advanced payments to suppliers to secure lower unit cost pricing and to accelerate the acquisition of capital items that will increase process plant throughput. Interest charged on the loan for the three and six months ended June 30, 2017 amounted to US\$0.05 million.

##### (b) 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 Gnal, Non-Executive Chairman of the Company and corporate guarantees were provided by the Avesoro Holdings Limited group which owns 73.5% of the Company's issued equity.

##### (c) Provision/(purchases) of goods and services

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

	Three months ended		Six months ended	
	June 30, 2017 \$'000	June 30, 2016 \$'000	June 30, 2017 \$'000	June 30, 2016 \$'000
Recharge of services	2,000	-	2,000	-
Recharge of employee costs	109	-	214	-
Drilling services	(234)	-	(377)	-
Travel services	(7)	-	(15)	-
Environmental services	-	(36)	-	(57)

Included in trade and other receivables is a receivable from related parties of \$2,536,000 as at June 30, 2017 (December 31, 2016: \$122,000) which mainly represents recharged services and employee costs.

Included in trade and other payables is \$369,000 payable to related parties as at June 30, 2017 (December 31, 2016: \$86,000) which represents services provided to the New Liberty mine.