

Condensed Interim Consolidated Financial Statements (Unaudited)

**Avesoro Resources Inc.**

**For the Three and Six Months Ended June 30, 2018 and 2017**  
(stated in thousands of US dollars)

Registered office: 199 Bay Street  
Suite 5300  
Commerce West Street  
Toronto  
Ontario, M5L 1B9  
Canada

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, 2018 \$'000</b>	Three months ended June 30, 2017 \$'000	<b>Six months ended June 30, 2018 \$'000</b>	Six months ended June 30, 2017 \$'000
<b>Gold sales (Note 2)</b>	<b>74,530</b>	19,313	<b>165,900</b>	39,012
<b>Cost of sales</b>				
- Production costs (Note 2)	<b>(43,195)</b>	(16,567)	<b>(92,181)</b>	(34,062)
- Depreciation (Note 2)	<b>(20,390)</b>	(7,428)	<b>(37,000)</b>	(14,179)
<b>Gross profit/(loss)</b>	<b>10,945</b>	(4,682)	<b>36,719</b>	(9,229)
<b>Expenses</b>				
Administrative and other expenses (Note 3)	<b>(2,405)</b>	(1,395)	<b>(4,009)</b>	(2,980)
Exploration and evaluation costs	<b>(4,513)</b>	(371)	<b>(6,524)</b>	(867)
Loss on lease termination	-	-	<b>(566)</b>	-
<b>Profit/(Loss) from operations</b>	<b>4,027</b>	(6,448)	<b>25,620</b>	(13,076)
Derivative liability (loss)/gain	-	(13)	<b>105</b>	(175)
Foreign exchange loss	<b>(817)</b>	(167)	<b>(1,912)</b>	(164)
Finance costs	<b>(2,832)</b>	(2,853)	<b>(7,173)</b>	(5,623)
Finance income	-	3	<b>174</b>	6
<b>Profit/(Loss) before tax</b>	<b>378</b>	(9,478)	<b>16,814</b>	(19,032)
Tax for the period (Note 4)	<b>(3,267)</b>	-	<b>(9,856)</b>	-
<b>Net profit/(loss) after tax</b>	<b>(2,889)</b>	(9,478)	<b>6,958</b>	(19,032)
Attributable to:				
- Owners of the Company	<b>(4,172)</b>	(9,478)	<b>3,847</b>	(19,032)
- Non-controlling interest (Note 13)	<b>1,283</b>	-	<b>3,111</b>	-
<b>Other comprehensive income/(loss)</b>				
Items that may be reclassified subsequently to profit or loss:				
Fair value gains/(losses) on investments	<b>(9)</b>	14	<b>22</b>	(4)
Currency translation differences	<b>(3)</b>	(244)	<b>(40)</b>	(193)
<b>Total comprehensive income/(loss)</b>				
Attributable to:				
- Owners of the Company	<b>(4,184)</b>	(9,708)	<b>3,829</b>	(19,229)
- Non-controlling interest	<b>1,283</b>	-	<b>3,111</b>	-
	<b>(2,901)</b>	(9,708)	<b>6,940</b>	(19,229)
Earnings/(Loss) per share, basic and diluted (US\$) (Note 5)	<b>(0.051)</b>	(0.178)	<b>0.047</b>	(0.357)

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**

	<b>June 30, 2018 \$'000</b>	December 31, 2017 \$'000 (as restated - see Note 1)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	12,686	17,787
Trade and other receivables (Note 6)	32,532	25,286
Inventories (Note 7)	40,030	36,932
Other assets	1,486	1,710
	<b>86,734</b>	<b>81,715</b>
<b>Non-current assets</b>		
Property, plant and equipment (Note 8)	243,403	249,552
Intangible assets - Exploration and evaluation assets (Note 9)	3,359	-
Investments	-	21
Deferred tax asset	2,602	4,554
Other assets	1,301	1,196
	<b>250,665</b>	<b>255,323</b>
<b>Total assets</b>	<b>337,399</b>	<b>337,038</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Borrowings (Note 10)	25,750	37,964
Trade and other payables	49,964	41,003
Income tax payable	9,392	12,358
Finance lease liability (Note 11)	254	1,913
Derivative liability	-	105
Provisions	3,143	523
	<b>88,503</b>	<b>93,866</b>
<b>Non-current liabilities</b>		
Borrowings (Note 10)	107,685	101,335
Trade and other payables	-	463
Finance lease liability (Note 11)	770	5,875
Provisions	9,738	10,439
	<b>118,193</b>	<b>118,112</b>
<b>Total liabilities</b>	<b>206,696</b>	<b>211,978</b>
<b>Equity</b>		
Share capital (Note 12)	353,686	353,653
Capital contribution	53,549	54,022
Share based payment reserve	8,407	7,840
Acquisition reserve	(33,060)	(33,060)
Fair value reserve	-	(487)
Cumulative translation reserve	(506)	(466)
Deficit	(256,774)	(260,156)
Equity attributable to owners	125,302	121,346
Non-controlling interest (Note 13)	5,401	3,714
<b>Total equity</b>	<b>130,703</b>	<b>125,060</b>
<b>Total liabilities and equity</b>	<b>337,399</b>	<b>337,038</b>

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, 2018 \$'000</b>	Six months ended June 30, 2017 \$'000
<b>Operating activities</b>		
Net profit/(loss) after tax	6,958	(19,032)
Tax for the period	9,856	-
Profit/(Loss) before tax	16,814	(19,032)
Items not affecting cash:		
Share-based payments (Note 3)	567	590
Depreciation (Note 8)	37,171	14,339
Unrealized foreign exchange loss/(gain)	1,125	(186)
Derivative liability loss/(gain)	(105)	175
Interest expense	7,173	5,623
Loss on lease termination	566	-
Changes in non-cash working capital		
Increase in trade and other receivables	(7,246)	(8,732)
Increase/(decrease) in trade and other payables	6,008	(1,351)
(Increase)/decrease in inventories	(3,098)	1,209
Income taxes paid	(11,066)	-
<b>Cash flows from/(used in) operating activities</b>	<b>47,909</b>	<b>(7,365)</b>
<b>Investing activities</b>		
Payments to acquire property, plant and equipment	(23,447)	(12,002)
Payments to acquire intangible assets	(3,359)	-
Decrease/(increase) in other assets	119	(603)
Proceeds from sale of available for sale investment	44	-
<b>Cash flows used in investing activities</b>	<b>(26,643)</b>	<b>(12,605)</b>
<b>Financing activities</b>		
Proceeds from borrowings (Note 10b)	6,150	15,600
Payments to borrowings (Note 10)	(24,045)	-
Finance charges	(5,540)	(6,269)
Dividend payment to non-controlling interest	(1,424)	-
Payment of finance leases	(1,254)	-
Proceeds from exercise of stock options (Note 12)	33	-
<b>Cash flows (used in)/from financing activities</b>	<b>(26,080)</b>	<b>9,331</b>
Impact of foreign exchange on cash balance	(287)	21
<b>Net decrease in cash and cash equivalents</b>	<b>(5,101)</b>	<b>(10,618)</b>
Cash and cash equivalents at beginning of period	17,787	13,429
<b>Cash and cash equivalents at end of period</b>	<b>12,686</b>	<b>2,811</b>

Significant non-cash transactions during the six months ended June 30, 2018 includes the acquisition of new heavy mining equipment for \$10.3 million in exchange for new related party loans (Note 10c) and the termination of the generators held as finance leases (Note 8).

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

	Total Equity Attributable to Owners							Non-controlling Interest	Total Equity	
	Share capital	Capital contribution (as restated - see Note 1)	Share-based payment reserve	Acquisition reserve	Fair value reserve	Cumulative translation reserve	Deficit			Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at January 1, 2017	283,506	48,235	6,770	-	(453)	(400)	(232,682)	104,976	-	104,976
Loss for the period	-	-	-	-	-	-	(19,032)	(19,032)	-	(19,032)
Other comprehensive loss for period	-	-	-	-	(4)	(193)	-	(197)	-	(197)
Total comprehensive loss for period	-	-	-	-	(4)	(193)	(19,032)	(19,229)	-	(19,229)
Share-based payments	-	-	590	-	-	-	-	590	-	590
Balance at June 30, 2017	283,506	48,235	7,360	-	(457)	(593)	(251,714)	86,337	-	86,337
Balance at January 1, 2018	353,653	59,230	7,840	(33,060)	(487)	(466)	(260,156)	126,554	3,714	130,268
Restatement of related party loans	-	(5,208)	-	-	-	-	-	(5,208)	-	(5,208)
Balance at January 1, 2018, as restated	353,653	54,022	7,840	(33,060)	(487)	(466)	(260,156)	121,346	3,714	125,060
Profit for the period	-	-	-	-	-	-	3,847	3,847	3,111	6,958
Other comprehensive income/(loss) for period	-	-	-	-	22	(40)	-	(18)	-	(18)
Total comprehensive income/(loss) for period	-	-	-	-	22	(40)	3,847	3,829	3,111	6,940
Exercise of stock options (Note 12)	33	-	-	-	-	-	-	33	-	33
Share-based payments	-	-	567	-	-	-	-	567	-	567
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(1,424)	(1,424)
Related party loans (Note 10)	-	1,698	-	-	-	-	-	1,698	-	1,698
Payment of related party loans (Note 10b)	-	(2,171)	-	-	-	-	-	(2,171)	-	(2,171)
Reserve transfer on sale of investment	-	-	-	-	465	-	(465)	-	-	-
<b>Balance at June 30, 2018</b>	<b>353,686</b>	<b>53,549</b>	<b>8,407</b>	<b>(33,060)</b>	<b>-</b>	<b>(506)</b>	<b>(256,774)</b>	<b>125,302</b>	<b>5,401</b>	<b>130,703</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, 2018 and 2017

(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 and the Youga gold mine in Burkina Faso.

On December 18, 2017 the Company completed the acquisition of the Youga gold mine and the Balogo satellite deposit in Burkina Faso through the acquisition of the entire issued share capital of MNG Gold Burkina SARL, Cayman Burkina Mines Ltd., MNG Gold Exploration Ltd., AAA Exploration Burkina Ltd. and Jersey Netiana Mining Ltd. and their subsidiaries from Avesoro Jersey Limited ("AJL"), the Company's majority shareholder, for a total consideration of US\$70.2 million comprised of the issuance of US\$51.5 million of new common shares in the Company and a cash component of US\$18.7 million.

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, 2017. Accordingly, they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

These interim financial statements were authorised by the Board of Directors on August 10, 2018.

#### **Restatement of Consolidated Statement of Financial Position as at December 31, 2017**

In preparing the Company's interim financial statements for the period ended June 30, 2018, Management identified an error in the calculation of the fair valuation of related party loans with Mapa Insaat ve Ticaret A.S. The error requires the restatement of the audited consolidated statement of financial position as at December 31, 2017. The impact of the restatement of the audited consolidated statement of financial position is to increase the current portion of borrowings by \$2.0 million, increase the non-current portion of borrowings by \$3.2 million and reduce the capital contribution in equity by \$5.2 million. The adjustment has no impact on profit nor cash flows for the year ended December 31, 2017. The repayment terms, rates and amounts payable pursuant to the loan agreements are unchanged.

	<b>As previously stated at December 31, 2017 \$'000</b>	<b>Increase/ (Decrease) \$'000</b>	<b>As restated at December 31, 2017 \$'000</b>
<b>Liabilities</b>			
Borrowings, current portion	35,999	1,965	37,964
Borrowings, non-current portion	98,092	3,243	101,335
<b>Equity</b>			
Capital contribution	59,230	(5,208)	54,022

#### **New accounting policies**

The Company adopted the following revised or new IFRS standards that have been issued effective January 1, 2018. The impact of the standards on the Company's accounting policies and financial statements is discussed below:

# **Avesoro Resources Inc.**

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

**For the three and six months ended June 30, 2018 and 2017**

(in thousands of US dollars unless otherwise stated)

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### **1 Nature of operations and basis of preparation (continued)**

*IFRS 9, Financial Instruments* introduces new requirements for the classification and measurement of financial assets and liabilities. IFRS 9 replaced the multiple classification and measurement models for financial assets that exist under IAS 39 Financial Instruments, and the basis on which financial assets are measured will determine their classification as either, at amortized cost, fair value through profit and loss, or fair value through other comprehensive income.

Although the investment in Stellar Diamonds plc remains measured at fair value with fair value gains or losses recognised in other comprehensive income, on disposal of the investment the cumulative change in fair value remains in other comprehensive income and is not recycled to the income statement. The adoption of IFRS has no other material impact on the consolidated financial statements.

*IFRS 15 Revenue from Contracts with Customers* provides that an entity should recognize revenue to depict the transfer of goods to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. The Company has assessed the impact of this change on the amount of revenue recognised and determined it to be not significant.

#### **Going concern**

The condensed interim consolidated financial statements have been prepared on a going concern basis. As at June 30, 2018, the Company has net current liabilities of \$1.8 million and has approximately \$28.6 million of debt repayments due in the next twelve months.

The free cash generation of the Company significantly improved following the acquisition of the Youga gold mine and the Balogo satellite deposit in December 2017 and the continuing improvement of operations at New Liberty. Accordingly, the Company expects to meet its current liabilities through its free cash generation capacity. In addition, the Company has an undrawn facility of \$20 million with AJL as at June 30, 2018 which it can call upon for general working capital purposes.

The Company's forecasts and projections 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.

### **2 Segment information**

The Company is engaged in the exploration, development and operation of gold projects in the West African countries of Liberia, Burkina Faso 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 of mining operations. The reportable segments under IFRS 8 are as follows:

- New Liberty operations;
- Burkina operations which include the Youga gold mine and the Balogo satellite deposit;
- Exploration; and
- Corporate.

**Avesoro Resources Inc.**

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

For the three and six months ended June 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

**2 Segment information (continued)**

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the three months ended June 30, 2018:

	<b>New Liberty operations</b>	<b>Burkina operations</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit/(Loss) for the period	(7,701)	12,476	(5,314)	(2,350)	<b>(2,889)</b>
Gold sales	37,194	37,336	-	-	<b>74,530</b>
Production costs					
- Mine operating costs	(23,435)	(21,222)	-	-	<b>(44,657)</b>
- Change in inventories	(135)	1,597	-	-	<b>1,462</b>
	(23,570)	(19,625)	-	-	<b>(43,195)</b>
Depreciation	(18,653)	(1,736)	(65)	(53)	<b>(20,507)</b>
Segment assets	232,806	94,472	4,356	5,765	<b>337,399</b>
Segment liabilities	(144,557)	(55,125)	(4,310)	(2,706)	<b>(206,698)</b>
Capital additions					<b>11,095</b>
- property, plant and equipment	7,273	3,822	-	-	
- intangible assets	-	-	1,599	-	<b>1,599</b>

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the six months ended June 30, 2018:

	<b>New Liberty operations</b>	<b>Burkina operations</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit/(Loss) for the period	(13,737)	30,756	(6,351)	(3,710)	<b>6,958</b>
Gold sales	74,517	91,383	-	-	<b>165,900</b>
Production costs					
- Mine operating costs	(46,696)	(41,909)	-	-	<b>(88,605)</b>
- Change in inventories	(1,887)	(1,689)	-	-	<b>(3,576)</b>
	(48,583)	(43,598)	-	-	<b>(92,181)</b>
Depreciation	(31,200)	(5,800)	(117)	(54)	<b>(37,171)</b>
Capital additions					
- property, plant and equipment	23,721	12,734	40	-	<b>36,495</b>
- intangible assets	-	-	3,359	-	<b>3,359</b>

**Avesoro Resources Inc.**

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

For the three and six months ended June 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

**2 Segment information (continued)**

Following is an analysis of the Group's results, assets and liabilities by reportable segment for the three months ended June 30, 2017:

	<b>New Liberty operations</b>	<b>Burkina operations</b>	<b>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)	-	(422)	(1,312)	(9,478)
Gold sales	19,313	-	-	-	19,313
Production costs					
- Mine operating costs	(16,688)	-	-	-	(16,688)
- Change in inventories	121	-	-	-	121
	(16,567)	-	-	-	(16,567)
Depreciation	(7,428)	-	(66)	(5)	(7,499)
Segment assets	219,718	-	255	2,985	222,958
Segment liabilities	(135,802)	-	(111)	(708)	(136,621)
Capital additions – property, plant and equipment	5,372	-	-	-	5,372

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>Burkina operations</b>	<b>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	(15,375)	-	(1,001)	(2,656)	(19,032)
Gold sales	39,012	-	-	-	39,012
Production costs					
- Mine operating costs	(32,833)	-	-	-	(32,833)
- Change in inventories	(1,229)	-	-	-	(1,229)
	(34,062)	-	-	-	(34,062)
Depreciation	(14,180)	-	(150)	(10)	(14,340)
Capital additions – property, plant and equipment	12,580	-	-	-	12,580

## Avesoro Resources Inc.

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

For the three and six months ended June 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

#### 3 Administrative expenses

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	591	375	1,127	752
Legal and professional	657	134	959	676
Depreciation	117	72	171	161
Share based payments	270	314	567	590
Other expenses	770	500	1,185	801
	<b>2,405</b>	<b>1,395</b>	<b>4,009</b>	<b>2,980</b>

Foreign exchange gains and losses have been reclassified as financing items rather than operational items. The above table has been restated to exclude the foreign exchange gain of US\$164 thousand for the six months ended June 30, 2017.

#### 4 Income taxes

Tax for the period comprises of:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	\$'000	\$'000	\$'000	\$'000
Current tax	(3,554)	-	(7,884)	-
Deferred tax	287	-	(1,972)	-
	<b>(3,267)</b>	<b>-</b>	<b>(9,856)</b>	<b>-</b>

#### 5 Earnings per share ("EPS")

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	\$'000	\$'000	\$'000	\$'000
Net profit/(loss) after tax attributable to Owners of the Company	<b>(4,172)</b>	<b>(9,478)</b>	<b>3,847</b>	<b>(19,032)</b>
Weighted average number of outstanding shares for basic EPS	<b>81,575,260</b>	<b>53,247,590</b>	<b>81,567,802</b>	<b>53,247,590</b>
Dilutive share options	-	-	<b>583,456</b>	-
Weighted average number of outstanding shares for diluted EPS	<b>81,575,260</b>	<b>53,247,590</b>	<b>82,151,258</b>	<b>53,247,590</b>
Basic EPS (US\$)	<b>(0.051)</b>	<b>(0.178)</b>	<b>0.047</b>	<b>(0.357)</b>
Diluted EPS (US\$)	<b>(0.051)</b>	<b>(0.178)</b>	<b>0.047</b>	<b>(0.357)</b>

## Avesoro Resources Inc.

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

For the three and six months ended June 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

#### 6 Trade and other receivables

	<b>June 30, 2018</b>	December 31, 2017
	<b>\$'000</b>	\$'000
Trade receivable	<b>316</b>	416
Other receivable	<b>14,676</b>	10,690
Due from related parties (Note 14)	<b>2,715</b>	1,015
Pre-payments	<b>14,825</b>	13,165
	<b>32,532</b>	25,286

Other receivables include a VAT receivable from the Burkina Faso Government amounting to \$12.8 million as at June 30, 2018 (December 31, 2017: \$8.9 million).

#### 7 Inventories

	<b>June 30, 2018</b>	December 31, 2017
	<b>\$'000</b>	\$'000
Gold doré	<b>1,253</b>	3,986
Gold in circuit	<b>5,038</b>	2,561
Ore stockpiles	<b>3,368</b>	6,688
Consumables	<b>30,371</b>	23,697
	<b>40,030</b>	36,932

Ore stockpiles as at June 30, 2018 are stated at their net realisable values after cumulative write-down at New Liberty of \$2.1 million (December 31, 2017: US\$2.9 million).

## Avesoro Resources Inc.

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

For the three and six months ended June 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

#### 8 Property, plant and equipment

	Mining assets \$'000	Stripping asset \$'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, 2017	175,290	-	2,223	13,629	16,392	1,884	83	209,501
Additions	8,322	16,229	544	2,025	27,752	996	-	55,868
Acquisitions	24,895	-	3,445	-	30,639	204	-	59,183
Impairment	-	-	-	(3,896)	-	-	-	(3,896)
Foreign exchange	-	-	-	-	10	8	3	21
At December 31, 2017	208,507	16,229	6,212	11,758	74,793	3,092	86	320,677
Additions	7,286	7,510	-	-	21,699	-	-	36,495
Disposals	-	-	-	(7,000)	-	-	-	(7,000)
At June 30, 2018	215,793	23,739	6,212	4,758	96,492	3,092	86	350,172
<b>Accumulated depreciation</b>								
At January 1, 2017	14,909	-	116	651	1,622	1,020	66	18,384
Charge for the period	23,754	1,838	296	2,933	3,622	303	19	32,765
Acquisitions	13,442	-	1,878	-	5,633	39	-	20,992
Impairment	-	-	-	(1,020)	-	-	-	(1,020)
Foreign exchange	-	-	-	-	3	-	1	4
At December 31, 2017	52,105	1,838	2,290	2,564	10,880	1,362	86	71,125
Charge for the period	21,292	6,305	691	1,130	7,522	231	-	37,171
Disposals	-	-	-	(1,527)	-	-	-	(1,527)
At June 30, 2018	73,397	8,143	2,981	2,167	18,402	1,593	86	106,769
<b>Net book value</b>								
At December 31, 2017	156,402	14,391	3,922	9,194	63,913	1,730	-	249,552
<b>At June 30, 2018</b>	<b>142,396</b>	<b>15,596</b>	<b>3,231</b>	<b>2,591</b>	<b>78,090</b>	<b>1,499</b>	<b>-</b>	<b>243,403</b>

## Avesoro Resources Inc.

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

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#### 9 Intangible assets - Exploration and evaluation assets

	June 30, 2018	December 31, 2017
	\$'000	\$'000
Gassore East	1,904	-
Ouaré	1,455	-
	<u>3,359</u>	<u>-</u>

Gassore East is a new minable mineralisation located 2 kilometres from the Youga processing plant.

Ouaré, located 36 kilometres north east of the Youga processing plant, is the subject of an infill drilling campaign to upgrade the confidence level and classification of the existing mineral resources.

Resource modelling and pit design from the National Instrument 43-101 – Standards of Disclosure of Mineral Projects published on June 19, 2018 shows these two satellite deposits will add further mine life to the Youga Gold Mine.

#### 10 Borrowings

	June 30, 2018	December 31, 2017
	\$'000	\$'000
		(as restated – see Note 1)
<b>Current</b>		
Bank loan - Senior Facility Tranche A	14,692	14,741
Bank loan - Senior Facility Tranche B	-	9,737
Shareholder loan – Other	-	8,106
Related party loan	11,058	5,380
	<u>25,750</u>	<u>37,964</u>
<b>Non-current</b>		
Bank loan - Senior Facility Tranche A	58,566	58,668
Bank loan - Subordinated Facility	11,049	10,846
Shareholder loan - Working Capital Facility	12,665	14,938
Shareholder loan - Other	4,026	-
Related party loan	21,379	16,883
	<u>107,685</u>	<u>101,335</u>

##### (a) Bank loans

On December 17, 2013 the Company entered into an agreement for an \$88 million project finance loan facility with 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. \$22.4 million of the Senior Facility principal has been repaid to date including \$10 million during the six months ended June 30, 2018.

## **Avesoro Resources Inc.**

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

**For the three and six months ended June 30, 2018 and 2017**

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#### **10 Borrowings (continued)**

##### **(b) Shareholder loan**

###### Working Capital Facility

In 2017, the Group borrowed \$18.8 million from AJL through a working capital facility 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 at New Liberty.

The loan payable to AJL is recognised at fair value calculated as its present value at a market rate of interest and subsequently measured at amortised cost. The difference between fair value and loan amount is credited to equity as a capital contribution as the loan is from its majority shareholder.

New loans of \$6.2 million during the six months ended June 30, 2018 were allocated to an increase in loan payable of \$4.9 million and additional capital contribution of \$1.2 million. Principal repayments totalling \$10 million were made during the six months ended June 30, 2018 of which \$7.8 million was allocated as a reduction to the loan payable and \$2.2 million as a reduction to capital contribution.

Interest expense on the non-current loan payable to AJL for the six months ended June 30, 2018 was \$0.6 million (six months ended June 30, 2017: \$nil).

###### Other

The other shareholder loan payable to AJL was assumed on acquisition of the Youga gold mine and Balogo satellite deposit of which \$4.1 million was repaid during the six months ended June 30, 2018.

##### **(c) Related party loan**

In 2017 the Company entered into equipment and finance facility agreements with Mapa İnşaat ve Ticaret A.Ş. ("Mapa"), a company controlled by Mehmet Nazif Gnal, Non-Executive Chairman of the Company, to facilitate the purchase of heavy mining equipment. The loan principal of these agreements includes a mark-up of 2.5% over the cost incurred by Mapa in procuring the equipment. The equipment finance loans are unsecured, with interest charged at 6.5% per annum on the US\$ denominated loan and 5.5% per annum on the Euro denominated loan amount. The loans are repayable in cash in eight equal semi-annual instalments, the first of which will fall due six months after utilisation of the loan.

As discussed in Note 1, Management noted an error in the calculation of the fair valuation of related party loans with Mapa İnşaat ve Ticaret A.Ş. The impact of the adjustment to restate the consolidated statement of financial position as at December 31, 2017 is to increase the current portion of borrowings by \$2.0 million, increase the non-current portion of borrowings by \$3.2 million and reduce the capital contribution in equity by \$5.2 million.

During the six months ended June 30, 2018, the Company entered into further equipment and finance facility agreements with Mapa amounting to \$10.3 million. Similar to the loans entered into in 2017, these loans were initially recognised at fair value calculated as its present value at a market rate of interest and subsequently measured at amortised cost. The difference of \$0.5 million between the loan amount of \$10.3 million and fair value of \$9.8 million has been credited to equity as a capital contribution from a related party.

Interest expense on the related party loan to Mapa for the six months ended June 30, 2018 was \$1.2 million (six months ended June 30, 2017: \$nil). Interest repayment was \$0.8 million during the six months ended June 30, 2018 (six months ended June 30, 2017: \$nil).

## Avesoro Resources Inc.

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

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#### 11 Finance lease liability

The finance lease liability as at June 30, 2018 relates to the fuel storage facility at New Liberty Gold Mine following termination of the lease arrangement on the generators at nil consideration. 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.

	<b>June 30, 2018</b>	December 31, 2017
	<b>\$'000</b>	\$'000
Gross finance lease liability		
- Within one year	<b>362</b>	2,820
- Between two and five years	<b>903</b>	7,191
	<b>1,265</b>	10,011
Future finance cost	<b>(241)</b>	(2,223)
Present value of lease liability	<b>1,024</b>	7,788
Current portion	<b>254</b>	1,913
Non-current portion	<b>770</b>	5,875

#### 12 Equity

##### (a) Authorised

Unlimited number of common shares without par value.

##### (b) Issued

	<b>Shares</b>	<b>\$'000</b>
Balance at January 1, 2017	53,247,590	283,506
Issued to AJL on acquisition of Youga gold mine (i)	20,334,928	51,459
Equity financing (i)	7,974,490	20,248
Share issuance costs (i)	-	(1,568)
Exercise of stock options (ii)	3,750	8
Share consolidation adjustment	(498)	-
Balance at December 31, 2017	<b>81,560,260</b>	353,653
Exercise of stock options (ii)	<b>15,000</b>	33
<b>Balance at June 30, 2018</b>	<b>81,575,260</b>	353,686

The Company's number of outstanding and issued shares, stock options and warrants are retrospectively presented to reflect a 100:1 share consolidation which became effective on January 16, 2018.

## Avesoro Resources Inc.

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

For the three and six months ended June 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

#### 12 Equity (continued)

- (i) The Company acquired the Youga gold mine and the Balogo satellite deposit on December 18, 2017 for a total consideration of US\$70.2 million which comprises of the issuance of 20,334,928 new common shares in the Company at a price of GBP£1.90 per share and a cash component of US\$18.7 million. The cash component was funded through the issuance of 7,974,490 new common shares at a price of GBP£1.90 per share through a private placement. The directly attributable costs of issuance of these new common shares amounted to \$1.6 million.
- (ii) During the three months ended June 30, 2016, the Company issued 15,000 new common shares on exercise of 15,000 stock options at a price of GBP£1.575 per stock option. In 2017, the Company issued 3,750 new common shares on exercise of 3,750 stock options at a price of GBP£1.575 per stock option.

#### (c) Stock options

Information relating to stock options outstanding at June 30, 2018 is as follows:

	Six months ended June 30, 2018		Year ended December 31, 2017	
	Number of options	Weighted average exercise price per share Cdn\$	Number of options	Weighted average exercise price per share Cdn\$
Beginning of the period	2,829,428	4.96	1,242,695	9.12
Options granted	61,000	4.58	1,745,000	3.41
Options exercised	(15,000)	2.66	(3,750)	2.66
Options expired	(10,862)	72.00	(5,570)	105.00
Options forfeited	(127,508)	3.66	(148,947)	17.86
Share consolidation adjustment	(5)	-	-	-
End of the period	2,737,045	4.76	2,829,428	4.96

#### 13 Non-controlling interest

Non-controlling interest represents the Government of Burkina Faso's 10% share of Burkina Mining Company and Netiana Mining Company, the subsidiaries which respectively holds the Youga gold mine and the Balogo satellite deposit.

## Avesoro Resources Inc.

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

For the three and six months ended June 30, 2018 and 2017

(in thousands of US dollars unless otherwise stated)

#### 14 Related party transactions

##### (a) Borrowings

Principal repayments of the shareholder loan to AJL, new and repayments of equipment finance loans with Mapa and interest repayments to Mapa in relation to the equipment finance loans during the six months ended June 30, 2018 are disclosed in Note 10.

##### (b) Acquisition of heavy mining equipment

In addition to the heavy mining equipment financed by Mapa, the Company also acquired five mining trucks from Mapa for US\$0.4 million during the six months ended June 30, 2018 to supplement the hauling capacity at Balogo.

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

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

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	\$'000	\$'000	\$'000	\$'000
<i>Technical and managerial services provided by the Company to:</i>				
Avesoro Services (Jersey) Limited, a subsidiary of Company's parent company	-	109	-	214
<i>Technical and support staff services provided by the Company to:</i>				
MNG Gold Liberia Inc., a subsidiary of Company's parent company	146	-	146	-
<i>Sale of consumables by the Company to:</i>				
MNG Gold Liberia Inc., a subsidiary of Company's parent company	538	-	538	-
<i>Drilling services provided to the Company by:</i>				
Zwedru Mining Inc., a subsidiary of Company's parent company	(967)	(234)	(1,854)	(377)
<i>Drilling services provided to the Company by:</i>				
Faso Drilling Company SA., a subsidiary of Company's parent company	(2,397)	-	(3,847)	-
<i>Charter plane services provided to the Company by:</i>				
MNG Gold Liberia Inc., a subsidiary of Company's parent company	(90)	-	(180)	-
<i>Travel services provided to the Company by:</i>				
MNG Turizm ve Ticaret A.S., an entity controlled by the Company's Chairman	(6)	(7)	(6)	(15)
<i>Management services provided by the Company to:</i>				
Atmaca Services Liberia Inc., a subsidiary of Company's parent company	-	2,000	-	2,000

**Avesoro Resources Inc.**

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2018 and 2017

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(in thousands of US dollars unless otherwise stated)

**14 Related party transactions (continued)**

Included in trade and other receivables is a receivable from related parties of \$2.7 million as at June 30, 2018 (December 31, 2017: \$1.0 million).

Included in trade and other payables is \$2.8 million payable to related parties as at June 30, 2018 (December 31, 2017: \$0.5 million).