

**AVESORO RESOURCES INC.**

**Management's Discussion and Analysis  
For the quarter ended June 30, 2018**

Dated August 10, 2018

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**For the quarter ended June 30, 2018**  
**(stated in US dollars)**

The following discussion is management's assessment and analysis of the operating results, financial condition and future prospects of Avesoro Resources Inc. (the "Company" or "Avesoro") prepared in accordance with the requirements of Canadian National Instrument 51-102. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes for the quarters ended June 30, 2018 and 2017 which have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". This MD&A has been prepared based on information available to the Company as at August 3, 2018. The information provided herein supplements and discusses, but does not form part of, the unaudited consolidated financial statements for the quarters ended June 30, 2018 and 2017. Unless otherwise indicated all amounts are in US dollars.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.avesoro.com](http://www.avesoro.com).

## **1. OVERVIEW**

### **(A) DESCRIPTION OF BUSINESS**

Avesoro is a West African focused mining production and development company with a current focus on gold production and development through the exploration, development and operation of two gold mining assets across West Africa. The Company is listed on the Toronto Stock Exchange ("TSX") and the AIM market operated by the London Stock Exchange ("AIM") (Ticker ASO).

The Company's operating assets include the New Liberty gold mine located in Liberia (the "New Liberty") and the Youga ("Youga") gold mine, located in Burkina Faso.

### **(B) VISION**

The vision of the management of the Company ("Management") is to advance the Company into an African mid-tier commodity producer with a brand recognised for sustainability, innovation and strong relationships with the local communities. Avesoro's mission is to create value for all stakeholders by:

- producing profitable gold ounces from the New Liberty and Youga gold mines and any other mines that are successfully developed by the Company;
- increasing the Company's mineral resources and reserves base and expanding the project pipeline; and
- strengthening and leveraging the exploration, development and production teams.

Avesoro intends to achieve these objectives while adhering to the Company's values and maintaining good corporate governance. Management endeavours to maintain and develop local stakeholder support through the Company's employment and training practices and through its sustainability initiatives.

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**(C) KEY STRENGTHS**

Avesoro's key strengths are detailed as follows:

***A Strong Portfolio of Assets***

The completion of the acquisition of the Youga gold mine and the Balogo satellite deposit in Burkina Faso on December 18, 2017 provided the Company with geographic diversity within West Africa and adds assets that are highly complementary to the existing New Liberty gold mine, significantly increasing Avesoro's annual gold production. Additionally, the acquisition added high quality exploration upside that will provide for further future organic growth potential.

A promising portfolio of exploration stage gold projects in Liberia, Burkina Faso and Cameroon includes the Ndablama and Weaju Projects situated within close proximity to New Liberty on the same mining licence and the Ouaré Project located 36 kilometres to the north-east of Youga in Burkina Faso.

***Technically Strong***

The Company has experienced production and exploration teams in the countries in which it operates, who understand the geological settings and have the flexibility to work across the region. The Company employs up-to-date technological tools to better focus its exploration efforts.

***Supportive Majority Shareholder***

In June 2016 the Company entered into an agreement for an equity financing with Avesoro Jersey Limited ("AJL"), to strengthen the Company's balance sheet and fund working capital as it completed the restart of the processing plant at the New Liberty gold mine. Between June and July 2016, AJL invested a total of \$30 million to acquire a majority stake in the Company.

In December 2016 the Company raised net proceeds of US\$75 million through an equity financing, with AJL subscribing for US\$60 million of new shares to increase its ownership to 73.5% of the issued and outstanding share capital of the Company.

During the year ended December 31, 2017, the Company borrowed US\$18.8 million from 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.

In addition, the Company entered into equipment and finance facility agreements with Mapa İnşaat ve Ticaret A.Ş. ("Mapa"), a company controlled by Mr. Mehmet Nazif Günel, Non-Executive Chairman of the Company, to facilitate the purchase of heavy mining equipment.

AJL becoming a major shareholder provides Avesoro with an exciting future as it aims to optimise New Liberty to deliver on its full potential. AJL has strong financial backing, operational experience and is an existing operator in Liberia. As of the date of this MD&A, AJL held 72.9% of the outstanding shares in the Company.

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**2. OPERATIONS REVIEW**

**(A) CONSOLIDATED MINERAL RESERVES AND MINERAL RESOURCES**

The Company released an updated Mineral Reserve and Mineral Resource statement for its New Liberty gold mine on October 11, 2017. The Company also acquired the Youga gold mine and Balogo satellite deposit on December 18, 2017. An updated Mineral Resource and Mineral Reserves statement for the Youga gold mine was published on June 19, 2018.

The following table summarises the current Mineral Resources and Mineral Reserves on the Company's projects using the standards prescribed by the Canadian Institute of Mining ("CIM") and disclosed in accordance with National Instrument 43-101 – Standards of Disclosure of Mineral Projects ("NI 43-101"):

<b>Total Reserves by Project</b>						
<b>Project</b>	<b>COG (g/t Au)</b>	<b>Category</b>	<b>Tonnes (Mt)</b>	<b>Grade (g/t Au)</b>	<b>Contained Gold (Koz Au)</b>	<b>Effective Date</b>
<b>New Liberty</b>						
New Liberty	0.85	Proven & Probable	7.4	3.03	717	31 July 2017
<b>Youga</b>						
Youga	0.7	Proven & Probable	8.4	1.58	428	31 December 2017
Ouare	0.82	Proven & Probable	2.6	1.69	141	31 December 2017
Balogo	1.2	Proven & Probable	0.4	6.04	91	31 December 2017
<b>Total</b>	<b>Proven &amp; Probable</b>		<b>18.8</b>	<b>2.26</b>	<b>1,377</b>	

<b>Total Resources by Project</b>						
<b>Project</b>	<b>COG (g/t Au)</b>	<b>Category</b>	<b>Tonnes (Mt)</b>	<b>Grade (g/t Au)</b>	<b>Contained Gold (Koz Au)</b>	<b>Effective Date</b>
<b>New Liberty</b>						
New Liberty	0.8	Measured & Indicated	9.6	3.20	985	31 July 2017
Ndablama	0.5	Measured & Indicated	7.6	1.58	386	01 December 2014
Weaju	1.0	Measured & Indicated	-	-	-	20 November 2013
<b>Youga</b>						
Youga	0.6	Measured & Indicated	11.2	1.69	610	31 December 2017
Ouare	0.6	Measured & Indicated	5.1	1.39	228	31 December 2017
Balogo	0.6	Measured & Indicated	0.3	8.36	86	31 December 2017
<b>New Liberty</b>						
New Liberty	0.8	Inferred	6.4	3.00	620	31 July 2017
Ndablama	0.5	Inferred	9.6	1.70	515	01 December 2014
Weaju	1.0	Inferred	2.7	2.80	178	20 November 2013
<b>Youga</b>						
Youga	0.6	Inferred	5.8	1.49	278	31 December 2017
Ouare	0.6	Inferred	7.2	1.80	406	31 December 2017
Balogo	0.6	Inferred	-	2.20	2	31 December 2017
<b>Total</b>	<b>Measured &amp; Indicated</b>		<b>33.8</b>	<b>2.11</b>	<b>2,295</b>	
<b>Total</b>	<b>Inferred</b>		<b>31.7</b>	<b>1.96</b>	<b>1,999</b>	

Note: Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Amounts may not add due to rounding.

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**(B) MINE OPERATING ACTIVITIES**

**NEW LIBERTY GOLD MINE, LIBERIA**

**Introduction**

The New Liberty gold mine declared commercial production on March 1, 2016. The New Liberty gold mine is a greenfield development and has the advantage of being easily accessible from Monrovia, Liberia's capital city, which is also home to Liberia's main commercial port facility. A tarmac road predominately covers the 100 kilometre route from Monrovia to the New Liberty gold mine which provides excellent all year round access.

The Company holds its interests in the New Liberty gold mine through its subsidiary Bea Mountain Mining Corporation ("Bea"). In September 2013, the Government of Liberia ("GoL") ratified a Restated and Amended Mineral Development Agreement ("Restated and Amended MDA") for the Bea Mining Licence (as defined below), which covers 478 km<sup>2</sup> and includes the New Liberty gold mine, along with the Ndablama Project (as defined below), Silver Hills, Gondoja, the Weaju Project (as defined below) and Leopard Rock exploration targets.

On July 29, 2009 Bea was granted a Class A Mining Licence (the "Bea Mining Licence") within the Bea Mountain Mineral Development Agreement property (the "Bea MDA Property") by the GoL. The Bea Mining Licence permits mining within the 478 km<sup>2</sup> area which encompasses the New Liberty gold mine. The GoL holds a 10% free carry interest in the Bea Mining Licence.

**New Liberty operational review for the quarter ended June 30, 2018 ("Q2 2018")**

<b>Operating data</b>	<b>Unit</b>	<b>Three months ended June 30, 2018</b>	<b>Three months ended June 30, 2017</b>	<b>Six months ended June 30, 2018</b>	<b>Six months ended June 30, 2017</b>
Ore mined	kt	375	214	734	538
Waste mined	kt	5,312	3,565	9,989	7,536
Total mined	kt	5,687	3,779	10,723	8,074
Strip ratio	waste: ore	14.2	16.7	13.6	14.0
Ore milled	kt	352	295	696	575
Feed grade	g/t Au	2.81	2.00	2.86	1.98
Recovery	%	87%	88%	87%	88%
Gold ounces produced	oz	29,808	15,825	57,678	30,735
Gold ounces sold	oz	28,563	15,382	56,661	31,390
Average realised price	US\$/oz	1,302	1,255	1,315	1,243
Operating cash cost (*)	US\$/oz sold	781	1,035	813	1,043
All in sustaining cash cost (*)	US\$/oz sold	1,038	1,600	1,066	1,543

(\*) Operating cash cost and all-in sustaining cash cost are non-IFRS financial performance measures. Refer to the "non-IFRS Measures" section for a reconciliation of these accounts.

The Company has included certain non-IFRS financial measures in this MD&A, including operating cash costs and all-in sustaining costs ("AISC") per ounce of gold sold. These non-IFRS financial measures do not have any standardised meaning. Accordingly, these financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for

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*measures of performance prepared in accordance with International Financial Reporting Standards ("IFRS"). Operating cash costs and AISC are a common financial performance measure in the mining industry but have no standard definition under IFRS. Operating cash costs are reflective of the cost of production. AISC include operating cash costs, net-smelter royalty, corporate costs, sustaining capital expenditure, sustaining exploration expenditure and capitalised stripping costs.*

*Q2 2018 Highlights:*

- Quarterly production for Q2 was 29,808 ounces, a 7% increase in gold production on that achieved during Q1 2018;
- New Liberty achieved a record monthly gold production in May 2018 with 11,389 ounces of gold produced;
- Total material movement for the quarter increased to 5.7Mt, a 13% increase on that achieved during Q1 2018. This was primarily as a result of the commissioning of the additional mining equipment delivered to site during Q4 2017 and early Q1 2018 and commissioned during Q2 2018;
- Waste mined at New Liberty increased to 5.3Mt during the quarter an increase of 14% on the previous quarter with the Company continuing to focus upon stripping and opening access to ore within the pits in preparation for the wet season; and
- Process plant throughput for the Quarter increased by 2% to 352kt as a result of further incremental improvements to the process plant flowsheet;

**Exploration at New Liberty**

*Q2 2018 Highlights:*

- Final assay results from the 55 hole diamond resource conversion drilling programme amounting to 19,500 metres, and which was completed in Q1 2018, were received in the Quarter. The programme targeted an area of the New Liberty resource model containing an Inferred Mineral Resource of some 3.5Mt with a mean grade of 2.8g/t Au and containing 315koz of gold. This Inferred material is located within and below the current pit design and is within the open pit reporting limits;
- Assay results confirm the presence of gold mineralisation in the orebody below the current pit bottom with an increase in the width and grade of mineralisation from that previously modelled in some areas of the orebody; and
- CSA Global commenced work to update the geological model and Mineral Resource and Mineral Reserve based on the results of the 55 hole drilling programme, with results expected during Q3 2018.

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**YOUGA GOLD MINE, 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 AJL for a total consideration of US\$70.2 million which comprises of the issuance of US\$51.5 million of new common shares in the Company and a cash component of US\$18.7 million.

***Introduction***

The Youga gold mine property consists of one Exploitation Permit (Youga), and two Exploration Permits (Songo and Zerbogo II).

The Balogo satellite deposit, and forming part of the Youga gold mine, comprises of two contiguous Exploration Permits (Balogo and Dabinyan III), covering a total area of 360km<sup>2</sup> and one Exploitation Permit (Netiana) covering an area of 2km<sup>2</sup>. These permits are in the Centre-Sud region of Burkina Faso, approximately 100 kilometres south of the capital, Ouagadougou, and about 22 kilometres from the Nazinon River.

The Youga Exploitation Permit covers an area of 29 km<sup>2</sup> and was granted to Burkina Mining Company S.A. ("BMC") on April 8, 2003 and is valid for twenty years with five-year renewal periods afterwards. First commercial production was declared during 2008. The government of Burkina Faso holds a 10% interest in BMC.

At Balogo, an Exploitation Permit was granted to Netiana Mining Company on January 23, 2017 and is valid for four years with five-year renewal periods afterwards. Mining commenced in March 2017 and ore is transported 160 km by road to the Youga processing plant where it is processed, with commercial production declared on June 15, 2017. The government of Burkina Faso holds a 10% interest in Netiana Mining Company S.A.

The Balogo permits were acquired from Golden Rim Resources Ltd. in April 2015 by AJL and the Youga and Ouaré properties were acquired from Endeavour Mining Corporation ("Endeavour") in February 2016 by AJL. All properties were subsequently acquired by the Company on December 18, 2017.

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**Youga gold mine (including Balogo satellite deposit) operational review for Q2 2018**

<b>Operating data</b>	<b>Unit</b>	<b>Three months ended June 30, 2018</b>	<b>Three months ended June 30, 2017</b>	<b>Six months ended June 30, 2018</b>	<b>Six months ended June 30, 2017</b>
Ore mined	kt	221	220	453	501
Waste mined	kt	3,929	2,528	6,562	4,411
Total mined	kt	4,150	2,748	7,015	4,912
Strip ratio	waste: ore	17.8	11.5	14.5	8.8
Ore milled	kt	307	299	613	617
Feed grade	g/t Au	3.44	3.64	3.99	2.72
Recovery	%	90%	92%	90%	91%
Gold ounces produced	oz	30,423	32,023	70,641	48,922
Gold ounces sold	oz	28,722	33,199	69,177	47,817
Average realised price	US\$/oz	1,302	1,255	1,321	1,243
Operating cash cost (*)	US\$/oz sold	616	426	530	537
All in sustaining cash cost (**)	US\$/oz sold	852	686	793	821

(\*) Operating cash cost and all-in sustaining cash cost are non-IFRS financial performance measures.

(\*\*) operations started in March 2017 in Balogo

The Company has included certain non-IFRS financial measures in this management discussion and analysis, including operating cash costs and AISC per ounce of gold sold. These non-IFRS financial measures do not have any standardised meaning. Accordingly, these financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Operating cash costs and AISC are a common financial performance measure in the mining industry but have no standard definition under IFRS. Operating cash costs are reflective of the cost of production. AISC include operating cash costs, net-smelter royalty, corporate costs, sustaining capital expenditure, sustaining exploration expenditure and capitalised stripping costs.

**Q2 2018 Highlights:**

- Youga achieved quarterly gold production of 30,423 ounces in Q2 2018. This was a reduction of 24% on the previous quarter due to a scheduled decrease in the mining grade at Balogo from 17.94g/t Au (35,217 ore tonnes) in Q1 2018 to 4.78 g/t Au (76,078 ore tonnes) in Q2 2018;
- Total material movement was 4.15Mt (a 45% increase vs Q1 2018), as a result of the increase to the fleet capacity made during the Quarter;
- During the Quarter, a PSA Oxygen Plant was commissioned at the Youga processing plant with the aim of increasing gold recovery levels. A scheduled electrical motor change and mill feed chute relining was also undertaken;
- Process plant throughput for the Quarter remained stable at 307kt and in line with the 2018 annual forecast. Recovery was 89.7% in Q2 2018 versus 90.2% in Q1 2018 as more gold was recovered through the CIL process which made the leaching less efficient. This was partly compensated by the commissioning of the PSA Oxygen Plant;
- A new 34kva transformer will be installed at Youga in Q3 2018 in addition to an emergency plant feed chute to aid production flexibility during the wet season; and
- In order to increase the capacity of the TSF, retrofitting works continued on the embankment walls and will be completed during Q3 2018 to allow for embankment raising in Q4 2018. Embankment raising of 3.5 meters in Q4 2018 will increase the capacity of the TSF by 2 years.



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**Exploration**

- During Q2 2018, exploration at Youga continued to focus on a 34,500 metre diamond drilling programme at the Gassore West prospect, located along strike from the Youga processing plant;
- Additional trenching and drilling activities on the Songo and Zerbogo tenements, adjacent to the Youga exploitation permit, commenced with aims to increase confidence of mineralised zones;
- Across the Balogo licence a 13,000 metre diamond drilling programme was completed, and which focused on the following targets: Balogo Hill, Panga, Cobra Hill, Balogo North, Balogo Northwest, Balogo Southeast and Balogo Down Dip extension;
- At Balogo Down Dip Extension, drilling successfully extended the mineralisation by an additional 140 metres below the planned final pit floor, intersecting an average width and grade of 3.51 metres grading 36.34g/t Au, with mineralisation remaining open at depth; and
- At Panga, mineralisation was intersected over a 200 metre strike length with an average width of 3.33 metres grading 11.59g/t Au to a depth of 96 metres below surface. The mineralisation remains open to the north-northeast and south-southwest, whilst at Balogo Hill results delivered to date have intersected mineralisation with average width of 2.14 metres grading 15.40g/t Au, with mineralisation also remaining open both along strike and at depth.
- It is anticipated that upon the conclusion of the 2018 drilling programme in Burkina Faso the Company will commence work on a further CIM compliant NI 43-101 Mineral Resource and Mineral Reserve estimation for the Youga gold mine.

**(C) NON-OPERATING PROJECTS**

**NDABLAMA GOLD PROJECT, LIBERIA**

The Ndablama gold project (the "Ndablama Project") is located in the north-east corner of the northern block of the Bea MDA Property and is approximately 40 km north-east of the New Liberty gold mine. The Ndablama Project is defined by the presence of extensive artisanal mining activity and a 2 km gold in soil anomaly which trends in a north-south direction.

- During Q2 2018, an infill drilling programme continued at Ndablama with 16,430 metres and 75 holes drilled;
- The Ndablama infill drilling is designed to upgrade Inferred areas to Measured or Indicated categories; and
- A Ndablama trucking study, due for completion this year, will investigate the feasibility of hauling material from Ndablama to the New Liberty gold mine.

**WEAJU GOLD PROJECT, LIBERIA**

The Weaju Project (the "Weaju Project") is situated 30 km east-north-east of the New Liberty gold mine at the eastern end of the Bea Mountain ridge. Previously 48 diamond drill holes were drilled at the Weaju Project by Mano River Resources Inc. during the period 2000 to 2005. The Weaju Project has been subjected to intense artisanal mining activity.

- In Q2 2018, systematic regolith and lithological mapping commenced and showed continuity of prospective lithologies 400m SW of the 178koz orebody. Systematic fences of pitting was started to test the prospective lithologies in saprolite sampling media for bedrock mineralisation and create drill targets to potentially increase Weaju resource inventory.

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**(D) EXPLORATION ACTIVITIES**

**LEOPARD ROCK, LIBERIA**

The Bea Mining Licence was previously enlarged to include the Leopard Rock gold target ("Leopard Rock") located immediately south of the Bea Mining Licence and host to the south eastern extension to the gold bearing rocks associated with the Ndablama Project. The shear structure hosting the Leopard Rock target can be traced in the north-west to the Ndablama Project over a distance of 3 kilometres. To date, 4,294 metres of diamond drilling has been completed and results from 27 diamond drill holes are available on the Company's website. Leopard Rock South is a continuation of the Leopard Rock projection and is identified by a series of gold anomalies to the south and west of Leopard Rock.

Planned drilling to increase resource inventory has been put on hold pending results from current Ndablama resource conversion drilling.

**GONDOJA, LIBERIA**

The Gondoja gold target ("Gondoja") is located 8 km north-east of the Ndablama Project and 45 km east-north-east of the New Liberty gold mine. Gondoja was mapped in detail as part of a campaign to map the Yambesei shear zone. This has enabled the tracing of mineralisation at surface and put the soil anomalies into a geological context. Pitting was undertaken along the entire extent of the Yambesei shear zone and identified the continuation of mineralised zones in preparation for future drilling.

Planned drilling along the 8km strike of drill targets and mineralised intercepts from historical reconnaissance drilling, pitting and rock chip sampling has been put on hold pending results from current Ndablama resource conversion drilling.

**KOINJA, GBALIDEE, MUSA AND WELINKUA, LIBERIA**

The Koinja target ("Koinja") and the Gbalidee target ("Gbalidee") are located on the Yambesei shear zone and are part of an 8 km continuous zone of gold in soil anomalies that extends up to the Welinkua target ("Welinkua"), a target located to the north-east of Gondoja and Musa. Mineralisation is located within sheared mafics and ultramafics located between granites and can be followed over a strike length of more than 3.8 kilometres which remains open at both ends.

Detailed mapping of the 8 kilometre extent of the Yambesei shear zone was completed during Q4 2015. Pitting along the entire length of the Yambesei shear was completed in Q3 2016 and has been completed over Gondoja, Musa and Gbalidee.

Planned drilling along the 8 km strike of drill targets and mineralised intercepts from historical reconnaissance drilling, pitting and rock chip sampling has been put on hold pending results from current Ndablama resource conversion drilling.

**SILVER HILLS, LIBERIA**

The Silver Hills targets ("Silver Hills") are situated approximately 13 km north-east of the New Liberty gold mine. There has been artisanal activity in the past. Lithologies consist mainly of granite biotite gneisses, itabarites, ultramafics and amphibolite talc sericite schists. The mineralisation is related to zones of silicification occurring within amphibolites. Channel samples highlighted the potential for high grade zones, associated with intense silicification along strike of previously sampled areas.

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Access road, drilling preparation and camp upgrade progressed significantly during Q2 2018 and all is in place to commence drill testing of the Belgium drill target in Q3 2018. Drilling has been planned for a 10,000m drilling programme to test the 1 km mineralisation encountered on the Belgium target and along strike to the east and the west.

**MATAMBO CORRIDOR, LIBERIA**

During 2016, the Company acquired Sarama Investments Liberia Limited ("Sarama") which held three Liberian exploration licences. These licences, referred to as Cape Mount West (116.6 km<sup>2</sup>), Cape Mount (96.6 km<sup>2</sup>) and Cape Mount East (67.7 km<sup>2</sup>), are contiguous to the Bea Mining Licence and are located close to the New Liberty gold mine.

Cape Mount and Cape Mount East licences host a 15km gold in soil anomaly. Prior to entering into the agreement with the Company, Sarama conducted a \$1.8 million exploration programme over the licence areas starting with an airborne geophysics survey followed by regional soil sampling. This programme led to the identification of the 15 km gold in soil anomaly that straddles the two licences and that corresponds to the westerly extension of the Bea Mountain Greenstone Belt, the "Matambo Corridor". This Belt is interpreted as being folded over the licence areas with the southern limb corresponding to the Silver Hills target, located in the Company's Bea Mining Licence.

Geological mapping has covered the majority of the 15 km gold corridor. The Bomafa, Bangoma, Saanor prospects were all mapped and sampled. Locating a main band of greenstone which underlies the soil anomalism with lithosamples confirming multiple bands of mineralisation at surface.

Reconnaissance soil gridding, systematic regolith and lithological mapping was completed on the southern part of Cape Mount East Licence targeting possible western extension of mineralised structure from Silver Hills to the east. Interpretation of fact geological mapping showed prospective lithologies to be coincident along strike with geophysical lineament associated with mineralisation on Silver Hills. Assay results are pending.

**YAMBESSEI, ARCHEAN WEST, MABONG, MAFA WEST, LIBERIA**

The licence portfolio hosts multiple greenstone belts and associated shear structures, which to date have been the principal hosts to the Archean gold mineralisation systems discovered in Liberia. Over 80 km of north-east to south-west trending structural zones referred to as the Yambesei, Lofa and Mafa shear corridors, now locate within the licence portfolios and host multiple gold targets including the New Liberty gold mine, Weaju and Ndablama. These major structures can be traced for over 250 km within Liberia.

In Q2 2018, exploration activities on the licences can be summarized as follows:

- On the Yambesei and West Mafa licences, finalization of tenement area based on documentation presented to the Ministry of Mines was pursued in addition to independent environmental audit for Environmental permit to carry out sub-surface follow up work on existing geochemical targets;
- On the Mabong licence, finalization of tenement area based on documentation presented to the Ministry of Mines was pursued in addition to independent environmental audit for Environmental permit. A total of 39 pits were excavated to test a 1.6 km east-west gold in soil anomaly coincident with magnetic lineament and ultramafic rocks (the major auriferous lithological unit in the Bea Mountain mineralised district); and
- On the Archean West licence, reconnaissance 400 X 50m spaced soil sampling on anomalous highland catchment area identified from BLEG assay results returned anomalous results coincident with magnetic lineament. Infill soil sampling at 200 X 50m spacing commenced to confirm

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continuity. In addition, pitting program commenced with initial rock chip sampling during mapping returning low ore grade (1.2g/t Au).

**OUARE, BURKINA FASO**

The Ouaré Project was acquired by the Company on December 18, 2017 and is comprised of four Exploration Permits (Bitou 2 (101 km<sup>2</sup>), Bitou Sud (44 km<sup>2</sup>), Bitou Nord (40 km<sup>2</sup>) and Bitou Est (34 km<sup>2</sup>)), all situated in the province of Boulgou, Burkina Faso, West Africa, approximately 200 km southeast of the capital city Ouagadougou. Ouaré is located within a Birimian package of volcanogenic schists. Extensive exploration was undertaken across the licences by the previous owners, with drilling occurring sporadically from 1999 through to 2017, resulting in the delineation of an Indicated Mineral Resource of 5.10Mt containing 228.3koz of gold grading 1.39 g/t Au and an Inferred Mineral Resource of 7.2Mt containing 406koz of gold grading 1.80 g/t Au and a Probable Mineral Reserve of 9.0Mt containing 141.4koz gold grading 1.67 g/t Au.

- During the Quarter, a 65,000m drilling programme commenced designed to infill historically drilled holes to increase mineral categorisation and conversion of Inferred Resources to Indicated Resources category. Trenching also continued to target existing gold-in-soil and gold-in-auger anomalies to increase technical knowledge of the mineralisation trends before drill testing.

**CAMEROON**

The Batouri licence (168 km<sup>2</sup>) is located 436 km east of Yaoundé, the administrative capital of Cameroon. The licence is a window of the Pan-African north equatorial fold belt composed of Paleo-Proterozoic and Neoproterozoic series and known as a result of collision between the West African craton and Congo craton. The region is affected by the Central African shear zone system generally following a north-east to south-west trend, and along which syn to post-tectonic granitoid plutons are common. The auriferous zones within the granite are considered to be controlled by the shear zone.

The Batouri project is defined by three prospects; i) Kambele (3.5 km long), ii) Dimako-Mongonam (3.5 km long) and iii) Amndobi (5 km long).

Exploration work continued on the interpretation of the mineralised systems of Kambele and Dimako targets following on from the core relogging. The work was recommended in order to produce a new interpretation of the mineralisation models and determine their potential to host economic deposits. A GIS study was undertaken over the licence area and resulted in the identification of structural lineaments along which field verification has shown the presence of artisanal sites.

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**4. SUMMARY OF PERFORMANCE**

**(A) SUMMARY OF SELECTED QUARTERLY FINANCIAL INFORMATION**

<b>US\$'000 except loss per Common Share</b>	<b>Quarter ended June 30, 2018</b>	<b>Quarter ended March 31, 2018</b>	<b>Quarter ended December 31, 2017</b>	<b>Quarter ended September 30, 2017</b>
Revenue - Gold sales	74,530	91,370	33,322	25,452
Net (loss)/profit for the quarter	(2,889)	9,847	(3,723)	(4,651)
(Loss)/Profit per Common Share, basic and diluted	(0.05)	0.10	(0.07)	(0.09)
Total comprehensive income/(loss) for the quarter	(2,901)	9,841	(3,712)	(4,566)
Total assets	337,399	345,189	337,038	222,988
<b>US\$'000 except loss per Common Share</b>	<b>Quarter ended June 30, 2017</b>	<b>Quarter ended March 31, 2017</b>	<b>Quarter ended December 31, 2016</b>	<b>Quarter ended September 30, 2016</b>
Revenue - Gold sales	19,313	19,699	21,825	18,839
Net profit/(loss) for the quarter	(9,478)	(9,555)	(73,636)	(22,878)
Loss per Common Share, basic and diluted	(0.18)	(0.18)	(3.59)	(2.07)
Total comprehensive income/(loss) for the quarter	(9,708)	(9,521)	(73,406)	(22,956)
Total assets	222,958	221,092	227,243	249,388

The Company's performance is not affected by seasonal trends.

On December 18, 2017 the Company completed the acquisition of the Youga gold mine and the Balogo satellite deposit in Burkina Faso from AJL for a total consideration of \$70.2 million comprised of the issuance of \$51.5 million of new common shares in the Company and a cash component of \$18.7 million. Therefore, the comparative information for the quarter ended September 30, 2017 and prior interim periods do not include the results of operations of Youga gold mine and the Balogo satellite deposit ("Burkina operations").

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**(B) RESULTS OF OPERATIONS**

**(i) CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME**

*Q2 2018 as compared to quarter ended June 30, 2017 ("Q2 2017")*

Net loss after tax for Q2 2018 was US\$2.9 million and comprises mainly of gross profit from Burkina operations of US\$16.0 million off-set by gross loss from New Liberty of US\$5.0 million, exploration costs of US\$4.5 million, corporate, administrative and professional expenses of US\$2.4 million, foreign exchange loss of US\$0.8 million, interest charge of US\$2.8 million and a tax charge on Burkina profits of US\$3.3 million. This compares to a loss of US\$9.5 million in Q2 2017 which comprises mainly of the operating loss from the New Liberty mine of US\$4.7 million, exploration costs of US\$0.4 million, corporate, administrative and professional expenses of US\$1.4 million and interest charge of US\$2.9 million.

The comprehensive loss for Q2 2018 amounted to US\$2.9 million. The improvement from a loss of US\$9.7 million in Q2 2017 is explained through the succeeding paragraphs.

Revenues of US\$74.5 million (Q2 2017: US\$19.3 million) were generated from the sale of 57,285 ounces of gold. The significant increase compared to last year's comparative period is attributable to sales generated by Youga of 28,722 ounces, record quarterly sales at New Liberty gold mine of 28,563 ounces (86% higher than Q2 2017) and a 4% increase in average realised price to US\$1,302 per ounce.

Cost of sales of US\$63.6 million (Q2 2017: US\$24.0 million) relating to production costs of US\$43.2 million (Q2 2017: US\$16.6 million) and mine depreciation of US\$20.4 million (Q2 2017: US\$7.4 million) have been recognised in the income statement during Q2 2018. Production costs include costs associated with mining, processing and mine administration of US\$41.3 million royalties, freight and refining of US\$3.3 million and increase in inventories of US\$1.5 million. Operating cash cost (equal to production cost less royalties, freight and refining) is US\$781 per ounce sold at New Liberty (Q2 2017: US\$1,035) and US\$616 per ounce sold for Youga. Depreciation amounted to US\$20.4 million or US\$339 per ounce produced.

Administrative and other expenses of US\$2.4 million are US\$1 million higher than Q2 2017 mainly due to a US\$0.8 million withholding tax on dividends received from Netiana Mining Company.

Exploration and evaluation costs increased to US\$4.5 million (Q2 2017: US\$0.4 million) due to the 16,200 metre infill drilling programme at Ndablama in Liberia, a 34,500 metre drill programme at the Gassore West target, additional trenching and drilling on the Zerbogo and Songo permits and a 13,000 metre drilling programme within the Balogo exploration licence, all in Burkina Faso.

A foreign exchange loss of US\$0.8 million (Q2 2017: US\$0.2 million) is due to the strengthening of the Euro against the US dollar with an adverse effect on the trade payables denominated in Euros and Central African Franc, which is also pegged to the Euro.

Interest expense of US\$2.8 million (Q2 2017: US\$2.9 million) relates mainly to the effective interest on the project finance facilities, the working capital facility with AJL, equipment loans with Mapa and finance lease liabilities. The Company fully paid the Tranche B of its Senior Facility US\$10 million in January 2018 but the Company also started drawing down on the working capital facility with AJL in Q2 2017 and the equipment loans with Mapa in Q4 2017.

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*Six months ended June 30, 2018 ("H1 2018") as compared to six months ended June 30, 2017 ("H1 2017")*

Net income after tax for H1 2018 amounted to US\$5.6 million compared with a net loss after tax of US\$19.0 million for H1 2017 mainly due to the gross profit contribution from Burkina operations of US\$42.0 million, a reduction in gross loss from New Liberty of US\$4.0 million partly off-set by increases in exploration costs by US\$5.7 million, corporate and administrative expenses by US\$1.0 million, financing costs by US\$2.9 million, foreign exchange loss by US\$1.7 million and income tax from Burkina operations of US\$10.0 million.

The comprehensive income for H1 2018 amounted to US\$5.6 million compared with a loss of US\$19.2 million in H2 2017.

Revenues of US\$165.9 million for H1 2018 (H1 2017: US\$39.0 million) includes shipments of 69,177 ounces of gold from Youga amounting to US\$91.4 million (H1 2017: US\$nil) and 56,661 ounces from New Liberty amounting to US\$74.5 million (H1 2017: US\$39.0 million).

Cost of sales of US\$129.2 million for H1 2018 includes production costs of US\$92.2 million (H1 2017: US\$34.1 million) and mine depreciation of US\$37.0 million (H1 2017: US\$14.2 million). The increase of US\$80.9 million is due to no comparative on the Burkina production costs and higher costs at New Liberty with gold production almost doubling in H1 2018.

Administrative and other expenses of US\$4.0 million are US\$1.0 million higher than H1 2017 mainly due to a US\$0.8 million withholding tax on dividends received from Netiana Mining Company and higher wages and salaries by US\$0.4 million arising from increased corporate staff.

Exploration and evaluation costs increased by US\$5.7 million due to the Ndablama infill programme to convert existing mineral resources into mineral reserves and through the drilling programme in Gassore West, Balogo, Songo and Zerbogo deposits to increase the material that will feed into the Youga processing plant.

Loss on lease termination of US\$0.6 million (H1 2017: US\$nil) is with respect to termination of the power generation contract at New Liberty which was replaced with newly acquired generators financed by Mapa, a related company.

A foreign exchange loss of US\$1.9 million (H1 2017: US\$0.2 million) is due to the strengthening of the Euro against the US dollar with an adverse effect on the trade payables denominated in Euros and Central African Franc, which is also pegged to the Euro.

Interest expense increased to US\$7.2 million (H1 2017: US\$5.6 million) as the Company only started drawing down on the working capital facility with AJL in Q2 2017 and the equipment loans with Mapa was not available until Q4 2017.

The variation in profit and loss over the eight quarters disclosed above is predominantly driven by acquisition of the Youga gold mine in December 2017, financing charges from the available borrowing facilities, timing of exploration programme and non-recurring charges such as legal and professional fees on M&A projects and taxes on overseas operations' remittances. All other items of profit and loss are relatively consistent.

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**(ii) CONSOLIDATED STATEMENT OF FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES**

**Restatement of the 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. that requires the restatement of the audited consolidated statement of financial position as at December 31, 2017. The impact of the restatement on the audited 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. 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	<b>37,964</b>
Borrowings, non-current	98,092	3,243	<b>101,335</b>
<b>Equity</b>			
Capital contribution	59,230	(5,208)	<b>54,022</b>

The Company will re-file on SEDAR the restated audited consolidated financial statements as of and for the year ended December 31, 2017.

**Statement of financial position at June 30, 2018 vs. December 31, 2017**

Trade and other receivables increased from US\$25.3 million as at December 31, 2017 to US\$32.5 million as at June 30, 2018 predominantly due to increases in VAT receivable from the Burkina Faso Government, advance payments to suppliers and amounts due from related parties.

Inventories of US\$40.0 million at June 30, 2018 (December 31, 2017: US\$36.9 million) comprises of gold doré at New Liberty (US\$1.3 million), gold in circuit (US\$5.0 million), ore stockpiles (US\$3.4 million) and mining and plant consumables and spares (US\$30.4 million).

Intangible assets of US\$3.4 million (December 31, 2017: US\$nil) relate to capitalised exploration costs at Gassore East, a new minable mineralisation located 2 kilometres from the Youga processing plant (US\$1.9 million), and Ouaré, which is the subject of an infill drilling campaign to upgrade the confidence level and classification of the existing mineral resource (US\$1.5 million). Gassore East and Ouare are satellite deposits to the Youga Gold Mine and resource modelling and pit design are underway to incorporate into the Youga gold mine production schedule.

Property, plant and equipment of US\$243.4 million as at June 30, 2018 is US\$6.2 million lower than the balance at December 31, 2017. It comprises predominantly the mining assets at New Liberty and Youga of US\$142.4 million, deferred stripping costs at New Liberty of US\$15.6 million in relation to the Kinjor cutback and opening of the Marvoe pit, mining and other equipment of US\$78.1 million, assets held as finance leases of US\$2.6 million, mine closure and rehabilitation costs of US\$3.2 million and vehicles of US\$1.5



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million. An additional US\$11.1 million was capitalised in Q2 2018 which mainly includes capitalised stripping cost of US\$3.8 million, TSF works at New Liberty of US\$1.1 million and additional mining fleet at Youga of US\$2.3 million.

Current liabilities of US\$88.5 million as at June 30, 2018 (December 31, 2017: US\$93.9 million) includes trade and other payables of US\$50.0 million (December 31, 2017: US\$41.0 million) arising mainly from mining and plant operations, current portion of borrowings of US\$25.8 million (December 31, 2017: US\$38.0 million), accrued income tax payable in Burkina Faso of US\$9.4 million (December 31, 2017: US\$12.4 million), finance lease liabilities of US\$0.3 million (December 31, 2017: US\$1.9 million) and short-term provisions of US\$3.1 million (December 31, 2017: US\$0.5 million).

Non-current liabilities of US\$118.2 million (December 31, 2017: US\$118.1 million) includes borrowings of US\$107.7 million (December 31, 2017: US\$101.3 million), finance lease liability of US\$0.8 million (December 31, 2017: US\$5.9 million) and provisions of US\$9.7 million (December 31, 2017: US\$10.4 million). The remaining finance lease liability relates to the fuel storage facility at New Liberty following the termination of the lease arrangement on the generators at nil consideration.

Borrowings include a Senior Facility of US\$75.6 million, a Subordinated Facility of US\$12.0 million, a working capital facility with AJL of US\$15.0 million and equipment financing with Mapa of US\$33.6 million (all at their unamortised balances). The movement in current and non-current borrowings in Q2 2018 is mainly due to the payments of bank loans and related interest (US\$13.9 million), to AJL (US\$11.9 million) and to Mapa (US\$0.9 million) partly off-set by new equipment loans from Mapa (US\$9.8 million), drawdown on the AJL facility (US\$4.9 million) and effective interest charge (US\$6.0 million). As at June 30, 2018, US\$20 million is available to drawdown from the AJL working capital facility. The Senior and Subordinated Facilities have been fully drawn down.

**Liquidity, Capital Resources and Financial Instruments**

As at June 30, 2018, the Company had cash and cash equivalents of US\$12.7 million and net current liabilities of US\$1.8 million.

The free cash generation capacity of the Company significantly increased due to the acquisition of the Youga gold mine and the Balogo satellite deposit in December 2017 and the continuing improvement of operations at New Liberty. As a result, the Company expects to generate sufficient cash from operating activities to cover forecast expenditures in the foreseeable future. In addition, the Company has an undrawn working capital facility of US\$20.0 million with AJL as at June 30, 2018 which it can call upon for general working capital purposes, but does not expect to do so given its expectation of free cash flow generation in the foreseeable future.

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, borrowings, trade payables and accruals, finance lease liabilities and derivative liabilities. 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 majority (c.99%) of the Company's cash and cash equivalents are invested with a leading multi-national bank with a Standard & Poor's A- long-term credit rating and financial institutions that are regulated by the Central Bank of the West African States (BCEAO).

**Cash Flows for the six months ended June 30, 2018 ("H1 2018") vs. June 30, 2017 ("H1 2017")**

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The cash generation capacity of the Company significantly increased due to the acquisition of the Youga gold mine and the Balogo satellite deposit in December 2017 and the turnaround of operations at New Liberty. As a result, net cash generated during H1 2018 from cash inflows from the Group's mining operations less exploration costs, corporate expenses and movements in operating working capital increased to US\$47.9 million (H1 2017: US\$7.4 million net cash used).

Net cash used in investing activities in H1 2018 was US\$26.6 million (H1 2017: US\$12.6 million) and relates mainly to payments for capitalised stripping cost at New Liberty, new heavy mining equipment acquired in Burkina Faso to enhance the current fleet and the drilling costs on Gassore East and Ouare projects.

Net cash used in financing activities in H1 2018 of US\$26.1 million (H1 2017: US\$9.3 million) relates to a scheduled bank loan payment of US\$10 million, net re-payment of AJL loans of US\$7.9 million, dividends paid to the Government of Burkina Faso, who hold 10% interest in Netiana Mining Company, of US\$1.4 million, finance lease payments of US\$1.3 million and payments of interest and other financing charges of US\$5.5 million.

**(D) OTHER INFORMATION**

**(ii) Outstanding Share Data**

As at the date of this report, the Company had an unlimited number of common shares authorised for issuance with 81,575,260 common shares issued and outstanding.

The Company has the following incentive stock options and warrants outstanding at the date hereof:

	Number	Exercise Price	Expiry Date
Stock Options	2,737,045	GBP£1.575 to CAD\$63	Sep 2018 – May 2023
Warrants	315,245	GBP£7	Apr 2019

**(ii) 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 assets of US\$0.9 million and has approximately US\$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 US\$20.0 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.

**(iii) Subsequent events**

None

**(iv) Related party transactions**

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(a) Borrowings

Shareholder loan

New loans drawn down on the working capital facility with AJL of \$6.2 million during the six months ended June 30, 2018 was allocated to an increase in loan payable of \$4.9 million and additional capital contribution of \$1.2 million.

Principal repayments of the other shareholder loan to AJL amounted to US\$4.1 million in H1 2018 (H1 2017: US\$nil). Principal repayments of the working capital facility to AJL totalling US\$10 million were made in H1 2018 (H1 2017: US\$nil) of which US\$7.8 million was allocated as a reduction to the loan payable and US\$2.2 million as a reduction to capital contribution.

Interest expense on the non-current loan payable to AJL for H1 2018 was US\$0.6 million (H1 2017: US\$nil).

Related party loan

In H1 2018, the Company entered into equipment and finance facility agreements with Mapa amounting to \$10.3 million (H1 2017: US\$nil). 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 H1 2018 was US\$1.2 million (H1 2017: US\$nil). Interest repayment was US\$0.8 million during H1 2018 (H1 2017: US\$nil).

(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 June 30, 2018 to supplement the hauling capacity at Balogo.

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(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

Included in trade and other receivables is a receivable from related parties of US\$2.7 million as at June 30, 2018 (December 31, 2017: US\$1 million).

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

**(v) Off balance sheet arrangements**

The Government of Liberia holds a 10% free carry interest in the Bea Mining Licence.

As part of the settlement for legacy mining claims at Weaju a third party is entitled to receive a 7.5% net profit interest ("NPI") on life-of-mine production at Weaju.

As part of the agreement to acquire Sarama Investments Liberia Limited, a third party is entitled to receive

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a royalty equal to 1% net smelter returns ("NSR") from the Cape Mount permit.

A 1.8% (minus withholding tax of 6.25%) NSR is payable to Endeavour Mining Corporation on revenues derived from mining at Youga and Ouaré. Burkina Mining Company, has the right to a buyback option and may exercise this right at an applicable price.

Other than the NPI interests disclosed above the Company does not have any off-balance sheet arrangements and does not contemplate having any in the foreseeable future.

**(vi) Operating segments**

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. 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.

Following is an analysis of the Group's profit/(loss), 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					
- property, plant and equipment	7,273	3,822	-	-	<b>11,095</b>
- intangible assets	-	-	1,599	-	<b>1,599</b>

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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	(15,069)	30,756	(6,351)	(3,710)	<b>5,626</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>
	<b>(48,583)</b>	<b>(43,598)</b>	<b>-</b>	<b>-</b>	<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>

**(vii) Non-IFRS financial measures**

The Company has included certain non-IFRS financial measures in this MD&A, including operating cash costs and all-in sustaining costs ("AISC") per ounce of gold sold. These non-IFRS financial measures do not have any standardised meaning. Accordingly, these financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Operating cash costs and AISC are a common financial performance measure in the mining industry but have no standard definition under IFRS. Operating cash costs are reflective of the cost of production. AISC include operating cash costs, net-smelter royalty, corporate costs, sustaining capital expenditure, sustaining exploration expenditure and capitalised stripping costs.

*Cash Costs*

Operating cash costs and AISC are common financial performance measures in the mining industry but have no standard definition under IFRS. The Company reports cash costs on a per ounce of gold sold basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, investors use this information to evaluate the Company's performance and ability to generate cash flow from its operations. Other companies may calculate these measures differently and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The AISC for the quarter ended March 31, 2018 has been restated from US\$914 to US\$899 per ounce sold to exclude the exploration costs incurred in Gassore East and Ouare from sustaining exploration. These deposits will significantly increase available ore for the Youga processing plant.

The following table reconciles these non-IFRS measures to the most directly comparable IFRS measures:

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In US\$'000 except per ounce figures	Quarter ended June 30, 2018	Quarter ended March 31, 2018	Quarter ended December 31, 2017	Quarter ended September 30, 2017	Quarter ended June 30, 2017	Quarter ended March 31, 2017
Gold ounces sold	57,285	68,553	26,209	19,797	15,382	16,008
Production costs	43,195	48,986	21,245	18,187	16,567	17,495
Royalty, freight and refining	(3,316)	(4,476)	(1,065)	(833)	(649)	(665)
Depreciation absorbed in change in inventories	125	(1,739)	-	-	-	-
Total operating cash costs	40,004	42,771	20,180	17,354	15,918	16,830
Total operating cash costs per ounce sold	698	624	770	877	1,035	1,051
Total operating cash costs	40,004	42,771	20,180	17,354	15,918	16,830
Royalty, freight and refining	3,316	4,476	1,065	833	649	665
Corporate administrative costs *	2,018	1,255	540	1,045	1,010	929
Share based compensation	270	296	179	301	314	276
Capitalised stripping and sustaining capital	10,230	11,646	9,510	8,965	6,588	4,992
Sustaining exploration	-	-	25	48	27	29
Accretion and depreciation on reclamation provision	576	467	121	93	101	96
Total all-in sustaining costs	56,414	60,911	31,620	28,639	24,607	23,817
Total all-in sustaining costs per ounce sold	985	899	1,206	1,447	1,600	1,488

\* Corporate administrative costs include salaries and wages, legal and professional fees and other administrative expenses but exclude non-recurring transaction costs related to the acquisition of the Youga gold mine and the Balogo satellite deposit.

**EBITDA and Adjusted EBITDA**

A non-IFRS financial measure, the Company calculates EBITDA as net profit or loss for the period excluding finance costs, income tax expense and depreciation.

EBITDA does not have a standardised meaning prescribed by IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. EBITDA excludes the impact of cash costs of financing activities and taxes and the effects of changes in working capital balances and therefore is not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate EBITDA differently.

Adjusted EBITDA is a non-IFRS financial measure calculated by excluding one-off costs or credits relating to non-routine transactions from EBITDA. It excludes other credits and charges, that individually or aggregate, if of a similar type, are of a nature or size that requires explanation in order to provide additional insight into the underlying business performance. Other companies may calculate adjusted EBITDA differently.

Prior quarter comparatives in the following table have been updated so as to be consistent with the presentation of EBITDA and adjusted EBITDA in the current quarter ended June 30, 2018 whereby foreign exchange loss/(gains) are excluded from EBITDA and adjusted EBITDA, thereby treating the revaluation of financial assets and liabilities as financing items rather than operational items. As a result, the EBITDA and adjusted EBITDA for the quarter ended December 31, 2017 decreased by US\$0.1

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million, increase by US\$0.2 million for the quarter ended June 30, 2017 and nil effect on the quarter ended September 30, 2017.

In US\$'000	Quarter ended June 30, 2018	Quarter ended March 31, 2018	Quarter ended December 31, 2017	Quarter ended September 30, 2017	Quarter ended June 30, 2017	Quarter ended March 31, 2017
Net profit/(loss) after tax	(2,889)	9,846	(3,723)	(4,651)	(9,478)	(9,555)
Finance costs	2,832	4,341	3,463	2,726	2,853	2,770
Derivative liability loss/(gain)	-	(104)	(173)	(3)	13	163
Foreign exchange loss/(gain)	817	1,095	(101)	16	167	(4)
Income tax	3,267	6,589	143	-	-	-
Depreciation	20,507	16,663	11,392	7,033	7,500	6,840
Depreciation included in change in inventories	(125)	1,739	-	-	-	-
<b>EBITDA</b>	<b>24,409</b>	<b>40,169</b>	<b>11,001</b>	<b>5,121</b>	<b>1,055</b>	<b>214</b>
Transaction fees related to the acquisition of Youga Gold Mine	-	-	344	342	-	-
Professional fees related to the arbitration with ICE	-	-	-	-	-	292
Loss/(gain) on lease termination	-	566	(3,988)	-	-	-
Impairment of assets	-	-	2,877	-	-	-
Back pay provision	608	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>25,017</b>	<b>40,735</b>	<b>10,234</b>	<b>5,463</b>	<b>1,055</b>	<b>506</b>

**(ix) Critical accounting estimates**

In the application of the Company's accounting policies, as disclosed in Note 3.23 of the Company's annual financial statements, 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 on-going 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.

The following critical IFRS accounting policies and estimates are relevant to the presentation of the Company's unaudited interim consolidated financial statements:

*Carrying value of cash generating units*

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

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



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cash flows could materially differ from those estimated. The consolidated financial statements for the year ended December 31, 2017 outlines the significant inputs used when performing impairment test on the New Liberty and Burkina Faso cash generating units.

*Reserve estimates*

The Group estimates its ore mineral reserves and mineral resources in accordance with the NI 43-101 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 and Burkina Faso cash generating units and timing of mine closure provision. Uncertainties inherent in estimating ore mineral 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.

*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.

*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.

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**4. NI 43-101 STATEMENT AND QUALIFIED PERSON**

The Company's Qualified Person is Mark J. Pryor, who holds a BSc (Hons) in Geology & Mineralogy from Aberdeen University, United Kingdom and is a Fellow of the Geological Society of London, a Fellow of the Society of Economic Geologists and a registered Professional Natural Scientist (Pr.Sci.Nat) of the South African Council for Natural Scientific Professions. Mark Pryor is an independent technical consultant with over 30 years of extensive global experience in exploration, mining and mine development and is a "Qualified Person" as defined in NI 43-101 of the Canadian Securities Administrators. Mr. Pryor has reviewed and approved the scientific and technical information contained in this MD&A, and consents to the inclusion in this MD&A of the matters based on their information in the form and context in which it appears and confirms that this information is accurate and not false or misleading.

Assay and sampling information are taken from the Company's database as prepared on the New Liberty and gold mine sites by the project geologists. Drill core is split on site and sent under custody to internationally recognised assayers.

Quality control and quality assurance procedures include the regular and methodical implementation of field duplicates, blank samples, standards and laboratory repeats as well as regular and specific programmes of re-assaying and umpire laboratory assaying.

The Mineral Reserve and Mineral Resource estimates and additional information in connection with the New Liberty gold mine is set out in an NI 43-101 compliant Technical Report dated November 1, 2017 and entitled "New Liberty Gold Mine, Bea Mountain Mining Licence Southern Block, Liberia, West Africa" and is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Mineral Reserve and Mineral Resource estimates and additional information in connection with the Youga Gold Mine is set out in an NI 43-101 compliant Technical Report, dated July 31, 2018 entitled "Mineral Resource and Mineral Reserve Update for the Youga Gold Mine" and is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**5. FORWARD-LOOKING STATEMENTS**

Certain information contained in this MD&A constitutes forward looking information or forward looking statements with the meaning of applicable securities laws. This information or statements may relate to future events, facts, or circumstances or the Company's future financial or operating performance or other future events or circumstances. All information other than historical fact is forward looking information and involves known and unknown risks, uncertainties and other factors which may cause the actual results or performance to be materially different from any future results, performance, events or circumstances expressed or implied by such forward-looking statements or information. Such statements can be identified by the use of words such as "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "would", "project", "should", "believe", "target", "predict" and "potential". No assurance can be given that this information will prove to be correct and such forward looking information included in this MD&A should not be unduly relied upon. Forward looking information and statements speaks only as of the date of this MD&A.

Forward looking statements or information in this MD&A include, among other things, statements regarding significant improvements in its unit cost base, increased mining rates, increased plan throughputs, publishing of an updated Mineral Resource and Mineral Reserve for New Liberty during Q3 2018, completion of retrofitting works at the Youga Gold Mine in Q4 2018, and statements regarding the expected operational and financial performance of each of the foregoing for the Company's New Liberty and Youga mines.

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In making the forward looking information or statements contained in this MD&A, assumptions have been made regarding, among other things: general business, economic and mining industry conditions; interest rates and foreign exchange rates; the continuing accuracy of Mineral Resource and Reserve estimates; geological and metallurgical conditions (including with respect to the size, grade and recoverability of Mineral Resources and Reserves) and cost estimates on which the Mineral Resource and Reserve estimates are based; the supply and demand for commodities and precious and base metals and the level and volatility of the prices of gold; market competition; the ability of the Company to raise sufficient funds from capital markets and/or debt to meet its future obligations and planned activities and that unforeseen events do not impact the ability of the Company to use existing funds to fund future plans and projects as currently contemplated; the stability and predictability of the political environments and legal and regulatory frameworks including with respect to, among other things, the ability of the Company to obtain, maintain, renew and/or extend required permits, licences, authorizations and/or approvals from the appropriate regulatory authorities; that contractual counterparties perform as agreed; and the ability of the Company to continue to obtain qualified staff and equipment in a timely and cost-efficient manner to meet its demand.

Actual results could differ materially from those anticipated in the forward looking information or statements contained in this MD&A as a result of risks and uncertainties (both foreseen and unforeseen), and should not be read as guarantees of future performance or results, and will not necessarily be accurate indicators of whether or not such results will be achieved. These risks and uncertainties include the risks normally incidental to exploration and development of mineral projects and the conduct of mining operations (including exploration failure, cost overruns or increases, and operational difficulties resulting from plant or equipment failure, among others); the inability of the Company to obtain required financing when needed and/or on acceptable terms or at all; risks related to operating in West Africa, including potentially more limited infrastructure and/or less developed legal and regulatory regimes; health risks associated with the mining workforce in West Africa; risks related to the Company's title to its mineral properties; the risk of adverse changes in commodity prices; the risk that the Company's exploration for and development of mineral deposits may not be successful; the inability of the Company to obtain, maintain, renew and/or extend required licences, permits, authorizations and/or approvals from the appropriate regulatory authorities and other risks relating to the legal and regulatory frameworks in jurisdictions where the Company operates, including adverse or arbitrary changes in applicable laws or regulations or in their enforcement; competitive conditions in the mineral exploration and mining industry; risks related to obtaining insurance or adequate levels of insurance for the Company's operations; that Mineral Resource and Reserve estimates are only estimates and actual metal produced may be less than estimated in a Mineral Resource or Reserve estimate; the risk that the Company will be unable to delineate additional Mineral Resources; risks related to environmental regulations and cost of compliance, as well as costs associated with possible breaches of such regulations; uncertainties in the interpretation of results from drilling; risks related to the tax residency of the Company; the possibility that future exploration, development or mining results will not be consistent with expectations; the risk of delays in construction resulting from, among others, the failure to obtain materials in a timely manner or on a delayed schedule; inflation pressures which may increase the cost of production or of consumables beyond what is estimated in studies and forecasts; changes in exchange and interest rates; risks related to the activities of artisanal miners, whose activities could delay or hinder exploration or mining operations; the risk that third parties to contracts may not perform as contracted or may breach their agreements; the risk that plant, equipment or labour may not be available at a reasonable cost or at all, or cease to be available, or in the case of labour, may undertake strike or other labour actions; the inability to attract and retain key management and

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personnel; and the risk of political uncertainty, terrorism, civil strife, or war in the jurisdictions in which the Company operates, or in neighbouring jurisdictions which could impact on the Company's exploration, development and operating activities.

This MD&A also contains Mineral Resource and Mineral Reserve estimates. Information relating to Mineral Resource and Mineral Reserve contained in this MD&A is considered forward looking information in nature, as such estimates are estimates only, and that involve the implied assessment of the amount of minerals that may be economically extracted in a given area based on certain judgments and assumptions made by qualified persons, including the future economic viability of the deposit based on, among other things, future estimates of commodity prices. Such estimates are expressions of judgment and opinion based on the knowledge, mining experience, analysis of drilling results and industry practices of the qualified persons making the estimate. Valid estimates made at a given time may significantly change when new information becomes available, and may have to change as a result of numerous factors, including changes in the prevailing price of gold. By their nature, Mineral Resource and Mineral Reserve estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such Mineral Resource and Mineral Reserve estimates are inaccurate or are reduced in the future (including through changes in grade or tonnage), this could have a material adverse impact on the Company and its operating and financial performance. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, the Company cannot provide assurance that actual results or performance will be consistent with these forward-looking statements. The forward looking information and statements included in this MD&A are expressly qualified by this cautionary statement and are made only as of the date of this MD&A. The Company does not undertake any obligation to publicly update or revise any forward looking information except as required by applicable securities laws.

## **6. RISKS AND UNCERTAINTIES**

In the event any rehabilitation and restoration may be required, there would be inherent risks and uncertainties related to the scope, timing and cost of any rehabilitation and restoration, and the recommencement of processing operations at the New Liberty Gold Mine may be further delayed. Furthermore there may be unforeseen or long term environmental consequences as a result of the cause of any rehabilitation and restoration requirements.

It is also unknown at this time whether the Company may become subject to regulatory or civil claims, fines and penalties or the potential quantum thereof. The Company may be unsuccessful in defending against any legal claims that may arise, and current sources of funds may be insufficient to fund liabilities arising from such claims. Any additional financing that may be required may not be available to the Company on terms acceptable to the Company or at all.

Avesoro is also exposed to a number of potential risks due to the nature of the mining and exploration business in which it is engaged, the countries in which it operates, adverse movements in gold prices and foreign exchange and liquidity risk. Readers are referred to the Company's Annual Information Form, located on SEDAR at [www.sedar.com](http://www.sedar.com), for a full list of applicable risk factors.

## **7. INTERNAL CONTROL OVER FINANCIAL REPORTING**

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The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for the design and effectiveness of internal controls over financial reporting ("ICFR" as such term is defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109")), to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. The Company's CEO and CFO are also responsible for the design and effectiveness of disclosure controls and procedures ("DC&P" as such term is defined in NI 52-109) to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers.

The Company's CEO and CFO have each evaluated the design and operating effectiveness of the Company's DC&P and ICFR as of December 31, 2017, and, in accordance with the requirements established under NI 52-109, the CEO and CFO have each concluded that these controls and procedures have been designed and operate to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company and that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

Based upon the results of that evaluation, the CEO and CFO have concluded that as of December 31, 2017, the Company's disclosure controls and procedures were effective.

During the six months ended June 30, 2018, there were no changes in the Company's disclosure controls and procedures or internal controls over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **8. OUTLOOK**

The Company remains on track to achieve the 2018 gold production and cost guidance.

During the second half of 2018, the Company expects to see significant improvements in its unit cost base as production levels grow, aided by the increased mining rates following the commissioning of additional heavy mining equipment at both New Liberty and Youga and also the increased plant throughputs that have been enabled through process plant optimisation activities undertaken during the first half of 2018.

Following the successful Mineral Resource and Reserve upgrade for Youga published earlier in Q2 2018, the Company's extensive drilling campaigns continue to progress at pace in both Liberia and Burkina Faso. The Company looks forward to further updating the market on the results of our Mineral Resource upgrade work at New Liberty and the exciting exploration work at the Ndablama deposit.