



August 17, 2018

VIA SEDAR

TO: Ontario Securities Commission

AND TO: British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Nova Scotia Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Office of the Superintendent of Securities (Prince Edward Island)
Office of the Superintendent of Securities Service Newfoundland and Labrador
Office of the Superintendent of Securities (Yukon Territory)
Office of the Superintendent of Securities (Northwest Territories)
Nunavut Securities Office

Dear Sirs/Mesdames:

Re: AVESORO RESOURCES INC. (the “Company”)

This cover letter explains the reason for the refiling today by the Company of:

1. The Company’s Audited Annual Financial Statements for the year ended December 31, 2017.
2. The Company’s Management Discussion and Analysis for the year ended December 31, 2017.
3. The Company’s Unaudited Interim Financial Statements for the three months ended March 31, 2018.
4. The Company’s Management Discussion and Analysis for the three months ended March 31, 2018.

In preparing the Company’s unaudited interim financial statements for the three and six months 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 and the unaudited interim consolidated statement of financial position as at March 31, 2018.

The impact of the restatement on the audited annual 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 impact of the restatement of the audited annual consolidated statement of changes in equity as at December 31, 2017 is to reduce capital contribution 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.

The impact of the restatement of the unaudited interim consolidated statement of financial position as at March 31, 2018 is to increase the current portion of borrowings by US\$2.8 million, increase the non-current portion of borrowings by US\$4.9 million and reduce the capital contribution in equity by US\$7.6 million. The impact of the restatement of the unaudited interim consolidated statement of changes in equity is to reduce capital contribution by \$7.6 million. The adjustments have no impact on profit nor cash flows for the year ended December 31, 2017 nor for the three months ended March 31, 2018. The repayment terms, rates and amounts payable pursuant to the loan agreements are unchanged.

The Amended and Restated Management Discussion and Analysis for the year ended December 31, 2017 and for the interim three months ended March 31, 2018 which follow this cover letter have been corrected to include the effects of the above restatement.

Yours truly,

AVESORO RESOURCES INC.

“Geoffrey Eyre”

Geoffrey Eyre
Chief Financial Officer

Avesoro Resources Inc.

Consolidated Financial Statements

Years ended December 31, 2017 and 2016

(Amended and Restated)

Registered office:

Suite 3800
Royal Bank Plaza, South Tower
200 Bay Street
Toronto
Ontario M5J 2Z4
Canada

Company registration number:

776831-1

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Avesoro Resources Inc.

We have audited the accompanying amended and restated consolidated financial statements of Avesoro Resources Inc. for the year ended December 31, 2017 and the year ended December 31, 2016 which comprise the amended and restated consolidated statements of financial position, income and comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards as issued by the IASB.

Management's Responsibility for the amended and restated Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the amended and restated consolidated financial statements present fairly, in all material respects, the financial position of Avesoro Resources Inc. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Restatement of consolidated financial statements

Without modifying our opinion, we draw attention to note 25 to the amended and restated consolidated financial statements which explains that the amended and restated consolidated financial statements for the year ended December 31, 2017 have been restated from those which were originally reported on March 20, 2018.

"BDO LLP" (signed)

London

August 17, 2018

Avesoro Resources Inc.
Consolidated Statement of Income and Comprehensive Income
For the years ended December 31, 2017 and 2016
(stated in US dollars)

	Year ended December 31, 2017 \$'000	Year ended December 31, 2016 \$'000
Gold sales (Note 5)	97,786	63,612
Cost of sales		
- Production costs (Note 5)	(73,494)	(87,017)
- Depreciation (Note 5)	(32,248)	(15,948)
- Other costs (Note 5)	-	(8,883)
Gross loss	(7,956)	(48,236)
Expenses		
Administrative and other expenses (Note 6)	(5,666)	(12,049)
Exploration and evaluation costs	(2,958)	(2,715)
Impairment of property, plant and equipment (Note 11)	(2,876)	(42,473)
Gain on lease settlement (Note 11)	3,988	-
Loss from operations	(15,468)	(105,473)
Derivative liability gain (Note 16)	-	1,054
Finance costs	(11,812)	(8,576)
Finance income	16	5
Loss before tax	(27,264)	(112,990)
Tax for the year (Note 7)	(143)	-
Net loss for the year	(27,407)	(112,990)
Attributable to:		
- Owners of the Company	(27,474)	(112,990)
- Non-controlling interest	67	-
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss		
Available-for-sale investments (Note 12)	(34)	(28)
Currency translation differences	(66)	110
Total comprehensive loss for the year	(27,507)	(112,908)
Attributable to:		
- Owners of the Company	(27,574)	(112,908)
- Non-controlling interest	67	-
Loss per share, basic and diluted (US\$) (Note 19)	(0.51)	(9.97)

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

Avesoro Resources Inc.

Amended and Restated Consolidated Statement of Financial Position

As at December 31, 2017 and 2016

(stated in US dollars)

	December 31, 2017 \$'000 (as restated - see Note 25)	December 31, 2016 \$'000
Assets		
Current assets		
Cash and cash equivalents	17,787	13,429
Trade and other receivables (Note 8)	25,286	5,775
Inventories (Note 9)	36,932	16,351
Other assets (Note 10)	1,710	516
	81,715	36,071
Non-current assets		
Property, plant and equipment (Note 11)	249,552	191,117
Available-for-sale investments (Note 12)	21	55
Deferred tax asset (Note 7)	4,554	-
Other assets (Note 10)	1,196	-
	255,323	191,172
Total assets	337,038	227,243
Liabilities		
Current liabilities		
Borrowings (Note 13)	37,964	20,312
Trade and other payables (Note 14)	41,003	14,227
Income tax payable	12,358	-
Finance lease liability (Note 15)	1,913	2,370
Derivative liability (Note 16)	105	105
Provision (Note 17)	523	-
	93,866	37,014
Non-current liabilities		
Borrowings (Note 13)	101,335	73,159
Trade and other payables (Note 14)	463	-
Finance lease liability (Note 15)	5,875	9,790
Provision (Note 17)	10,439	2,304
	118,112	85,253
Total liabilities	211,978	122,267
Equity		
Share capital (Note 18b)	353,653	283,506
Capital contribution	54,022	48,235
Share based payment reserve (Note 18c)	7,840	6,770
Acquisition reserve (Note 4)	(33,060)	-
Available-for-sale investment reserve (Note 12)	(487)	(453)
Cumulative translation reserve	(466)	(400)
Deficit	(260,156)	(232,682)
Equity attributable to owners	121,346	104,976
Non-controlling interest	3,714	-
Total equity	125,060	104,976
Total liabilities and equity	337,038	227,243

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

Approved by the board of directors on August 17, 2018

"Geoffrey Eyre" (signed)

Director

Avesoro Resources Inc.
Consolidated Statement of Cash Flows
For the years ended December 31, 2017 and 2016
(stated in US dollars)

	Year ended December 31, 2017 \$'000	Year ended December 31, 2016 \$'000
Operating activities		
Loss for the year	(27,407)	(112,990)
Income tax	143	-
Loss before tax	(27,264)	(112,990)
Items not affecting cash:		
Share-based payments (Note 6)	1,070	768
Depreciation (Note 11)	32,765	16,359
Unrealized foreign exchange loss/(gain)	(31)	240
Derivative liability gain (Note 16)	-	(1,054)
Interest expense	11,812	8,576
Write-down of inventories (Note 9)	2,900	7,431
Gain on lease settlement (Note 11)	(3,988)	-
Impairment of property, plant and equipment (Note 11)	2,876	42,473
Impairment of inventories (Note 9)	-	4,933
Exploration acquisition costs settled through issuance of shares (Note 18b)	-	531
Services settled through issuance of shares (Note 18b)	-	100
Changes in non-cash working capital		
Increase in trade and other receivables	655	(4,970)
Increase in trade and other payables	(2,036)	11,983
Increase in inventories	(7,791)	(14,446)
Cash flows from/(used in) operating activities	10,968	(40,066)
Investing activities		
Acquisition of Youga and Balogo Gold Mines (Note 4)	(4,336)	-
Payments to acquire property, plant and equipment	(30,061)	(54,126)
Decrease in other assets	(546)	328
Proceeds from pre-production gold sales	-	14,793
Finance charges	-	(153)
Cash flows used in investing activities	(34,943)	(39,158)
Financing activities		
Net proceeds from issue of common shares (Note 18b)	18,680	92,695
Proceeds from shareholder loan (Note 13b)	18,800	-
Exercise of stock options	8	-
Net repayment of borrowings	(168)	(12,430)
Finance charges	(8,987)	(6,897)
Proceeds from issue of promissory note (Note 18b)	-	12,303
Cash flows from financing activities	28,333	85,671
Impact of foreign exchange on cash balance	-	(146)
Net increase in cash and cash equivalents	4,358	6,301
Cash and cash equivalents at beginning of year	13,429	7,128
Cash and cash equivalents at end of year	17,787	13,429

The significant non-cash transactions during the year ended December 31, 2017 and 2016 are disclosed in Note 24.

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

Avesoro Resources Inc.

Amended and Restated Consolidated Statement of Changes in Equity

As at December 31, 2017 and 2016

(stated in US dollars)

	Total Equity Attributable to Owners							Total	Non-controlling Interest	Total Equity
	Share capital	Capital contribution (as restated - see Note 25)	Share-based payment reserve	Acquisition reserve	Available-for-sale investment Reserve	Cumulative translation reserve	Deficit			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
Balance at January 1, 2016	177,877	48,235	6,002	-	(425)	(510)	(119,692)	111,487	-	111,487
Loss for the year	-	-	-	-	-	-	(112,990)	(112,990)	-	(112,990)
Other comprehensive loss for year	-	-	-	-	(28)	110	-	82	-	82
Total comprehensive loss for year	-	-	-	-	(28)	110	(112,990)	(112,908)	-	(112,908)
Share-based payments (Note 6)	-	-	768	-	-	-	-	768	-	768
Issue of common shares (net of costs)	105,629	-	-	-	-	-	-	105,629	-	105,629
Balance at December 31, 2016	283,506	48,235	6,770	-	(453)	(400)	(232,682)	104,976	-	104,976
Loss for the year	-	-	-	-	-	-	(27,474)	(27,474)	67	(27,407)
Other comprehensive loss for year	-	-	-	-	(34)	(66)	-	(100)	-	(100)
Total comprehensive loss for year	-	-	-	-	(34)	(66)	(27,474)	(27,574)	67	(27,507)
Share-based payments (Note 6)	-	-	1,070	-	-	-	-	1,070	-	1,070
Acquisition of Youga and Balogo (Note 4)	51,459	-	-	(33,060)	-	-	-	18,399	3,647	22,046
Other issue of common shares (net of costs)	18,688	-	-	-	-	-	-	18,688	-	18,688
Related party loans (Note 13b,c)	-	5,787	-	-	-	-	-	5,787	-	5,787
Balance at December 31, 2017	353,653	54,022	7,840	(33,060)	(487)	(466)	(260,156)	121,346	3,714	125,060

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

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

1. Nature of operations

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 and Balogo Gold Mines in Burkina Faso.

The Company's parent company is Avesoro Jersey Limited ("AJL"), a company incorporated in Jersey and Mr. Murathan Doruk G nal is the ultimate beneficial owner.

2. Going concern

As at December 31, 2017, the Company had cash and cash equivalents of \$17.8 million, net current liabilities of \$12.1 million and debt and interest repayments of \$39.5 million due within the next 12 months.

The cash generation profile of the Company significantly increased as a result of the acquisition of the Youga and Balogo Gold Mines (Note 4) and the turnaround of operations at New Liberty. In addition, the Company has an undrawn facility of \$16.2 million with AJL 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. The Company continues to adopt the going concern basis of accounting in preparing the amended and restated consolidated financial statements.

3. Summary of significant accounting policies

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

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation

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

3.2 New accounting standards adopted

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

3.3 Standards in issue but not yet effective

The following standards and interpretations which have been recently issued or revised and are mandatory for the Group's accounting periods beginning on or after January 1, 2018 or later periods have not been adopted early:

<i>Standard</i>	<i>Detail</i>	<i>Effective date</i>
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Revenue with contracts with customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 2	Amendment – Classification and measurement of share based payment transactions	January 1, 2018

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

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

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

3.4 Basis of consolidation

3.4.1 Subsidiaries

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

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

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

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

These financial statements include the accounts of Avesoro and its subsidiaries. The significant subsidiaries at December 31, 2017 are set out below:

<u>Company</u>	<u>Place of incorporation</u>	<u>% of equity ownership</u>
Bea Mountain Mining Corporation ("BMMC")	Liberia	100%
Burkina Mining Company ("BMC")	Burkina Faso	90%
Netiana Mining Company ("NMC")	Burkina Faso	90%

3.4.2 Transactions eliminated on consolidation

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

3.5 *Foreign currency translation*

3.5.1 Functional and presentation currency

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

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

3.5.2 Foreign currency transactions

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

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

3.6 Equity

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

<i>Reserve</i>	<i>Description and purpose</i>
Share capital	Amount subscribed for share capital at share issue price less direct issue costs
Capital contribution	Includes the net assets transferred to Avesoro on April 13, 2011 pursuant to the Plan of Arrangement and the equity portion of the loans payable to AJL (majority shareholder) and Mapa Insaat ve Ticaret A.S. (a related party)
Share-based payment reserve	Fair value of share-based payments vested
Acquisition reserve	The difference between the consideration and the aggregate carrying value of the assets and liabilities of the acquired entity as of the date of acquisition where the business combination includes entities under common control
Available-for-sale investment reserve	Gains and losses arising on available-for-sale investments
Cumulative translation reserve	Exchange differences arising on translation of non-US dollar functional currency subsidiaries
Cumulative deficit	Amount of cumulative net gains and losses recognised on the amended and restated consolidated statement of income
Non-controlling interest	Represents the share in subsidiaries that is not owned by the Group

3.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and applicable impairment charges. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amounts of any replaced parts are derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive loss/income during the financial period in which they are incurred.

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

Machinery and equipment	3-4 years
Vehicles	5 years
Mining equipment	5-10 years
Leasehold improvements	Term of the lease

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

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

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

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

3.8 Exploration costs

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

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

3.9 Impairment

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

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

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

External

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

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

Internal

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

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

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

3.10 *Financial instruments*

Financial assets

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

Available-for-sale financial assets

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

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

Loans and receivables

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

Impairment of financial assets at amortised cost

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

Cash and cash equivalents

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

Derecognition of financial assets

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

Financial liabilities and equity

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

Equity instruments

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

Other financial liabilities

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

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

Derecognition of financial liabilities

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

Derivative financial instruments:

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

3.11 Income tax

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

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

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

3.12 Gold sales

Revenue from sales of gold is recognised when:

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

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

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

3.13 Cost of sales

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

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

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

3.14 Stripping costs

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

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

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

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

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

3.15 Inventories

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

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

Impairment of inventories are recognised when stocks are determined to be uneconomic to process. Reversals of impairments are recognised when previously impaired inventories are determined to be economic to process.

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

3.16 Leases

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

3.17 Provisions

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

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

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

3.18 Borrowing costs

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

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

3.19 Share-based payments

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

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

3.20 Promissory note

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

3.21 Segments

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

3.22 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at the proportionate share of net assets of the acquiree.

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

3.23 Common control business combinations

Where business combinations include transactions among entities under common control and outside the scope of IFRS 3 – Business Combinations, the Company considered the guidance provided by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors and applied predecessor accounting.

Assets acquired or liabilities assumed are not restated to their fair values. Instead, the acquirer incorporates the carrying amounts of assets and liabilities of the acquired entity and no new goodwill arises.

The difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity as of the date of acquisition is included as acquisition reserve in equity.

Management believes this policy gives a true and fair view as all entities are under the same ultimate controlling party, therefore under common control.

3.24 Critical accounting judgements and sources of estimation uncertainty

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

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

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

Carrying value of New Liberty and Burkina Faso cash generating units

The ability of the Company to realise the carrying value of a cash generating unit is contingent upon future profitable production or proceeds from the 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 cash flows could materially differ from those estimated. Note 11 outlines the significant inputs used when performing impairment test on the New Liberty cash generating unit.

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

3. Summary of significant accounting policies (continued)

Reserve estimates

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

Declaration of commercial production

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

Provisions for mine closure and rehabilitation costs

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

Capitalisation of exploration and evaluation costs

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

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 amended and restated consolidated financial statements of future periods could be significant.

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

4. Acquisition of Youga and Balogo Gold Mines

On December 18, 2017 the Company completed the acquisition of the Youga Gold Mine and Balogo Gold Mine in Burkina Faso (the "Youga and Balogo Gold Mines") 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 \$70.2 million which comprises of the issuance of \$51.5 million of new common shares in the Company and a cash component of \$18.7 million.

The Youga and Balogo Gold Mines provide the Company with geographic diversity within West Africa and are highly complementary to New Liberty Gold Mine, significantly increasing Avesoro's gold production, in addition to adding high quality exploration upside that will provide for further future organic growth.

This transaction has been accounted for in accordance with Note 3.23 Common control business combinations as the Company and AJL are both owned by Avesoro Holdings Limited. The following table summarises the carrying value of the assets acquired and liabilities assumed on the date of acquisition.

	\$'000
Recognised amounts of identifiable assets and liabilities assumed	
Cash and cash equivalents	14,394
Trade and other receivables	20,166
Inventories	15,690
Property, plant and equipment (Note 11)	38,191
Deferred tax asset (Note 7)	4,554
Other assets	1,844
Trade and other payables	(25,742)
Loans payable to AJL (Note 13(b))	(8,106)
Income tax payable	(12,215)
Provisions (Note 17)	(8,000)
Total identifiable net assets	40,776
Non-controlling interest	(3,647)
Acquisition reserve	33,060
	70,189
Fair value of consideration	
Cash paid	18,730
Shares issued (Note 18b)	51,459
	70,189

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

The net cash outflow from the acquisition amounted to \$4.3 million. Acquisition-related costs of \$0.7 million have been charged to administrative and other expenses in the statement of comprehensive income for the year ended December 31, 2017.

The results of Youga and Balogo Gold Mines are included within the consolidated statement of income from the date of acquisition. Youga and Balogo Gold Mines contributed revenues of \$2.5 million and a net income after tax of \$0.5 million to the Group's net loss for the period from December 18 to 31, 2017.

Had the acquisition completed on January 1, 2017, the Company would have reported revenues of \$236.6 million and a net income after tax of \$13.7 million for the year ended December 31, 2017.

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

5. 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 and Balogo Gold Mines;
-) Exploration; and
-) Corporate.

Gold sales from New Liberty operations and Burkina operations are each sold to a single but different customer, both located in Switzerland.

Following is an analysis of the Company's results, assets and liabilities by reportable segment for the year ended December 31, 2017:

	New Liberty operations \$'000	Burkina operations \$'000	Exploration \$'000	Corporate \$'000	Total \$'000
Net income/(loss) for the year	(20,770)	1,319	(2,458)	(5,498)	(27,407)
Gold sales	95,246	2,540	-	-	97,786
Production costs					
- Mine operating costs	(70,433)	(3,187)	-	-	(73,620)
- Change in inventories	(1,983)	2,109	-	-	126
	(72,416)	(1,078)	-	-	(73,494)
Depreciation	(32,248)	-	(500)	(17)	(32,765)
Segment assets	241,451	90,818	4,197	572	337,038
Segment liabilities (amended and restated)	(157,617)	(49,388)	(4,196)	(777)	(211,978)
Capital additions and acquisitions					
– property, plant and equipment	55,868	38,191	-	-	94,059

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

5. Segment information (continued)

Following is an analysis of the Company's results, assets and liabilities by reportable segment for the year ended December 31, 2016:

	New Liberty operations \$'000	Burkina operations \$'000	Exploration \$'000	Corporate \$'000	Total \$'000
Loss for the year	(103,015)	-	(3,105)	(6,870)	(112,990)
Gold sales	63,612	-	-	-	63,612
Production costs					
- Mine operating costs	(80,209)	-	-	-	(80,209)
- Change in inventories	(1,875)	-	-	-	(1,875)
- Impairment of inventories	(4,933)	-	-	-	(4,933)
	(87,017)	-	-	-	(87,017)
Depreciation	(15,948)	-	(389)	(22)	(16,359)
Other costs					
- Termination fee (Note 20)	(4,500)	-	-	-	(4,500)
- Shutdown costs	(4,383)	-	-	-	(4,383)
	(8,883)	-	-	-	(8,883)
Segment assets	216,567	-	575	10,101	227,243
Segment liabilities	(121,483)	-	(69)	(715)	(122,267)
Capital additions – property, plant and equipment	27,714	-	30	-	27,744

6. Administrative expenses

	Year ended December 31, 2017 \$'000	Year ended December 31, 2016 \$'000
Wages, salaries and contractual termination/change of control payments	1,693	4,046
Legal and professional	1,548	5,412
Depreciation of non-mining assets	17	411
Share based payments	1,070	768
Foreign exchange	78	250
Other expenses	1,260	1,162
	5,666	12,049

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

7. Income taxes

	Year ended December 31, 2017 \$'000	Year ended December 31, 2016 \$'000
Current taxation	143	-

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

	Year ended December 31, 2017 \$'000	Year ended December 31, 2016 \$'000
Loss before tax	(27,264)	(112,990)
Tax recovery at the Canadian corporation tax rate of 26.5%	(7,225)	(29,942)
Effect of different tax rates of subsidiaries operating in other jurisdictions	345	1,895
Non-deductible expenses	1,048	10,822
Non-taxable gains	(997)	(279)
Tax losses not utilised and carried forward	7,219	17,957
Other	(247)	(453)
	143	-

Deferred tax balances in Burkina Faso for which there is a right of offset within the same tax jurisdiction are presented net on the face of the balance sheet as permitted by IAS 12. The closing deferred tax assets, after this offsetting of balances, are shown below:

	December 31, 2017 \$'000	December 31, 2016 \$'000
Deferred tax assets arising from:		
Capital allowances	3,203	-
Other temporary differences	1,351	-
	4,554	-

Deferred tax balances in Liberia for which there is a right of offset within the same tax jurisdiction are presented net as permitted by IAS 12. A deferred tax asset of \$4.8 million (2016: \$2.9 million) in respect of losses has been recognised and off set against a deferred tax liability of \$4.8 million (2016: \$2.9 million) with respect to accelerated tax depreciation in Liberia. The Group has only recognised an asset up to the value of the deferred tax liability.

The Group has further carried forward losses and capital allowances in Liberia and Canada in which it does not recognise a deferred tax asset due to uncertainty over the utilisation of these assets. The unrecognised deferred taxation asset at December 31, 2017 is \$107.9 million (2016: US\$81.3 million) based on a carried forward tax losses asset of \$51.1 million (2016: US\$26.6 million) which expires between 2031 and 2037 and capital allowances of \$56.8 million (2016: US\$54.7 million) which have no expiry date.

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

8. Trade and other receivables

	December 31, 2017 \$'000	December 31, 2016 \$'000
Trade receivable	416	760
Other receivables	10,690	1,940
Due from related parties (Note 20(e))	1,015	122
Pre-payments	13,165	2,953
	25,286	5,775

Other receivables include a VAT receivable from the Burkina Faso Government amounting to \$8.9 million as at December 31, 2017 (2016: \$nil).

9. Inventories

	December 31, 2017 \$'000	December 31, 2016 \$'000
Gold dore	3,986	1,720
Gold in circuit	2,561	1,492
Ore stockpiles	6,688	3,737
Consumables	23,697	9,402
	36,932	16,351

Consumables at New Liberty as at December 31, 2016 include inventories acquired from a related party (Note 20(d)).

Production costs for the year ended December 31, 2017 include a write-down of ore stockpiles at New Liberty of \$2.9 million to net realisable value. Production costs for the year ended December 31, 2016 include an impairment of the low grade oxide stockpiles which was not planned to be fed through the processing plant at New Liberty as at December 31, 2016 of \$4.9 million.

10. Other assets

	December 31, 2017 \$'000	December 31, 2016 \$'000
Current		
Surety deposit	400	400
Deposit to supplier	662	-
Other deposits	648	-
Amounts in escrow in respect of an operating lease	-	116
	1,710	516
Non-current		
Asset retirement obligation deposit	517	-
Other deposits	679	-
	1,196	-

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

11. Property, plant and equipment

	Development assets \$'000	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
Cost									
At January 1, 2016	221,275	-	-	-	-	1,645	1,233	94	224,247
Transfers	(221,275)	210,746	-	1,369	9,160	-	-	-	-
Additions	-	7,017	-	854	4,469	30	-	-	12,370
Acquired from a related party (Note 20)	-	-	-	-	-	14,717	657	-	15,374
Impairment	-	(42,473)	-	-	-	-	-	-	(42,473)
Foreign exchange	-	-	-	-	-	-	(6)	(11)	(17)
At December 31, 2016	-	175,290	-	2,223	13,629	16,392	1,884	83	209,501
Additions	-	8,322	16,229	544	2,025	27,752	996	-	55,868
Acquisitions (Note 4)	-	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
Accumulated depreciation									
At January 1, 2016	-	-	-	-	-	1,120	876	62	2,058
Charge for the period	-	14,909	-	116	651	518	148	17	16,359
Foreign exchange	-	-	-	-	-	(16)	(4)	(13)	(33)
At December 31, 2016	-	14,909	-	116	651	1,622	1,020	66	18,384
Charge for the period	-	23,754	1,838	296	2,933	3,622	303	19	32,765
Acquisitions (Note 4)	-	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
Net book value									
At December 31, 2016	-	160,381	-	2,107	12,978	14,770	864	17	191,117
At December 31, 2017	-	156,402	14,391	3,922	9,194	63,913	1,730	-	249,552

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

11. Property, plant and equipment (continued)

The additions to development assets for the year ended December 31, 2017 include capitalized borrowing costs of \$nil (2016: \$1.7 million). It also includes pre-production costs of \$nil for the year ended December 31, 2017 (2016: \$2.1 million), net of pre-production revenues of \$nil (2016: \$14.8 million).

Impairment of assets held under finance leases

During the year ended December 31, 2017, the Company agreed to cancel poor performing heavy mining equipment held as finance leases and fully acquire those with acceptable performance for a cash consideration of \$2.7 million. The derecognition of the finance lease liabilities resulted in a gain of \$4 million and an impairment of \$2.9 million was recognised on those equipment with low availabilities.

Impairment of New Liberty Gold Mine

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

The mine operations falling below expectations during the year represented an impairment trigger, and as a result, Management performed impairment testing in order to ensure that the recoverable value calculated exceeded the carrying value as presented. The results of this test did not result in any impairment for the year ended December 31, 2017 (2016: \$42.5 million).

The recoverable amount of the CGU was determined by calculating its VIU, which has been determined to be greater than its fair value less cost to dispose. The key assumptions used in determining the VIU for the CGU is life-of-mine ("LOM") plan, long-term gold prices and discount rate. The estimates of future cash flows were derived from the latest LOM plan as at December 31, 2017 which showed an estimated life of 4 years (2016: seven years) and was based on management's current best estimates of optimized mine and processing plans, future operating costs and the assessment of capital expenditure of the New Liberty Gold Mine. The Company also used the following assumptions:

-) estimated gold price of \$1,300 per ounce (2016: a range from \$1,200 to \$1,300 (LOM average \$1,300) per ounce) based on observable market data including spot price and industry consensus; and
-) a pre-tax discount rate of 8.5% (2016: 8.5%) was applied to present value the net future cash flows based on the weighted average cost of capital applicable to the CGU.

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

12. Available-for-sale investments

	December 31, 2017 \$'000	December 31, 2016 \$'000
Beginning of the year	55	83
Loss recognised in statement of comprehensive income	(34)	(28)
End of the year	21	55

As at December 31, 2017 and 2016, the Company holds 615,855 shares in Stellar Diamonds plc, a diamond mining and exploration company listed on the AIM market operated by the London Stock Exchange. The Company's available-for-sale investments are classified as Level 1 where the fair value is determined by reference to quoted prices (unadjusted) in active markets.

13. Borrowings

	December 31, 2017 (as restated - see Note 25) \$'000	December 31, 2016 \$'000
Current		
Bank loan - Senior Facility Tranche A	14,741	11,222
Bank loan - Senior Facility Tranche B	9,737	9,090
Shareholder loan	8,106	-
Related party loan (amended and restated – see Note 25)	5,380	-
	37,964	20,312
Non-current		
Bank loan - Senior Facility Tranche A	58,668	62,636
Bank loan - Subordinated Facility	10,846	10,523
Shareholder loan	14,938	-
Related party loan (amended and restated – see Note 25)	16,883	-
	101,335	73,159

(a) Bank loans

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

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

13. Borrowings (continued)

On March 31, 2017, the Company finalised an amendment to its Loan Facilities. The revisions include improved conditions and rescheduled repayment terms of the Loan Facilities in exchange for the provision of a personal guarantee from Mehmet Nazif G nal, Non-Executive Chairman of the Company, and corporate guarantees from the Avesoro Holdings Limited group, the beneficial owner of 72.9% of the Company's issued equity.

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

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

(b) Shareholder loan

Current

The current shareholder loan payable to AJL of \$8.1 million was assumed on acquisition of Youga and Balogo Gold Mines (see Note 4).

Non-current

During the year ended December 31, 2017, BMMC borrowed \$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 at New Liberty.

The loan is unsecured and ranks subordinated to the Company's bank loans. Interest is charged on the loan at a fixed rate of 3.75% per annum. The amount undrawn from this loan facility as at December 31, 2017 is \$16.2 million. BMMC may draw down in multiple tranches at the Company's discretion before December 31, 2020, with funds available for general working capital purposes. The facility is due to repaid in full no later than December 31, 2022 and has no early repayment penalty.

The loan payable to AJL was initially 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 of \$4.5 million has been credited to equity as a capital contribution as the loan is from its majority shareholder.

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

13. Borrowings (continued)

(c) Related party loan

During the year ended December 31, 2017 the Company entered into equipment and finance facility agreements with Mapa n aat ve Ticaret A. . ("Mapa"), a company controlled by Mehmet Nazif G nal, Non-Executive Chairman of the Company, to facilitate the purchase of heavy mining equipment totaling \$23.2 million. 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 amount of approximately \$11 million and 5.5% per annum on the Euro denominated loan amount of approximately €10.3 million (equivalent to approximately \$12.2 million). 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.

The loan payable to Mapa was initially 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 of \$1.3 million has been credited to equity as a capital contribution from a related party.

14. Trade and other payables

	December 31, 2017 \$'000	December 31, 2016 \$'000
Current		
Trade payables	27,649	7,368
Due to related parties (Note 20(e))	464	1,342
Accruals and other payables	12,890	5,517
	41,003	14,227
Non-current		
Trade payables	463	-

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

15. Finance lease liability

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

	December 31, 2017 \$'000	December 31, 2016 \$'000
Gross finance lease liability		
- Within one year	2,820	3,902
- Between two and five years	7,191	11,842
- After five years	-	420
	10,011	16,164
Future finance cost	(2,223)	(4,004)
Present value of lease liability	7,788	12,160
Current portion	1,913	2,370
Non-current portion	5,875	9,790

As discussed in Note 11, the Company cancelled certain finance leases of heavy mining equipment. The derecognition of those finance leases resulted in a gain of \$4 million recognised in the consolidated statement of comprehensive income.

16. Derivative liability

	Year ended December 31, 2017 \$'000	Year ended December 31, 2016 \$'000
Beginning of the year	105	1,159
Change in fair value	-	(1,054)
End of the year	105	105

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

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

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

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

16. Derivative liability (continued)

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

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

	December 31, 2017	December 31, 2016
Exercise price	7 GBp	7-37.8 GBp
Dividend yield	0%	0%
Risk free interest rate	0.73%	0.55%
Expected life	1.3 years	0.8-2.3 years
Expected volatility (based on historical volatility)	103%	92-115%

The weighted average exercise price of the outstanding 31,524,528 warrants which are accounted for as derivative liability as at December 31, 2017 is 7 GBp (2016: 22 GBp).

17. Provision

	December 31, 2017 \$'000	December 31, 2016 \$'000
Current		
Legal provisions	395	-
Others	128	-
	523	-
Non-current		
Mine closure and rehabilitation provision	8,529	2,304
Provision for employee benefits	1,910	-
	10,439	2,304

Avesoro Resources Inc.Amended and Restated Notes to the Consolidated Financial Statements
For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

17. Provision (continued)

	December 31, 2017 \$'000	December 31, 2016 \$'000
Current		
Beginning of the year	-	-
Assumed during the year (Note 4)	523	-
End of the year	523	-
	December 31, 2017 \$'000	December 31, 2016 \$'000
Non-current		
Beginning of the year	2,304	1,369
Additions during the year	543	854
Assumed during the year (Note 4)	7,477	-
Unwinding of discount	115	81
End of the year	10,439	2,304

The estimated mine closure and rehabilitation costs are expected to be incurred at the end of the life of each mine, 2022 for New Liberty, 2024 for Youga and 2018 for Balogo. Mine closure and rehabilitation costs are estimated based on a formal closure plan and are subject to regular reviews. The principal factors that can cause expected cash flows to change include change in the LOM plan, changes in ore reserves and changes in law and regulation governing the protection of the environment.

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

18. Equity

(a) Authorised

Unlimited number of common shares without par value.

(b) Issued

	Shares	\$'000
Balance at January 1, 2016	536,168,262	177,877
Issued to Sarama Investments Liberia Limited (i)	5,648,310	531
Equity financing with AJL (ii)	390,644,883	17,462
Conversion of Promissory Note (ii)	271,577,546	12,303
Other equity financing (iii)	4,110,000,000	75,132
Share subscription (iv)	5,300,000	101
Shares issued for services to the Company (iv)	5,420,000	100
Balance at December 31, 2016	5,324,759,001	283,506
Issued to AJL on acquisition of Youga and Balogo Gold Mines (v)	2,033,492,822	51,459
Equity financing (v)	797,449,000	20,248
Share issuance costs (v)	-	(1,568)
Exercise of stock options (vi)	375,000	8
Balance at December 31, 2017	8,156,075,823	353,653

- (i) On January 6, 2016, the Company completed the acquisition of Sarama Investments Liberia Limited which holds the Cape Mount, Cape Mount East and Cape Mount West licences, for a total consideration of 5,648,310 shares at a price of 6.38p per share (\$0.094).
- (ii) On June 21, 2016 the Company issued 59,533,674 new common shares at a price of \$0.045302 per Share and a promissory note for the aggregate principal amount of US\$12,303,006 to AJL ("the Promissory Note"), raising gross proceeds of \$15 million.

On July 15, 2016 the Company issued a further 331,111,209 new shares at a price of \$0.045302 per share to AJL, raising gross proceeds of \$15 million. Further, the Promissory Note issued by the Company to AJL also converted into 271,577,546 Shares (also at a price of \$0.045302 per Share).

These transactions resulted in AJL becoming the majority shareholder of the Company.

- (iii) On December 6, 2016, the Company issued 4,110,000,000 shares at a price of 1.5 pence per share raising net proceeds of \$75 million, with AJL subscribing for \$60 million of new shares, via an equity fundraising to finance the Company's transition to an owner-operator mining model at New Liberty, repay amounts due to the Lenders and to strengthen its balance sheet.

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

18. Equity (continued)

- (iv) In addition, Serhan Umurhan, the Company's Chief Executive Officer, subscribed for 5,300,000 shares at a price of 1.5 pence per share. Serhan Umurhan and Geoff Eyre, the Company's Chief Financial Officer, have been issued 2,710,000 shares each at a price of 1.5 pence per share in consideration for an aggregate of \$100,000 for services rendered to the Company.
- (v) As discussed in Note 4, the company acquired Youga and Balogo Gold Mines on December 18, 2017 for a total consideration of US\$70.2 million which comprises of the issuance of 2,033,492,822 new common shares in the Company at a price of 1.90p per share and a cash component of US\$18.7 million. The cash component was funded through the issuance of 797,449,000 at a price of 1.90p per share through a private placing. The directly attributable costs of issuance of these new shares amounted to \$1.6 million.
- (vi) During the year ended December 31, 2017 the Company issued 375,000 shares on exercise of 375,000 stock options at a price of 1.575 pence per stock option.

(c) Stock options

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

	December 31, 2017		December 31, 2016	
	Number of options	Weighted average exercise price per share Cdn\$	Number of options	Weighted average exercise price per share Cdn\$
Beginning of the year	124,269,550	0.09	18,096,864	0.54
Options granted	174,500,000	0.03	113,046,000	0.04
Options exercised	(375,000)	0.03	-	-
Options expired	(557,000)	1.05	(6,592,187)	0.39
Options forfeited	(14,894,696)	0.18	(281,127)	0.35
End of the year	282,942,854	0.05	124,269,550	0.09

There were 51,202,500 stock options that have vested as at December 31, 2017 (2016: 24,952,550) with a weighted average exercise price of Cdn\$0.04 (2016: Cdn\$0.25).

The weighted average fair value of the 174,500,000 stock options granted in year ended December 31, 2017 (2016: 113,046,000 options) was estimated at US\$0.01 per option (2016: US\$0.02) at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	Year ended December 31, 2017	Year ended December 31, 2016
Share price at grant date	GBP0.02-0.03	GBP0.02-0.06
Exercise price	GBP0.02-0.03	GBP0.02-0.06
Dividend yield	0%	0%
Risk free interest rate	0.40-0.72%	0.17-1.30%
Expected life	5 years	5 years
Expected volatility (based on historical volatility)	34-90%	84-129%

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

19. Loss per share

	Year ended December 31, 2017	Year ended December 31, 2016
Loss for the year attributable to owners of equity (\$'000)	(27,474)	(112,990)
Weighted average number of common shares for the purposes of basic and diluted loss per share	54,256,004	11,328,935
Basic and diluted loss per share (\$)	<u>(0.51)</u>	<u>(9.97)</u>

The weighted average number of common shares has been restated for the 100:1 share consolidation that became effective on January 16, 2018 (Note 25).

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

20. Related party transactions

Following are the Company's related party transactions in addition to the acquisition of Youga and Balogo Gold Mines as discussed in Note 4.

(a) AJL loan facility

As discussed in Note 13(b), the Company borrowed US\$18.8 million from its majority shareholder, AJL, during the year ended December 31, 2017. Interest charged on the loan for the year ended December 31, 2017 amounted to US\$0.7 million.

(b) Loans payable to Mapa

As discussed in Note 13(c), the Company borrowed US\$23.2 million from Mapa during the year ended December 31, 2017. Interest charged on the loans for the year ended December 31, 2017 amounted to US\$0.4 million.

(c) Guarantee on the Loan Facilities

In exchange for the revised and improved conditions and rescheduled repayment terms of the Loan Facilities (see Note 13(a)) a personal guarantee was provided by Mehmet Nazif G nal, Non-Executive Chairman of the Company and corporate guarantees were provided by the Avesoro Holdings Limited group, the beneficial owner of 72.9% of the Company's issued equity.

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

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

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

20. Related party transactions (continued)

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

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

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

During the year ended December 31, 2017, BMMC charged \$2 million for management, procurement and operational assistance provided to ASLI and an additional \$0.3 million for payments made on behalf of ASLI. The outstanding receivable from ASLI as at December 31, 2017 is \$1 million.

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

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

	Year ended December 31, 2017 \$'000	Year ended December 31, 2016 \$'000
<i>Technical and managerial services provided to:</i> Avesoro Services (Jersey) Limited, a subsidiary of Company's parent company	486	122
<i>Drilling services provided to the Company by:</i> Zwedru Mining Inc., a subsidiary of Company's parent company	(899)	(66)
<i>Drilling services provided to the Company by:</i> Faso Drilling Company SA., a subsidiary of Company's parent company	(742)	-
<i>Travel services provided to the Company by:</i> MNG Turizm ve Ticaret A.S., an entity controlled by the Company's Chairman	(38)	(20)
<i>Administration services provided to the Company by:</i> Avesoro Services (Jersey) Limited, a subsidiary of Company's parent company	(120)	-
<i>Charter plane services provided to the Company by:</i> MNG Gold Liberia Inc., a subsidiary of Company's parent company	(180)	-
<i>Technical and procurement services provided to the Company by:</i> MNG Orko Madencilik A.S., an entity controlled by the Company's Chairman	(350)	-
<i>Environmental services provided by:</i> Digby Wells Environmental, an entity that shared a common director with the Company	-	(70)

Included in trade and other receivables is a receivable from a related party of \$1 million as at December 31, 2017 (2016: \$0.1 million) which represents management, procurement and operational assistance services.

Included in trade and other payables is \$0.5 million payable to related parties as at December 31, 2017 (2016: \$1.3 million) which represents mainly drilling and charter jet services.

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

20. Related party transactions (continued)

(f) Key management compensation

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

	Year ended December 31, 2017 \$	Year ended December 31, 2016 \$
Salaries and other short-term employee benefits	1,263,198	1,099,122
Contractual termination/change of control payments	-	1,243,797
Share-based payments *	576,529	487,388
	1,839,727	2,830,307

The remuneration earned by each director is as follows:

	Year ended December 31, 2017				Year ended December 31, 2016			
	Salaries and other short-term benefits	Contractual termination/ change of control	Share- based payments *	Total	Salaries and other short-term benefits	Contractual termination/ change of control	Share- based payments *	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Geoffrey Eyre ¹	413,488	-	177,614	591,102	164,671	-	50,000	214,671
Karin Ireton ²	-	-	-	-	25,701	94,897	16,740	137,338
Jean-Guy Martin	90,226	-	61,379	151,605	86,989	94,897	67,420	249,306
David Netherway	90,226	-	61,379	151,605	98,004	135,567	95,320	328,891
Loudon Owen	90,226	-	61,379	151,605	86,989	94,897	61,840	243,726
David Reading ²	-	-	-	-	263,147	350,000	38,138	651,285
Adrian Reynolds ²	-	-	-	-	25,701	94,897	22,320	142,918
Serhan Umurhan ¹	579,032	-	214,778	793,810	239,814	-	50,000	289,814
	1,263,198	-	576,529	1,839,727	991,016	865,155	401,778	2,257,949

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

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

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

(g) Equity financing

AJL's participation in the financing of the Company are disclosed in Note 18b.

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

21. Financial instruments by category

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

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

	Available for sale \$'000	Cash and Receivables at amortised cost \$'000	Total \$'000
December 31, 2017			
Assets as per statement of financial position			
Cash and cash equivalents	-	17,787	17,787
Trade and other receivables	-	11,106	11,106
Due from related parties	-	1,015	1,015
Available-for- sale investments	21	-	21
Total	21	29,908	29,929

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

	Liabilities at fair value through the profit and loss \$'000	Other financial liabilities at amortised cost (as restated - see Note 25) \$'000	Total \$'000
December 31, 2017			
Liabilities as per statement of financial position			
Trade payables and accruals	-	41,002	41,002
Due to related parties	-	464	464
Derivative liability	105	-	105
Finance lease liability	-	7,788	7,788
Borrowings	-	139,299	139,299
Total	105	188,553	188,658

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

21. Financial instruments by category (continued)

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

22. Financial and capital risk management

(a) Financial risk management

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

Interest rate and liquidity risk

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

The Directors consider there to be minimal interest rate risk from fluctuations in market interest rates since the interest on the borrowings are largely fixed. If USD LIBOR, which is the variable component of the interest increased by 100% during the year ended December 31, 2017, finance cost would have increased by \$1 million.

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

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

22. Financial and capital risk management (continued)

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

	Within 30 days \$'000	30 days to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000
At December 31, 2017				
Trade and other payables	28,673	12,322	8	463
Finance lease liability	594	880	1,346	7,191
Borrowings and finance costs	199	25,345	21,329	130,034
At December 31, 2016				
Trade and other payables	8,421	5,806	-	-
Finance lease liability	325	1,626	1,951	12,262
Borrowings and finance costs	9,082	1,832	17,135	84,609

Foreign exchange risk

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

	December 31, 2017 \$'000	December 31, 2016 \$'000
Carrying value of foreign currency balances		
Cash and cash equivalents, include balances denominated in:		
Canadian Dollar (CAD)	-	17
Pound Sterling (GBP)	133	2,746
West African CFA Franc (XOF)	13,999	-
Others	5	53
Investments, include balances denominated in:		
Pounds Sterling (GBP)	21	55
Receivables and other assets, include balances denominated in:		
Canadian Dollar (CAD)	259	225
Pounds Sterling (GBP)	136	406
West African CFA Franc (XOF)	20,334	-
Others	-	29
Trade and other payables, include balances denominated in:		
Canadian Dollar (CAD)	175	198
Euro (EUR)	2,985	186
Pound Sterling (GBP)	517	1,082
South African Rand (ZAR)	972	1,146
West African CFA Franc (XOF)	36,510	-
Others	36	65

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

22. Financial and capital risk management (continued)

The sensitivities below are based on financial assets and liabilities held at December 31, 2017 and 2016 where balances were not denominated in the functional currency of the Company. The sensitivities do not take into account the Company's income and expenses and the results of the sensitivities could change due to other factors such as changes in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors.

	Effect on net assets of USD strengthening 10%	
	December 31, 2017	December 31, 2016
	\$'000	\$'000
Canadian Dollar (CAD)	(8)	(4)
Pound Sterling (GBP)	23	(212)
South African Rand (ZAR)	97	115
Euro (EUR)	299	19
West African CFA Franc (XOF)	218	-

Credit risk

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

	December 31, 2017	December 31, 2016
	\$'000	\$'000
Financial institutions with Standards & Poor's A rating	2,784	13,457
Financial institutions regulated by the Central Bank of the West African States	13,999	-
Financial institutions un-rated	1,004	-

(b) Capital risk management

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

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

The Company does not currently pay out dividends.

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

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management as at December 31, 2017.

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

23. Commitments

Operating expenditure contracted for at December 31, 2017 but not yet incurred is as follows:

	Less than one year	Between one and five years	Over five years
	\$'000	\$'000	\$'000
Operating lease expenditure	65	461	-
Other operating expenditure	4,652	-	-
Capital expenditure	1,698	-	-

Operating expenditure commitments comprises of operating leases as at December 31, 2017.

Commitments in respect of finance leases are disclosed in Note 15.

24. Notes to the statement of cash flows

	Borrowings	Finance lease liabilities	Share capital	Capital contribution	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at January 1, 2017	93,471	12,160	283,506	48,235	437,372
Cash flows from/(used in) financing activities	5,999	(877)	18,688	4,523	28,333
Cash flows used in investing activities	-	(866)	-	-	(866)
Non-cash flows					
Finance costs	9,689	1,695	-	-	11,384
Acquisition of Youga and Balogo Gold Mines	8,106	-	51,459	-	59,565
Non-cash acquisition of assets held under finance leases	-	2,002	-	-	2,002
Related party loans	16,772	-	-	6,472	23,244
Unrealised foreign exchange	54	-	-	-	54
Gain on lease settlement	-	(3,988)	-	-	(3,988)
Changes in non-cash working capital	-	(2,338)	-	-	(2,338)
As at December 31, 2017	134,091	7,788	353,653	59,230	554,762

	Borrowings	Finance lease liabilities	Share capital	Promissory note	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at January 1, 2016	102,809	8,865	177,877	-	289,551
Cash flows from/(used in) financing activities	(18,357)	(970)	92,695	12,303	85,671
Cash flows used in investing activities	-	(1,061)	-	-	(1,061)
Non-cash flows					
Finance costs	7,548	948	-	-	8,496
Capitalised interest	1,471	-	-	-	1,471
Conversion of promissory note into shares	-	-	12,303	(12,303)	-
Shares issued for exploration licences	-	-	531	-	531
Shares issued in lieu of services	-	-	100	-	100
Non-cash acquisition of assets held under finance leases	-	4,378	-	-	4,378
As at December 31, 2016	93,471	12,160	283,506	-	389,137

Avesoro Resources Inc.

Amended and Restated Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(in US dollars unless otherwise stated)

25. Restatement of related party loans and capital contribution as at December 31, 2017

In preparing the Company's unaudited 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 impact of the restatement of the audited consolidated statement of changes in equity is to reduce capital contribution 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.

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

26. Subsequent events

On January 16, 2018 a 100:1 share consolidation became effective and the Company's previously issued share capital of 8,156,075,823 common shares of nil par value was reduced to 81,560,260 new common shares of nil par value.

On February 21, 2018 the Company entered into further equipment and finance facility agreements with Mapa to facilitate the purchase of heavy mining equipment totaling approximately \$10.3 million. The equipment finance loans are unsecured, with interest charged at 6.5% per annum and have similar terms as those entered into with Mapa during the year ended December 31, 2017 as discussed in Note 18(c). The loan principal of these agreements includes a mark-up of 2.5% over the cost incurred by Mapa in procuring the equipment.